



**CURRENCY EXCHANGE**  
**INTERNATIONAL**



**CURRENCY EXCHANGE INTERNATIONAL**  
**2013 ANNUAL REPORT**

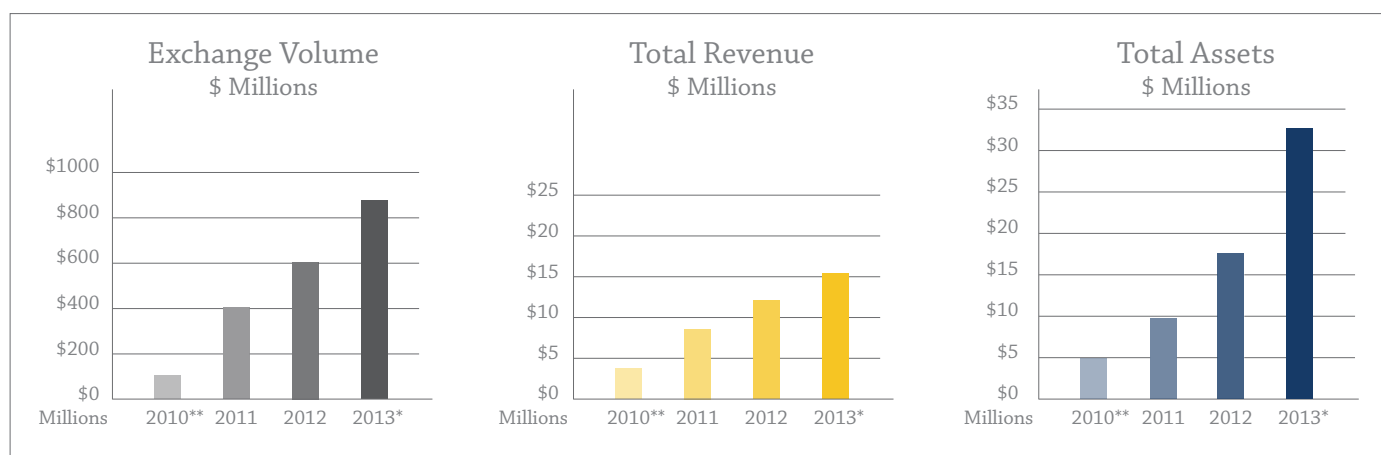
# Financial Highlights



## CURRENCY EXCHANGE INTERNATIONAL

	2013*	2012	2011	2010**
Exchange Volume: In Millions	\$878	\$605	\$409	\$116
Total Revenue: In Millions	\$16.0	\$12.3	\$8.7	\$3.4
Total Assets In Millions	\$33.7	\$18.2	\$9.9	\$5.0

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



Corporate Customers and Distinct Locations				
	2010**	2011	2012	2013*
Company-Owned Branch Locations	15	18	23	26
Affiliate Branch Locations	9	11	11	23
Wholesale Company Relationships	70	123	245	364
Distinct Corporate Customer Locations	267	1,983	2,455	5,741

Key Ratios	2012	2013*
Earnings Per Share	\$0.83	\$0.64
Return On Assets	15%	7.8%
Return On Equity	12%	8.9%
Efficiency Ratio	71%	75%


2013 Key Ratios include one-time non-cash gain of \$458,241 from the revaluation of the Company's warrant liability

2012 Key Ratios include one-time non-cash gain of \$962,408 from the revaluation of the Company's warrant liability.

Quarterly Stock Price (TSX:CXI)				
Q1	Q2	Q3	Q4	
Ended 12/31/2012	Ended 3/31/2013	Ended 6/30/2013	Ended 10/31/2013	
\$7.00	\$8.30	\$7.35	\$11.20	

TSX stock prices are quoted in Cdn\$

\*13 month period ended October 31, 2013  
 \*\*9 month period ended September 30, 2010



## Dear CXI Shareholders, Employees, and Customers,

I am pleased to present the progress and achievements of Currency Exchange International for our 13 month period ended October 31, 2013.

Randolph W. Pinna  
President & CEO

All amounts expressed in USD unless otherwise noted.

### *Application for CXI Canada to Continue as Exchange Bank of Canada*

After several months of pre-application meetings, in November 2012, Currency Exchange International (CXI) submitted an application to the Office of the Superintendent of Financial Institutions (OSFI) in Canada to continue its wholly-owned subsidiary, Currency Exchange International of Canada Corp. (CXIC), as a new Canadian Schedule 1 Bank. CXI has been working with OSFI throughout the year and believes that the progress made has been very positive. If approved, the bank will be known as Exchange Bank of Canada in English and Banque de Change du Canada in French. By becoming a Toronto based bank, CXI would benefit from a lower cost of transacting in cash, expect to gain clients that are used to or would prefer to deal with a bank, and expand its international payments services at lower costs, amongst other benefits.

### *Change of Year End*

As part of the bank application process, CXI also changed its year end from September 30 to October 31 in order to align with the required year end reporting period for Canadian banks. As a result of the change in year end, this annual

report presents and compares the results of the 13 months ended October 31, 2013 and the year ended September 30, 2012.

### *Continuing CXI's Successful Expansion*

During this 13 month fiscal year, CXI commenced currency exchange services for several large financial institutions. These new relationships, combined with increased volumes from many new retail and wholesale customers resulted in an increase of more than \$270 million in total exchange volume compared with the previous year. Revenues grew by \$3.7 million to \$16 million compared to \$12.3 million for the previous year. CXI's management and board are pleased with these results since the 2013 year was projected to be a transition year due to the many changes at the corporation to accommodate becoming a chartered bank.

Also during the last 13 months, CXI's branch locations had strong year over year performances and we are extremely pleased to report that all of the branch locations contributed to CXI's revenue and profit growth. During fiscal 2013, CXI opened five new company-owned locations in markets across the U.S. raising the total number of branches in its network to 26 at period end. The company once again saw a large number of U.S. and Canadian customers buying an assortment of currencies.

## CXI - A Well Capitalized Group of Companies

Key financial ratios across the balance sheet and income statement show that our team managed the growth during the past year with great efficiency. Compared to the previous year, total current assets increased from \$18.2 million to \$33.7 million. Shareholder's Equity increased from \$16.2 million to \$29.8 million, as a result of positive earnings and the exercise of warrants and broker compensation units from its initial public offering in March 2012. A total of 1,518,405 common share purchase warrants and broker compensation units were exercised prior to their expiration. The total number of exercised common share purchase warrants and broker compensation units represents 98% of all common share purchase warrants and broker compensation units available for exercise, bringing the total number of shares issued and outstanding to 5.39 million. The company had a total of 1,435,725 common share purchase warrants exercised at an exercise price of Cdn\$7.50 per share resulting in total gross proceeds of Cdn\$10.8 million for CXI. The company had 82,680 broker compensation units exercised at Cdn\$6.65 per unit for gross proceeds of Cdn\$0.5 million.

CXI has used the new funds to capitalize CXIC, as anticipated in CXIC's business plan as a part of its application to OSFI for it to continue as Exchange Bank of Canada. As a part of this process, CXI has begun operating the 2014 year with CXI having one wholly-owned subsidiary, CXIC and CXIC having one wholly-owned subsidiary, Currency Exchange International America Corp. (CXIA), being operating entities.

Shareholder's Equity \$ Millions	
September 30, 2010	\$3.3
September 30, 2011	\$6.2
September 30, 2012	\$16.2
October 31, 2013	\$29.8

## Strategic Improvements

During 2013, CXI continued to invest substantial resources to further enhance its core, proprietary operating software, CEIFX.com. This web based application allows for foreign currency exchange, cheques and wire payments, and inventory management for CXI as well as CXI's clients. The software is

extremely flexible and allows for unique customizations for a wide range of institutions, which CXI uses to its advantage to win customers away from its competitors. The software platform is easy to use and incorporates all of the reporting, compliance, and risk management features that one would expect from a leading full service provider of international foreign currency services.

CXI also continues to make significant investments in resources necessary to effectively manage the company in compliance with all regulatory requirements. As a part of this process, CXI continued to enhance its internal audit, compliance, information security, and accounting capabilities, often in a manner which exceeds regulatory requirements. During the past year, CXI procured a seasoned CFO, (Peter Scherer) experienced with banking and OSFI compliance. In addition, the company continued to make enhancements in operations and structure in order to ensure the achievement of our goals of profitably, while providing exceptionally responsive customer service in a fully transparent and compliant environment.

## Well Positioned for the Years Ahead

I am excited that we are well positioned to efficiently manage the continued expansion of our wholesale relationships and growth of our branch network in the coming years. We are in advanced discussions with several new, prestigious customers to begin offering our services and we believe that this growth will be even further accelerated if the bank license is approved. In view of the current status of these initiatives, we believe that 2014 will be a profitable year and that our stock will continue to reflect the company's strong performance.

The entire board of directors and management teams are extremely proud of the achievements made through the past 13 months with the help and support of our excellent employees, customers, and shareholders.

I personally thank all of CXI's employees, shareholders, customers, and friends for their continued support of Currency Exchange International. Should you have any questions or wish to discuss anything at all, I remain available to discuss our company and its goals with you personally.

Sincerely,



Randolph W. Pinna  
President and CEO

## Our History

- 2007
- CXI begins operations when Randolph Pinna purchases the retail branches of Foreign Currency Exchange Corp. from the Bank of Ireland Group.
  - Retail operations include eight retail locations and over the next six years, CXI adds an additional 18 wholly-owned branches.
  - CXI expands branch operations with its affiliate program to more than 20 locations.
  - CXI launches its proprietary, web-based foreign currency software solution.
  - CXI establishes regional vaults for a total of three vaults in the U.S.: its main currency processing center in Miami, Florida and regional vaults in New York and California.
  - CXI commences services for financial institutions, allowing its wholesale partnerships to grow rapidly.
  - CXI Canada opens for business.
  - CXI Canada's Toronto vault is established.
  - CXI completes its Initial Public Offering (IPO) on the Toronto Stock Exchange (TSX).
  - CXI Canada files application to continue as a new Schedule 1 Bank in Canada.
  - Expiration of the Regulation S restriction removed from CXI.S Common Shares - now trades as CXI on the TSX.
  - 98% of Common Share Purchase Warrants and Broker Compensation Units are exercised for total gross proceeds of Cdn\$11.3 million.
  - CXI services more than 350 companies at 5,700 plus distinct locations.
- 2013
- CXI exchanges \$878 million in volume and has assets totaling \$33.7 million.

## Currency Exchange International Key Activities

### **CXI Canada Files Application for New Schedule 1 Bank in Canada**

Subject to review and approval of the application by the Office of the Superintendent of Financial Institutions (OSFI) in Canada and the Minister of Finance (Canada), the new bank will be called "Exchange Bank of Canada" in English and "Banque de change du Canada" in French and will have its head office in Toronto.

The objective of Exchange Bank of Canada is 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 will afford the Company numerous advantages, among them it eventually expects to be able to bank with Central banks, including the Bank of Canada and the U.S. Federal Reserve Bank, thereby obtaining a source of stable, cost-effective funds, collateral reductions with corresponding banks, and enhancing existing banking relationships.

Currency Exchange International, Corp has been engaged in ongoing correspondence with OSFI during the application process to align the company with OSFI's expectations of a Schedule 1 Bank. Over the course of the year, CXI appointed Peter Scherer as Senior Vice President and Chief Financial Officer and Chirag Bhavsar as Lead Director of the Board for CXI and Chairman of the Board for CXI Canada. Previous to CXI, Mr. Scherer held the same positions at AGF Trust Company. Mr. Scherer brings significant financial experience beneficial to the company's goal of becoming a Canadian chartered bank. Mr. Bhavsar brings extensive banking experience in the U.S. as Executive Vice President and Chief Financial Officer of CNL Bank, qualities that are invaluable to the future growth of the company. CXI believes strong, experienced leadership in its senior management and board members is critical to building a successful foundation for the bank.

### **Exercised Stock Warrants and Units Lead to Asset Growth**

With the support of its shareholders, a total of 1,518,405 common share purchase warrants and broker compensation units were exercised for total gross proceeds of Cdn\$11.3 million. A total of 1,435,725 common share purchase warrants for gross proceeds of Cdn\$10.8 million and 82,680 broker compensation units for proceeds of Cdn\$0.5 million were exercised prior to their expiration date and were qualified under CXI's initial public offering and listing on the Toronto Stock Exchange in March 2012.

The additional equity raised exceeded the projections CXI provided to OSFI as part of the application for Exchange Bank of Canada. The new funds provide the company with the opportunity to achieve the goals described within this report.

### **Company Structure**

CXI restructured the company during 2013 to allow the majority of assets to fall under Canadian regulatory authority. This ensures that the majority of the consolidated assets of the group of companies be under the control of the entity which has a pending application to operate as a bank in Canada. Furthermore, CXI changed its year end for 2013 from September 30 to October 31, 2013 as required for Canadian banks.

The company is structured as follows: Currency Exchange International, Corp. has one subsidiary, Currency Exchange International of Canada Corp., which is wholly-owned, and was incorporated under the Canada Business Corporations Act. Currency Exchange International of Canada Corp. has a wholly-owned subsidiary, Currency Exchange International America Corp., which is incorporated under the laws of Florida.

## Currency Exchange International Operations

### Business Overview

Currency Exchange International's wholesale business and company-owned branch network maintain a complementary role in the health and growth of the company. Since its inception, CXI has recognized the interdependent importance of each to the overall success of the company. As a net buyer of foreign currency, the company-owned branches provide an influx of foreign currency that it can in turn make available for sale through its wholesale network relationships. This synergy, which Currency Exchange International effectively creates, affords the company the ability to offer its customers and clients the best rates, helping grow the business, while enjoying larger margins in its business lines.

### Company-Owned Branch Network

CXI's management team continued its strategic growth plan during the 13 month period ended October 31, 2013 with five new branches transacting across the United States, many in popular regional shopping centers in tourist-oriented markets. As in years past, the company-owned branch expansion has been divided into familiar regions as well as new markets.

In the first quarter of the this period ended October 31, 2013, CXI commenced transacting at the Galleria Mall in Fort Lauderdale, Florida. The Galleria Mall was the latest Florida location for CXI, an area the company knows well as this branch is its sixth South Florida location.

The next four branch openings occurred over a three month period from June to August 2013. First, the company's fifth entry into the greater Los Angeles area commenced at the Westfield MainPlace Mall in June. Following the June opening in Los Angeles, California, CXI extended its branch network into the newest market for the company, Chicago, Illinois, at The Shops at North Bridge located along the famous "Magnificent Mile" shopping district.

Lastly, two new branches started transacting in August, one across from the bustling Penn Station transportation hub in New York, in an Apple Bank branch, and another in Bethesda, Maryland at the Westfield Montgomery Mall. The Montgomery Mall location has acted as a replacement for the Pentagon City branch which was displaced when the branch closed at the end of July 2013.

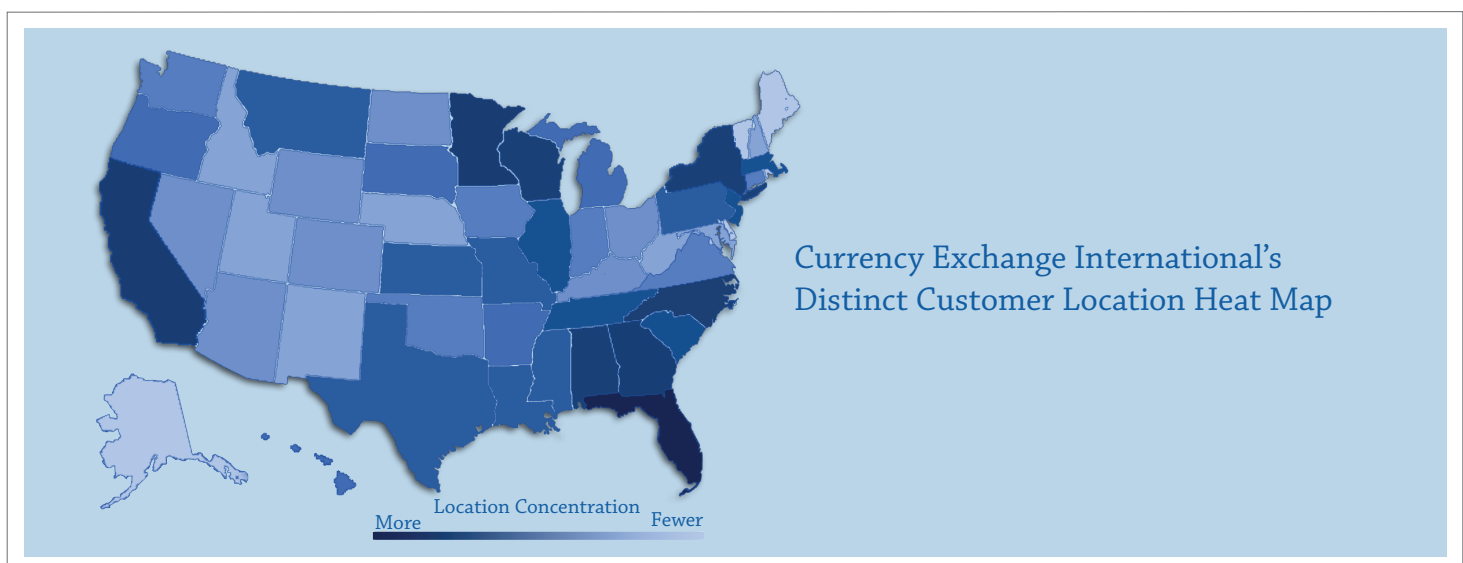
Opening new wholly-owned branch locations requires an up-front investment from the company. CXI continues to prove this internal investment is well spent, creating profitable, long-lasting branches. Within the period end, all branch additions are performing up to company expectations and contributing to the company's revenue growth.

### U.S. Wholesale Environment

CXI generated great return from its existing wholesale customer base and expanded the number of relationships by winning the business of financial institutions, money-services businesses (MSBs), and other corporate clients. The company provides a full suite of foreign currency services in the U.S. including foreign banknotes, international wires, issuing foreign drafts, and clearing foreign denominated cheques.

There are a number of factors that come into play when considering why the company has been successful in gaining so many new customers. A few of the key factors the company excels at include pricing, versatile service capabilities, an advanced and fully compliant software platform, and customer service.

Many customers realize the value of the company's flexible service offerings such as turn-key solutions with as much or as little company involvement as needed in each situation. The adaptability of the company's programs has routinely been regarded as one of its best features. New customers often find



immediate advantages when switching or starting foreign currency programs with CXI and this is expected to continue as the company has created a foundation for scalable and efficient growth of its services.

The goal for CXI when establishing customer relationships is to create a mutually beneficial relationship where all parties involved are in a better financial position due to their interaction. This commitment to building meaningful relationships has been a successful basis for growth as the company’s customers remain loyal and has created a positive reputation for CXI to do business within the industry.

### Canadian Wholesale Environment

Currency Exchange International of Canada Corp. began its vault operation in November 2011 and has achieved great success in growing its business over the course of the last two years. An example of its achievement is evident by the company surpassing more than \$1.6 million in revenue, nearly doubling its previous year’s revenue.

The increase in revenue has been made possible by gains in its customer base and ultimately the number of locations it services. In the 13 month period ended October 31, 2013, it more than doubled its customer base from the prior year and now provides banknote currency exchange to more than four times the number of distinct locations than it did at the end of its 2012 fiscal year. The gain in business has been overseen by its experienced

Canadian operations team. The guidance provided by the management team has been pivotal in keeping business productivity high and achieving strong operational efficiencies.

CXI has continually been selected by companies and financial institutions as their preferred foreign exchange provider in Canada, resulting in more opportunities for the company in the future.

### CEIFX Software Advantage

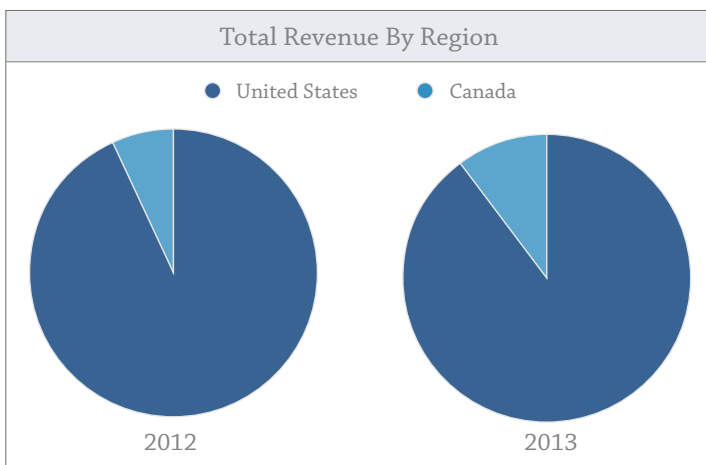
Viewed as a leading application in foreign currency exchange, the CEIFX software continues to generate interest with new and potential customers, while garnering positive reviews from current users. The core features allow for fully customized customer setups, compliance integration, instinctual user interface, user management, and robust reporting capabilities. The software’s active development cycle means routine maintenance, new features, and requests are fulfilled quickly and securely.

The web-based software accommodates all product lines offered by CXI including banknotes, traveler’s cheques, foreign cheque clearing, foreign draft issuance, and wire transfer payments. At its core, the system is driven by its Compliance Verification System (CVS). The CVS allows for live compliance checks of regulatory watch lists, easy to review matches, live-stop capabilities, branch hopper aggregation, compliance reporting, and maintains compliance with all current U.S. and Canadian regulations.

Even with such robust capabilities the system remains flexible for many setup types and deployment needs. The versatility of the software offers a full white-label environment, where the software can be deployed to look like the customer’s own website, allowing CXI to operate completely behind the scenes. Additionally, the software has the ability to connect with a customer’s own environment with Single Sign On (SSO). The functionality of the software for each user and company is fully customizable for each client’s needs. This ensures each FX transaction is as quick and easy as possible without losing any functionality.

On top of users completing foreign currency transactions, the software is functional for administrators, auditors, and risk managers. The software has been certified with external security audits and necessary security protocols are in place so all customers can be comfortable working with the CEIFX system.

The company is dedicated to maintaining and continually enhancing its software to keep pace as the leading foreign currency software in the industry. With financial regulations and customer needs always changing, CEIFX remains an integral part of the company’s competitive advantage.



Total Revenue By Region \$ Millions			
	Year Ended September 30, 2012	13 Month Period Ended October 31, 2013	% Change
United States	\$11.5	\$14.4	25%
Canada	\$0.8	\$1.6	92%
Total	\$12.3	\$16.0	30%

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**FOR THE THIRTEEN-MONTH  
PERIOD ENDED OCTOBER 31,  
2013, AND YEAR ENDED  
SEPTEMBER 30, 2012**





## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Scope of Analysis*

This Management Discussion and Analysis ("**MD&A**") covers the results of operations, and financial condition of Currency Exchange International, Corp. (the "**Company**," "**Currency Exchange**," or "**CXI**") for the thirteen-month period ended October 31, 2013 and the year ended September, 2012, including the notes thereto. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

This MD&A has been prepared as at January 8, 2014 in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* adopted by the Canadian Securities Administrators. This information has been prepared by management of the Company in accordance with International Financial Reporting Standards ("**IFRS**") and should be read in conjunction with the audited consolidated financial statements of the Company for the thirteen-month period ended October 31, 2013 and the year ended September 30, 2012, 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. The functional currency of the Company and its U.S. subsidiary, Currency Exchange International America Corp., is the U.S. dollar. The functional currency of the Company's Canadian subsidiary, Currency Exchange International Canada Corp., 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 subsidiaries, Currency Exchange International of Canada Corp. and Currency Exchange International America Corp.

### *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).

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*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.

Forward-looking information	Assumptions	Risk factors
Status of CXI’s application to continue its subsidiary as a Canadian Schedule I bank, and the objectives for such bank	Regulatory and governmental approval for the establishment of the bank will be received on a timely basis upon terms favorable to CXI; the bank will be able to attract and retain clients	Approvals are made at the discretion of governmental bodies and may not be granted on terms favorable to CXI or at all; the bank has no history of operations
Expectations regarding CXI’s ratio of operating expenses to total revenues	The operations of CXI in the near term, and the costs associated therewith, will be consistent with management’s current expectations; foreign exchange rates and other applicable economic conditions are favorable to CXI; CXI will be able to successfully execute its expansion plans	The possibility that operations will not be consistent with recent history and management’s expectations; increases in transactional or other costs; fluctuations in foreign exchange markets; changes in economic conditions
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 “Risks Factors” section below. 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.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Forward Looking Statements (continued)*

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 banks, travel companies, and to clients through its company owned branches and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's proprietary online software system, CEIFX ([www.ceifx.com](http://www.ceifx.com)). 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 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 at the Company.

On November 23, 2012, CXI submitted its application to continue its wholly-owned 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" - Canada) and the Minister of Finance (Canada), the new bank will be called "Exchange Bank of Canada" in English and "Banque de Change du Canada" in French and will have its head office in Toronto.

The objective of the Exchange Bank of Canada is 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 affords the Company numerous advantages including the opportunity to bank with Central Banks, thereby obtaining a source of stable, cost-effective funds, collateral reductions with corresponding banks, and enhancing existing bank relationships.

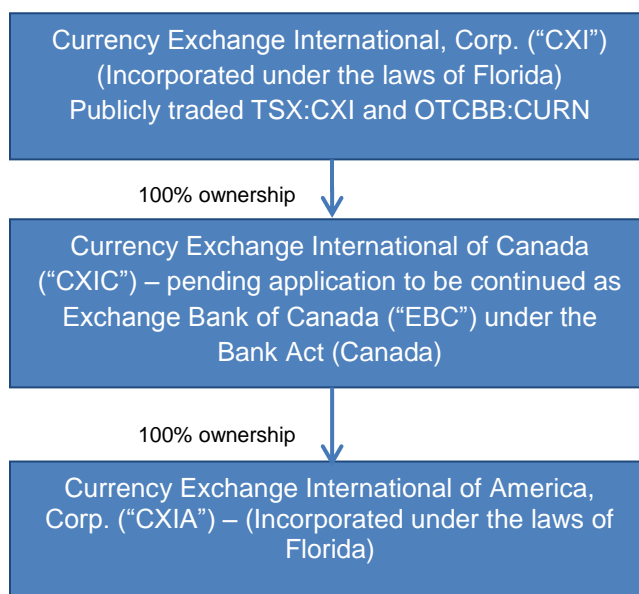
## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### Overview (continued)

CXIC wholly owns Currency Exchange International America Corp. (“CXIA”), a Florida corporation incorporated under the *Florida Business Corporation Act*. CXIA was formed pursuant to a request from OSFI to reorganize the corporate structure so as to transfer the operations and assets of the U.S. based business to an entity wholly owned by CXIC.



On October 31, 2013 the Company restructured its operations to add additional capital into CXIC as part of its bank application process. As a result, the cash and capital in the Canadian subsidiary increased substantially.

Currency Exchange International 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.
- Fee revenue is comprised of the following:
  - International exchange fees generated at the Company’s branch locations, including foreign currency (banknote) exchange, foreign traveller’s cheques, and fees collected on payroll cheque cashing; and
  - Fees collected on foreign wire transfers, foreign drafts, and check collection transactions.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Overview (continued)*

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

- The Company operates 4 vaults located within the United States and Canada that serve as distribution centers for its branch network as well as order fulfillment centers for its clients including downstream 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. 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 banknote trading. Trades of this nature are generally executed at lower margins as the cost per transaction is low and the average value is high;
  - 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 Company operates 26 branch locations which are located in high-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 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 currently maintains inventory in the form of domestic and foreign bank notes in banks and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Essentially, foreign exchange currency is placed in these locations on a consignment basis. As at October 31, 2013, the Company had inventory on consignment in nearly 100 tills located across the United States. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these affiliates; and
- Company owned branch locations generally act as a net buyer of foreign currency whereas CXI's downstream clients act as a net seller. Excess currency collected via the branch network can be redeployed to downstream banks and clients which eliminate 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 thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Overview (continued)*

The Company has aggressively grown its branch network as well as the number of wholesale relationships over the years. Below is a branch and customer matrix of the 26 branch locations:

Store	City	State	Start Date (Fiscal Year)	Store	City	State	Start Date (Fiscal Year)
Apple Bank - Avenue of Americas	New York	NY	FY 2011	Mechanics Bank - Berkeley	Berkeley	CA	FY 2007
Apple Bank - Grand Central Station	New York	NY	FY 2011	Mechanics Bank - San Francisco	San Francisco	CA	FY 2008
Apple Bank - Penn Station	New York	NY	FY 2013	Montgomery at Bethesda	Bethesda	MD	FY 2013
Arundel Mills Mall	Hanover	MD	FY 2012	Ontario Mills Mall	Ontario	CA	FY 2007
Aventura Mall Booth #1	Aventura	FL	FY 2008	Potomac Mills Mall	Woodbridge	VA	FY 2007
Aventura Mall Booth #2	Aventura	FL	FY 2012	San Francisco City Center	San Francisco	CA	FY 2011
Century City Mall	Los Angeles	CA	FY 2009	San Jose Great Mall	San Jose	CA	FY 2011
Copley Place Mall	Boston	MA	FY 2009	Santa Monica Place	Santa Monica	CA	FY 2012
Dadeland Mall	Miami	FL	FY 2009	Sawgrass Mills Mall Booth #1	Sunrise	CA	FY 2007
Dolphin Mall	Miami	FL	FY 2009	Sawgrass Mills Mall Booth #2	Sunrise	CA	FY 2010
Florida Mall	Orlando	FL	FY 2007	Shops at Northbridge	Chicago	IL	FY 2013
MacArthur Mall	Norfolk	VA	FY 2009	SouthCenter	Tukwila	WA	FY 2012
Mainplace at Santa Ana	Santa Ana	CA	FY 2013	The Galleria at Fort Lauderdale	Ft. Lauderdale	FL	FY 2013

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Company owned retail stores	8	9	14	15	18	23	26
Wholesale company relationships	10	26	61	70	123	245	364
Number of transacting locations	25	88	190	267	1983	2455	5,741

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 affiliate locations to facilitate the buying and selling of foreign currency, as well as foreign currency held at the Company's vaults, branch locations, affiliate partners, or cash inventory in transit between the Company and its 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. Receivables are highly liquid and typically have a settlement time of two business days with most buyers being banks and other financial institutions.

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.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Initial Public Offering*

On March 9, 2012, the Company completed its initial public offering ("**IPO**," or "**Offering**") on the Toronto Stock Exchange ("**TSX**") by issuing 1,380,000 units at a price of Cdn\$6.65 per unit for aggregate proceeds of Cdn\$9,177,000. Each Unit was comprised of one common share in the capital stock of the Company ("**Common Share**") and one Common Share Purchase Warrant ("**Warrant**") which was able to be exercised at a price of Cdn\$7.50 per share until an expiration of September 8, 2013. In addition, the Company issued 82,800 broker compensation units which were comprised of one Common Share and one Warrant which were able to be exercised at \$7.50 per share. During the thirteen-month period ended October 31, 2013, 82,680 broker units were exercised for proceeds of Cdn\$549,822 and 1,435,725 warrants were exercised for proceeds of Cdn\$10,767,938. Funds received were used to finance foreign currency inventories at vault locations, increase its branch and inventory on consignment network, and enhance its proprietary software, CEIFX, as well as for debt reduction.

### **SELECTED FINANCIAL DATA**

<b>Period (unaudited)</b>	<b>Date</b>	<b>Revenue \$</b>	<b>Operating income \$</b>	<b>Net income \$</b>	<b>Total Assets \$</b>	<b>Total equity \$</b>	<b>Return on assets (annualized) %</b>	<b>Return on equity (annualized) %</b>
Four-months ending	31-Oct-13	6,463,406	2,207,417	1,669,609	33,681,819	29,763,976	22.2%	27.9%
Three-months ending	30-Jun-13	3,799,683	1,094,456	1,466,835	19,997,719	17,607,201	30.3%	35.0%
Three-months ending	31-Mar-13	2,919,292	435,357	(575,087)	18,709,964	16,255,314	-12.4%	-13.8%
Three-months ending	31-Dec-12	2,808,053	308,233	80,338	19,929,308	16,734,553	1.7%	2.0%
Three-months ending	30-Sep-12	3,369,548	1,433,792	1,475,426	18,225,628	16,226,974	30.7%	38.4%
Three-months ending	30-Jun-12	3,152,246	676,915	208,542	17,275,581	14,711,060	4.7%	5.7%
Three-months ending	31-Mar-12	3,076,693	631,705	497,415	16,829,379	14,478,596	16.1%	21.1%
Three-months ending	31-Dec-11	2,715,986	831,209	536,269	10,391,386	6,695,607	21.3%	32.5%

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 commissions generally from March until September and fewer 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.

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Selected Financial Results for the four-months and thirteen-months ended October 31, 2013 and the three-months and year ended September 30, 2012*

	Thirteen months ended October 31, 2013	Twelve months ended September 30, 2012	Four months ended October 31, 2013	Three months ended September 30, 2012
	\$	\$	\$	\$
Revenue	15,990,434	12,314,473	6,463,406	3,369,548
Operating expenses	11,944,971	8,740,852	4,255,989	1,946,465
Net Operating income	4,045,463	3,573,621	2,207,417	1,423,083
Total other income	161,489	430,826	209,271	492,569
Net income	2,641,694	2,717,652	1,669,609	1,475,427
Basic and diluted earnings per share	0.64	0.83	0.36	0.38

	October 31, 2013	September 30, 2012
	\$	\$
Total assets	33,681,819	18,225,628
Total long term financial liabilities	-	-
Total equity	29,763,976	16,226,974

*Results of operations – thirteen-months ended October 31, 2013*

During the thirteen-months ended October 31, 2013 revenues were \$15,990,434 compared to \$12,314,473 for the year ended September 30, 2012. Revenue growth occurred from establishing five new company owned retail locations as well as establishing 119 new wholesale relationships making up approximately 3,300 locations.

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Thirteen-months ended October 31, 2013	Year ended September 30, 2012
	\$	\$
United States	14,382,012	11,477,160
Canada	1,608,422	837,313
<b>Total</b>	15,990,434	12,314,473



Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Results of operations – thirteen-months ended October 31, 2013 (continued)*

Revenues increased to \$14,382,012 during the thirteen-months ended October 31, 2013 from \$11,477,160 in the year ended September 30, 2012 in the United States and relate primarily to the increase in the number of foreign currency transactions originating in branch locations as well as increased trades from new customers brought on during the period.

Revenues increased in Canada to \$1,608,422 during the thirteen-month period ended October 31, 2013 from \$837,313 in the year ended September 30, 2012 and are related to the continued growth of the Canadian subsidiary. Currency Exchange International of Canada Corp opened for business in December 2011 and during the thirteen-month period ended October 31, 2013 added several customer locations. During the thirteen-months ended October 31, 2013, operating expenses increased to \$11,944,971 compared to \$8,740,852 for year ended September 30, 2012, the major components of which are presented below:

	Thirteen-months ended October 31, 2013 \$	Year ended September 30, 2012 \$	Change \$	Change %
Salaries and benefits	5,742,923	4,060,630	1,682,293	41%
Rent	1,683,547	1,344,777	338,770	25%
Legal, professional and director's fees	1,089,853	616,725	473,128	77%
Postage and shipping	1,187,081	878,711	308,370	35%
Stock based compensation	289,019	64,409	224,610	349%
Amortization	347,052	248,707	98,345	40%
Other general and administrative	1,605,496	1,526,893	78,603	5%
Total operating expenses	11,944,971	8,740,852	3,204,119	37%

- Salaries and benefits increased 41% to \$5,742,923 from \$4,060,630 which is attributed to increases in the Company's short term incentive plan, increase in the number of Company owned branch outlets, increase in the number of employees in the Canadian operations as well as additional staff added in the areas of compliance, information technology, operations, sales, vaults and finance. The Company hired a new Chief Financial Officer for Currency Exchange International, Corp. in May 2013. The total number of employees hired by the Company increased to 161 from 141;
- Rent increased to \$1,683,547 from \$1,344,777 due to the opening of new branch locations during the year;
- Legal, professional and directors fees increased to \$1,089,853 from \$616,725. The primary reason for the increase relate to increases in remuneration to the Company's Board of Directors, payments to professional consultants as well as additional legal and professional fees related to becoming a reporting issuer. During the thirteen-months ended October 31, 2013, the Company incurred one-time costs of \$49,789 in connection with registering its shares for listing on the Over the Counter Bulletin Board ("OTCBB") and additional one-time legal and consulting fees of \$66,856 relating to the restructuring of its operations;

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Results of operations – thirteen-months ended October 31, 2013 (continued)*

- Postage and shipping increased 35% which is attributed to increased shipments in Canada and the United States and increases in armored shipments;
- Stock based compensation increased to \$289,019 from \$64,409 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 and have a weighted average exercise price of Cdn\$8.84;
- Amortization increased to \$347,052 from \$248,707 which relate to completed software modules in CEIFX and fixed assets being amortized over their respective lives; and
- Other general and administrative remained relatively constant and are comprised of miscellaneous items including insurance, travel and lodging, software maintenance, utilities, and other general and administrative expenses.

The ratio of operating expenses to total revenue for the thirteen-months ended October 31, 2013 was 75% compared to 71% for the year ended September 30, 2012. The Company expects this ratio to remain steady in the short term as the Company continues to incur costs while building infrastructure to expand its branch network and vault operations. In time, the Company can increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy excess currency purchased by its branches, affiliate partners, and other clientele.

Other income and expenses are comprised of the following:

	Thirteen-months ended October 31, 2013 \$	Year ended September 30, 2012 \$
Other income (expense)	13,126	(2,373)
Gain on forward contract	-	92,343
Fair value change in warrant liability	458,241	962,408
Interest and accretion expense	(37,874)	(150,988)
Expenses related to Exchange Bank of Canada	(272,004)	(114,673)
Warrant issue costs	-	(124,171)
Costs related to initial public offering	-	(231,720)
Total other income	161,489	430,826

- Other income increased to \$13,126 from a loss of \$2,373 and relate to interest income and gains on the disposal of fixed assets;
- Gain on forward contract decreased to \$Nil from a gain of \$92,343. The gain relates to the revaluation of a forward contract to mitigate the exchange rate risk of Cdn\$2,000,000 loan from a shareholder of the Company. The gain on forward contract was partially offset by a loss on the revaluation of the Cdn\$2,000,000 loan;

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Results of operations – thirteen-months ended October 31, 2013 (continued)*

- Fair value change in warrant liability resulted in a gain of \$458,241 during the thirteen-month period ended October 31, 2013 from a gain of \$962,408 for the year ended September 30, 2012 and relates to a mark to market adjustment of the Company's issued and outstanding warrants, of which 1,380,000 were outstanding on September 30, 2012. The warrants that had not been exercised expired on September 8, 2013 and the liability was extinguished at that time;
- Interest and accretion expense decreased to \$37,874 from \$150,988 and relates primarily to interest payments on credit lines and term loans. During much of the year ended September 30, 2012, the Company had debt obligations including Cdn\$2,000,000 loan from a shareholder of the Company and a term loan which were repaid in full in March of 2012;
- Expenses related to Exchange Bank of Canada increased to \$272,004 from \$114,673 and relate to legal and administrative expenses to file and process the bank application; and
- Income tax expense increased to \$1,565,258 from \$1,286,795 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 enacted tax rates in Canada of 26.5% (2012 – 26.9%) and in the United States of 38% (2012 – 39%) where the Company operates are applied in the tax provision calculation. The Canadian rate was reduced due to a scheduled rate reduction, whereas the decrease in the United States rate was due to change in income allocations amongst different states.

### *Results of operations – four-months ending October 31, 2013*

During the four-months ended October 31, 2013 revenues increased to \$6,463,406 compared to \$3,369,548 for the three-months ending September 30, 2012. Revenue growth occurred from establishing four new Company owned retail locations as well as establishing 30 new wholesale relationships making up approximately 800 locations.

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Four-months ended October 31, 2013	Three-months ended September 30, 2012
	\$	\$
United States	5,840,939	2,955,025
Canada	622,467	414,523
<b>Total</b>	<b>6,463,406</b>	<b>3,369,548</b>

The increase in commission revenues to \$5,840,939 during the four-months ended October 31, 2013 from \$2,955,025 for the three-months ended September 30, 2012 in the United States and relate primarily to the new revenue generated from the Company's new branches as well as the establishment of new relationships with bank and non-bank financial institutions.

Revenues increased in Canada to \$622,467 during the four-months ended October 31, 2013 from \$414,253 for the three-months ended September 30, 2012 and are related to the growth of the Canadian operation. Currency Exchange International of Canada Corp. opened for trading in December 2011.

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Results of operations – four-months ended October 31, 2013 (continued)*

During the four-months ended October 31, 2013, operating expenses increased to \$4,255,989 compared to \$1,946,465 for the three-months ended September 30, 2012, the major components of which are presented below:

	Four-months ended October 31, 2013	Three-months ended September 30, 2012	\$ Change	% Change
Salaries and benefits	2,077,222	1,149,977	927,245	81%
Rent	562,584	367,981	194,603	53%
Legal, professional and director's fees	447,357	(90,045)	537,402	-597%
Postage and shipping	429,718	201,001	228,717	114%
Stock based compensation	93,911	40,487	53,424	132%
Amortization	134,295	70,115	64,180	92%
Other general and administrative	510,902	206,949	303,953	147%
Total operating expenses	4,255,989	1,946,465	2,309,524	119%

- Salaries and benefits increased to \$2,077,222 from \$1,149,977 which is attributed to increases in the Company's short term incentive plan, increase in the number of Company owned branch outlets, increase in the number of employees in the Canadian operations as well as additional staff added in the areas of compliance, information technology, operations, sales, vaults and finance. The Company hired a new Chief Financial Officer for Currency Exchange International, Corp. in May 2013;
- Rent increased to \$562,584 from \$367,981 due to the opening of new branch outlets;
- Legal, professional and directors fees increased to \$447,357 from a gain of \$90,045. During the three-months ended September 30, 2012, the Company reclassified \$231,720 in expenses from legal and professional fees to costs related to the Company's initial public offering. If this adjustment is made, the expense incurred during the three-months ended September 30, 2012 would be \$141,675. The change was from increases in remuneration to the Company's Board of Directors as well as payments made to consultants. During the four months ended October 31, 2013, the Company incurred one-time costs of \$5,280 in connection with registering its shares for listing on the Over the Counter Bulletin Board ("OTCBB") and additional one-time legal and consulting fees of \$66,856 relating to the restructuring of its operations;
- Postage and shipping remained increased to \$429,718 from \$201,001. During the three-months ending September 30, 2012, the Company reclassified \$81,461 from revenue to credit against postage and shipping. These represented shipping fees billed to customers to offset fees charged by shipping couriers. Management decided to reclassify these from revenue to an offset of shipping expenditures. If these expenditures are reclassified, the total shipping charges for the three-months ending September 30, 2012 is \$282,462. The increases relate to increased shipping activity in Canada as well as an overall increase in armored shipments;
- Stock based compensation increased to \$93,911 from \$40,487 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 and have a weighted average exercise price of Cdn\$8.84;
- Amortization increased to \$134,295 from \$70,115 which relate to completed software modules in CEIFX and fixed assets being amortized over their respective lives. The increase was due to development of increased software enhancements; and

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Results of operations – four-months ended October 31, 2013 (continued)*

- Other general and administrative increased to \$510,902 from \$206,949. Included within the \$206,949 from the three-months ended September 30, 2012 is an exchange gain \$117,122 relating to the consolidation of the financial statements. If this amount is added back, other general and administrative expenses were \$324,071 in 2012. Other expenses are comprised of insurance, travel and lodging, software maintenance, utilities, and other general and administrative expenses. The increase is a result of new, non-capitalized costs for opening a new office in Toronto as well as expenditures to support the expansion of the Company's branch network.

The ratio of operating expenses to total revenue for the four-months ended October 31, 2013 was 66% compared to 58% for the three-months ending September 30, 2012. The Company expects this ratio to remain steady in the short term as the Company continues to incur costs while building infrastructure to expand its branch network and vault operations. In time, the Company can increase its operating efficiency by the addition of new downstream financial institutions in Canada and the United States to redeploy excess currency purchased by its branches, affiliate partners, and other clientele.

Other income and expenses are comprised of the following:

	Four-months ended October 31, 2013 (\$)	Three-months ended September 30, 2012 (\$)
Other income (expense)	4,890	(3,335)
Fair value change in warrant liability	278,288	868,837
Interest and accretion expense	(22,875)	(26,540)
Expenses related to Exchange Bank of Canada	(51,032)	(114,673)
Costs related to initial public offering	-	(231,720)
Income tax expense	(747,079)	(440,225)
Total other income	(537,808)	52,344

- Other income increased to \$4,890 from a loss of \$3,335 and relate to interest income and gains on the disposal of fixed assets;
- Fair value change in warrant liability resulted in a gain of \$278,288 during the four-month period ended October 31, 2013 from a gain of \$868,837 for the three-months ended September 30, 2012 and relate to a marked to market adjustment of the Company's issued and outstanding warrants, of which 1,380,000 were outstanding on September 30, 2012. The warrants that had not been exercised expired on September 8, 2013 and the liability was extinguished at that time;
- Interest and accretion expense increased to \$22,875 from \$26,540 and relate primarily to interest payments on credit lines and term loans;
- Expenses related to Exchange Bank of Canada decreased to \$51,032 from \$114,673 and relate to legal and administrative expenses to file and process the bank application; and
- Income tax expense increased to \$747,079 from \$440,225 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Cash flows*

Net cash flows from operating activities during the thirteen-month period ended October 31, 2013 increased to \$4,556,326 from \$2,261,836 during the year ended September 30, 2012. The majority of the increase in operating cash flow and relates primarily to an increase in trade accounts payable and accrued expenses at the end of the period. Accounts payable consist of transactions where the company receives cash and remits payment at a later date, typically between one to two days. The actual amount of accounts payable balances fluctuates widely from period to period due to the volume of activity and timing differences. Operating cash flow is generated by commission and fee income, and is offset by operating expenses.

Cash used in investing activities during the thirteen-month period ended October 31, 2013 increased to \$598,182 compared to \$339,629 during the year ended September 30, 2012. The Company's primary investments consisted of leasehold improvements at branch locations and its new corporate office in Toronto as well as significant investments in the Company's proprietary software, [www.ceifx.com](http://www.ceifx.com).

Cash used in financing activities during the thirteen-month period ended October 31, 2013 was \$10,932,373 compared to net cash generated of \$6,053,584 for the year ended September 30, 2012. During the thirteen-months ended October 31, 2013, Cdn\$549,822 (\$548,264) was generated from the exercise of 82,680 broker options at a price of Cdn\$6.65 per option and 1,435,725 warrants were exercised at a price of Cdn\$7.50 for proceeds of Cdn\$10,767,938 (\$10,384,109). During the year ended September 30, 2012, CXI generated cash of Cdn\$9,177,000 (\$9,240,936) by completing its initial public offering for 1,380,000 common shares, at a price of Cdn\$6.65 per share, less issue costs of \$698,297, and debt service repayments of \$2,489,055.

### *Liquidity and capital resources*

At October 31, 2013, the Company had working capital of \$28,935,018 (September 30, 2012 - \$15,651,326). Working capital consists of cash of \$31,130,866 (September 30, 2012 - \$16,564,453), accounts receivable of \$1,033,359 (September 30, 2012 - \$603,602), restricted cash held in escrow of \$200,707 (September 30, 2012 - \$132,340), (September 30, 2012 - \$Nil), and other current assets of \$439,795 (September 30, 2012 - \$312,975). This was offset by current liabilities of \$3,869,709 (September 30, 2012 \$1,962,044) which includes accounts payable of \$2,918,054 (September 30, 2012 - \$682,572), accrued expenses of \$801,166 (September 30, 2012 - \$714,207), income taxes payable of \$150,489 (September 30, 2012 - \$146,438), and warrant liability of \$Nil (September 30, 2012 - \$418,827).

The Company also maintains a Cdn\$2,000,000 credit line with a shareholder of the Company and a \$2,000,000 credit line with Branch Banking and Trust Company, a large US bank based in Winston-Salem, N.C., to assist with its short-term cash flow needs.

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Selected annual and quarterly 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 and notes 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.

	Thirteen months ended October 31, 2013 (1) \$	Twelve months ended 30-Sep-12 \$	Twelve months ended 30-Sep-11 \$	Nine months ended September 30, 2010 (2) \$
Revenues	15,990,434	12,314,473	8,683,705	3,407,289
Net operating income	4,045,463	3,573,621	2,796,779	269,298
Net income	2,641,694	2,717,652	1,489,686	129,098
Basic and diluted earnings per share (3)	\$0.64	0.83	0.66	0.07
Total assets	33,681,819	18,225,628	9,914,292	5,007,511
Total liabilities	3,917,843	1,998,654	3,754,954	1,664,119
Total non-current financial liabilities	-	-	110,924	721,284
Working capital	28,935,018	15,651,326	5,861,804	3,777,905

Notes:

1. The Company changed its year-end to October 31, and reported on the thirteen-months ended October 31, 2013.
2. The Company changed its year-end to September 30, and reported on the nine months ended September 30, 2010 as a transition year.
3. Adjusted for a 2:1 share split effective June 28, 2011.

The following is a summary of unaudited financial data for the most recently completed eight quarters:

Three-months ended	Total revenues \$	Operating expenses \$	Operating income \$	Total assets \$
October 31, 2013 (1)	6,463,406	4,255,989	2,207,417	33,681,819
June 30, 2013	3,799,683	2,705,227	1,094,456	19,997,719
March 31, 2013	2,919,292	2,483,935	435,357	18,709,964
December 31, 2012	2,808,053	2,499,820	308,233	19,929,308
September 30, 2012	3,369,548	1,946,465	1,423,083	18,225,628
June 30, 2012	3,152,246	2,475,331	676,915	17,275,581
March 31, 2012	3,076,693	2,444,988	631,705	16,829,379
December 31, 2011	2,715,986	1,884,777	831,209	10,391,386

Notes:

1. 4 months ended October 31, 2013.

Management Discussion and Analysis  
(All amounts expressed in U.S. dollars unless otherwise noted)  
For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Selected annual and quarterly information (continued)*

The quarter ending September 30, 2012 had higher operating income due to a reclassification of operating expenses incurred during the fiscal year to one-time expenditures relating to the Company's initial public offering and the pursuit of the Canadian bank charter.

*Commitments and contingencies*

The Company is party to a management contract with the President and CEO of the Company. The contract provides maximum commitments of \$225,000 in salary for the 2014 fiscal year in addition to a maximum bonus of up to 62.5% of the annual base salary and additional contingencies of a minimum \$321,000 to be made upon the occurrence of certain events such as a change of control or termination for reasons other than cause. As the likelihood of a change on control is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

The Company has entered in to 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 \$3,541,614 and are payable as follows:

<b>Year ended</b>	<b>Remaining minimum payments required</b>
October 31, 2014	\$1,193,131
October 31, 2015	\$833,896
October 31, 2016	\$548,236
October 31, 2017	\$523,228
October 31, 2018	\$344,434
October 31, 2019 and thereafter	\$98,689
<b>Total</b>	<b>\$3,541,614</b>

*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.



## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Hedging Activity*

Other than as noted below, the Company does not engage in any form of hedged, derivative or leveraged trading. Furthermore, the Company does not extend margin or leverage to any of its customers.

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 on the consolidated statements of income and comprehensive income. The Company's management strategy is to minimize gains and losses associated with foreign exchange rate changes. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated. For the thirteen-months ended October 31, 2013, the change in foreign currency value was a gain of \$369,834 (year ended September 30, 2012 - loss of \$36,273), the net change from foreign currency forward contracts related to foreign currency inventory holdings was a loss of \$282,973 (year ended September 30, 2012 - gain - \$11,046). For the four-months ended October 31, 2013, the change in foreign currency value was a gain of \$289,730 (three-months ended September 30, 2012 - gain of \$145,974), the net change from foreign currency forward contracts related to foreign currency inventory holdings was a loss of \$265,561 (three-months ended September 30, 2012 - loss of \$128,304).

At October 31, 2013 and September 30, 2012, management has assessed that the fair value of the above foreign currency forward contracts was a nominal amount, given their short-term nature.

As at October 31, 2013 and September 30, 2012 approximately \$200,707 and \$132,340, 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 other members of key management personnel during the thirteen-months ended October 31, 2013 and the year ended September 30, 2012 were as follows:

	<b>Thirteen-months ended</b>	<b>Year ended</b>
	<b>October 31, 2013</b>	<b>September 30 2012</b>
	\$	\$
Short-term benefits	1,090,856	604,073
Post-employment benefits	18,700	9,348
Stock based compensation	255,535	64,409
	<u>1,365,091</u>	<u>677,830</u>

On October 29, 2013, the Compensation Committee of the Board of Directors approved a short term incentive plan ("STIP") for key officers and executives of the Company. The maximum amount of STIP payable for key officers and executives for the fiscal year beginning on November 1, 2013 will be \$416,000 and will be paid upon the achievement of performance objectives.

Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Transactions with Related Parties (continued)*

The Company incurred legal and professional fees in the aggregate of \$42,736 and \$86,171 for the four and thirteen-months ended October 31, 2013, respectively (three-months and year ended September 30, 2012 - \$9,985 and \$78,792, respectively) charged by entities controlled by directors or officers of the Company. During the four and thirteen-months ended October 31, 2013, the Company incurred an expense \$81,052 and \$255,535, respectively, from stock options to officers and directors (three-months and year ended September 30, 2012 - \$40,487 and \$64,409, respectively).

On March 9, 2012 the Company completed its initial public offering described in Note 17 of the Consolidated Financial Statements for the thirteen-month period ended October 31, 2013 and the year ended September 30, 2012. Officers and directors who participated in the offering combined to purchase a total of 8,100 units.

*Option Grant*

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 there under. 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, management and consultants. 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 Company's board of directors. Options issued to the company's directors vest over a one year period.

Below is information related to each option grant:

<b>Date of Grant</b>	<b>May 4, 2012</b>	<b>December 17, 2012</b>	<b>May 3, 2013</b>	<b>October 29, 2013</b>	<b>October 29, 2013</b>
Expiry Date	May 4, 2017	December 18, 2017	May 3, 2018	October 29, 2018	October 29, 2018
Vesting Schedule	1/3 annually	1/3 annually	1/3 annually	1 year	1/3 annually
Amount granted	90,000	116,000	22,000	35,640	114,420
Exercise Price	Cdn\$7.50	Cdn\$7.50	Cdn\$7.65	Cdn\$10.86	Cdn\$10.86
Risk-free interest rate	0.78%	0.74%	0.73%	1.29%	1.29%
Expected volatility	45%	49%	38%	35%	35%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Expected life (years)	5	5	5	5	5
Fair value of share at grant date	Cdn\$7.30	Cdn\$6.75	Cdn\$7.35	Cdn\$10.86	Cdn\$10.86
Fair value of option at grant date	\$2.84	\$2.66	\$2.42	\$3.44	\$3.44
Amount vested for the thirteen-months ended October 31, 2013	\$118,658	\$155,366	\$12,335	\$1,343	\$1,317

Management Discussion and Analysis  
 (All amounts expressed in U.S. dollars unless otherwise noted)  
 For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Option Grant (continued)*

The outstanding options as at October 31, 2013 and September 30, 2012 and the respective changes during the periods are summarized as follows:

	October 31, 2013			September 30, 2012		
	Number of options	Weighted average exercise price	Vesting attributable to period	Number of options	Weighted average exercise price	Vesting attributable to period
	#	Cdn\$	Cdn\$	#	Cdn\$	Cdn\$
Outstanding, beginning of period	90,000	7.50	64,409	-	-	-
Granted	288,060	9.26	289,019	90,000	7.50	64,409
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding, end of period	378,060	8.84	353,428	90,000	7.50	64,409

The following options are outstanding and exercisable at October 31, 2013:

Options Outstanding and Exercisable			
Exercise price	Number outstanding	Average remaining contractual life	Number exercisable
Cdn\$	#	(years)	#
7.50	90,000	3.51	30,000
7.50	116,000	4.13	-
7.65	22,000	4.51	-
10.86	35,640	5.00	-
10.86	114,420	5.00	-

*Subsequent events*

On November 12, 2013 the Company entered in to a lease agreement for a new corporate headquarters in Orlando, Florida. The lease calls for total minimum payments of \$668,365 and expires on July 31, 2018.

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

*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 intangible assets*

The Company makes significant judgments about the value of its proprietary software, 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 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 for impairment on an ongoing basis.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Share-based payments including broker options*

Management determines costs 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. 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. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### *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 within the Company's control, are feasible, and are 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.

### *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 assets and at objective evidence, 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 the carrying value may not be recoverable.

### *Amortization expense*

The Company's property and equipment and intangible assets are amortized over their estimated useful economic lives. Useful lives are based upon management's 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 amortization and in the assets' carrying amounts.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Future accounting pronouncements*

Certain pronouncements were issued by the International Accounting Standards Board ("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 (2010) Financial Instruments ("IFRS 9 (2010)") was issued in October 2010 and contains all of the requirements in IFRS 9 (2009), as well as requirements for financial liabilities. Most of the guidance in IFRS 9 (2010) related to the recognition and measurement of financial liabilities remains unchanged from current IFRS. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its consolidated financial statements.

IFRS 9 (2010) Financial Instruments ("IFRS 9 (2010)") was issued in October 2010 and contains all of the requirements in IFRS 9 (2009), as well as requirements for financial liabilities. Most of the guidance in IFRS 9 (2010) related to the recognition and measurement of financial liabilities remains unchanged from current IFRS. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12 *Consolidation – Special purpose entities*. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

IFRS 12 *Disclosure of Involvement with Other Entities* ("IFRS 12") was issued in May 2011. IFRS 12 requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. This standard is effective for annual periods beginning on or after October 1, 2013, and early adoption is permitted. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued in May, 2011 and provides guidance on how to measure fair value, as well as requiring specific disclosures related to fair value measurements recognized and in the financial statements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

IAS 32 Financial Instruments - Presentation ("IAS 32") was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company has not yet determined the impact of IAS 32 on its consolidated financial statements.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Accounting Policies*

#### *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries, Currency Exchange International of Canada Corp, a corporation incorporated under the Canada Business Corporations Act and Currency Exchange International America Corp., a corporation incorporated under the Florida Corporations Act.

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:

- local and foreign currency notes held in tills, vaults, branches, distribution centers and in transit; and
- cash in bank accounts.

Foreign cash is recorded at market value based on foreign exchange rates as of October 31, 2013 and September 30, 2012, respectively.

#### *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 bulk of the Company's receivables reside with banks and other financial institutions. 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 allowance for doubtful accounts was \$Nil as of October 31, 2013 and September 30 2012, respectively.

#### *Revenue recognition*

Commissions from trading 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 used to offset the changes in foreign exchange positions and commissions paid on the sale and purchase of currencies. These revenue streams are all reflected in commissions from trading and are recognized at the time each transaction takes place 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 when the transaction is made on a trade date basis.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Accounting Policies (continued)*

#### *Foreign currencies*

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 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 Currency Exchange International of Canada Corp, is the Canadian dollar and the functional currency of the parent and Currency Exchange International America Corp. is the U.S. dollar.

### *Accounting Policies (continued)*

In situations where the functional currency is not the same as the presentation currency, foreign currency denominated assets and liabilities are translated to their U.S. dollar 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 foreign currency translation are included in accumulated other comprehensive income.

#### *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 immediately in the consolidated statement of income and comprehensive income.

#### *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 amortized over its estimated useful life. Cost includes expenditures which are directly attributable to bringing the asset into working condition for its intended useful use. Amortization is calculated on a straight line basis, as follows:

Vehicles	3 years
Computer equipment	3 years
Furniture and equipment	3 years
Leasehold improvements	over the term of the lease

When parts of an asset have different useful lives, amortization 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.

*Accounting Policies (continued)*

*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 internally developed software. Costs related to the development of software prior to technological feasibility are expensed. Once the Company concludes that technological feasibility has been obtained and the Company intends to use the software, all subsequent development costs are capitalized and reported at cost less any accumulated amortization and any accumulated losses.

Amortization is calculated on a straight line basis over the estimated useful life of 5 years.

*Share-based payments including broker options*

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 assets*

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

*Fair value through profit and loss*

Financial assets at fair value through profit and loss are initially recognized at fair value with changes in fair value recorded through income. Cash in local and foreign currencies held in tills, vaults, or in transit are included in this category of financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. 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, financial instruments included in other current assets and restricted cash held in escrow are all classified as loans and receivables.



## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Accounting Policies (continued)*

#### *Derivative financial instruments*

Derivatives are initially recognised 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 recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### *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, accrued expenses, shareholder loan payable, and short term note payable which are all classified as other financial liabilities. Warrant liability is classified as fair value through profit or loss.

#### *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. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

#### *Financial instruments recorded at fair value*

Financial instruments recorded at fair value in the consolidated statements 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of October 31, 2013 and September 30, 2012, cash including foreign currencies held in tills and vaults and the warrant liability are classified as Level 1 financial instruments

#### *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.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk Factors*

The operations of the Company are speculative due to the high-risk nature of its business and present stage of development. 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.

#### *Limited operating history*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. Although the Company anticipates increases in revenues, it is also incurring substantial expenses in the establishment of its business. To the extent that such expenses do not result in appropriate revenue increases, the Company's long-term viability may be materially and adversely affected.

A significant portion of the Company's financial resources have been and will continue to be, directed to the development of its business and marketing activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the Company's business will be sufficient to raise the required funds to continue the development of its business and marketing activities.

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

The Company may need to raise funds in order to support more rapid 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 opportunity 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 such as Travelex Group, Wells Fargo Bank, Bank of America and American Express, and also from competitors using alternative technologies.

While the market for foreign currency exchange is highly fragmented in the United States, there exists little in the way of barriers to entry to this type of business. The Company therefore 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 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 Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk Factors (continued)*

#### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. 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 and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

#### *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 and accounts receivable. All domestic and international banking relationships are selected by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances may exceed the federally or provincially 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 and other financial institutions. 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. A breakdown of accounts receivable by category is below:

	October 31, 2013	September 30, 2012
<b>Customer type</b>	<b>\$</b>	<b>\$</b>
Domestic and international banks	443,739	215,114
Money service businesses	584,109	377,839
Other	5,511	10,649
<b>Total</b>	<b>1,033,359</b>	<b>603,602</b>

These limits are reviewed regularly by senior management.

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.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk Factors (continued)*

#### *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 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. The amount of unhedged inventory held in vaults, tills and in transit at October 31, 2013 was approximately \$3,040,000. The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is \$1,550,000. 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 +\$30,000/-\$30,000.

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the US dollar and the functional currencies of its subsidiaries. The major foreign currency giving rise to currency risk is the Canadian dollar.

The Company does not hedge its net investment in its foreign subsidiary and the related foreign currency translation of local earnings.

#### *Interest Rate Risk*

As of October 31, 2013, the Company had access to interest bearing financial instruments in cash and short term note payables. A significant amount of the Company's cash is held as foreign currency banknotes 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 fixed and 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 of the consolidated financial statements for the thirteen-month period ended October 31, 2013.

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 thirteen-months ended October 31, 2013 would have been approximately +\$1,000/-\$1,000 higher/lower as a result of credit lines held at variable interest rates.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk Factors (continued)*

#### *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 CEO, 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	As at October 31, 2013		Next fiscal year	Future fiscal years
	Carrying amount	Contractual amount		
	\$	\$	\$	\$
Accounts payable	2,918,054	2,918,054	2,918,054	-
Accrued expenses	801,165	757,237	757,237	-

Non-derivative financial liabilities	As at September 30, 2012		Next fiscal year	Future fiscal years
	Carrying amount	Contractual amount		
	\$	\$	\$	\$
Accounts payable	682,572	682,572	682,572	-
Accrued expenses	714,207	690,212	690,212	-

The Company had unused lines of credit amounting to \$4,000,000 as of October 31, 2013 (September 30, 2012 - \$3,000,000).

The Company manages capital through its financial and operational forecasting processes. 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.

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 so called "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 competing technologies.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk factors (continued)*

#### *Product Development and Rapid Technological Change (continued)*

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 are 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 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 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 designation of the Company's work. 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 U.S. Treasury Department currency transaction reporting procedures could result in significant financial penalties and the possibility of criminal prosecution. While the Company is largely exempt from these procedures given that (i) transactions originating with hospitality sector clients are subject to certain floor limits that represent a small fraction of the reporting threshold limits, and (ii) transactions originating with banks are subject to the banks own internal compliance reporting procedures, effectively relieving the Company of this responsibility, the risk is nevertheless present. 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 United States government 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.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk factors (continued)*

#### *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 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 provides for certain system redundancies and backup power 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. Of particular concern are circumstances where employees could collude with customers to engage in theft by evasion of internal and other controls and cause damage which may not be predictable or within the terms of existing insurance 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 has an internal risk committee which manages 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 \$2.5 million.

## Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

### *Risk factors (continued)*

#### *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 25% of the issued and outstanding Common Shares.

Dr. Sanford Pinna is one of seven directors of the Company and owns 6,350 Common Shares representing approximately 0.1% of the Common Shares issued and outstanding. Dr. Pinna is not an independent director as he is an immediate family member of Randolph W. Pinna.

By virtue of his status as the principal shareholder of the Company, by being a director and officer of the Company and having an immediate family member who is also a director and a shareholder, Randolph W. Pinna has the power to exercise significant influence over all matters 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 Randolph W. Pinna of a substantial number of Common Shares could cause the market price of Common Shares to decline.

Mr. Randolph 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 and its committees.

#### *Global Economic and Financial Market Conditions*

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and 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.

Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit markets to deteriorate. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, such as the Company. These 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*

Worldwide securities markets have been experiencing a high level of price and volume volatility and market prices of securities of many companies have experienced unprecedented declines in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. 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 invested on dispositions of their Common Shares during periods of such market price decline.



Management Discussion and Analysis

(All amounts expressed in U.S. dollars unless otherwise noted)

For the thirteen-month period ended October 31, 2013 and year ended September 30, 2012

*Risk factors (continued)*

*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. Substantially all of the Company's assets are located outside of Canada. Certain of the officers, directors and the promoter 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 thirteen-month period ended October 31, 2013, and year ended September 30, 2012  
(Expressed in U.S. Dollars)

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Consolidated Financial Statements  
For the thirteen-month period ended October 31, 2013, and year ended September 30, 2012  
(Expressed in U.S. Dollars)

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# Independent auditor's report

Grant Thornton LLP  
Suite 300  
3600 Dundas Street  
Burlington, ON  
L7M 4B8

T (289) 313-0300  
F (289) 313-0355  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the members of the Audit Committee of  
Currency Exchange International, Corp.

We have audited the accompanying consolidated financial statements of Currency Exchange International, Corp., which comprise the consolidated statement of financial position as at October 31, 2013, and the consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the thirteen-month period 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 audit. 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, 2013, and its financial performance and its cash flows for the thirteen-month period then ended in accordance with International Financial Reporting Standards.

**Other matters**

The consolidated financial statements of Currency Exchange International, Corp. for the year ended September 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on December 10, 2012.

*Grant Thornton LLP*

Burlington, Canada  
January 8, 2014

Chartered accountants  
Licensed Public Accountants

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Financial Position**  
**As at October 31, 2013 and September 30, 2012**  
**(Expressed in U.S. Dollars)**

	<b>ASSETS</b>	
	<b>October 31, 2013</b>	<b>September 30, 2012</b>
<b>Current assets</b>	\$	\$
Cash (Note 5)	31,130,866	16,564,453
Accounts receivable	1,033,359	603,602
Restricted cash held in escrow (Note 6)	200,707	132,340
Other current assets (Note 22)	439,795	312,975
<b>Total current assets</b>	<b>32,804,727</b>	<b>17,613,370</b>
Property and equipment (Note 8)	461,273	391,125
Intangible assets (Note 9)	371,130	185,929
Other assets	44,689	35,204
<b>Total assets</b>	<b>33,681,819</b>	<b>18,225,628</b>
	<b>LIABILITIES AND EQUITY</b>	
<b>Current liabilities</b>		
Accounts payable	2,918,054	682,572
Accrued expenses	801,166	714,207
Income taxes payable	150,489	146,438
Warrant liability (Note 15)	-	418,827
<b>Total current liabilities</b>	<b>3,869,709</b>	<b>1,962,044</b>
Deferred tax liability (Note 10)	48,134	36,610
<b>Total liabilities</b>	<b>3,917,843</b>	<b>1,998,654</b>
<b>Equity</b>		
Share capital (Note 17)	5,390,473	3,872,068
Equity reserves (Note 17)	17,127,971	7,623,905
Broker options (Note 17)	-	129,512
Stock options (Note 17)	353,428	64,409
Retained earnings	7,178,774	4,537,080
Accumulated other comprehensive loss	(286,670)	-
<b>Total equity</b>	<b>29,763,976</b>	<b>16,226,974</b>
<b>Total liabilities and equity</b>	<b>33,681,819</b>	<b>18,225,628</b>

Commitments and contingencies (Notes 7 and 21)

Subsequent events (Note 23)

Approved on behalf of Board of Directors:

(signed) "Randolph Pinna", Director

(signed) "Chirag Bhavsar", Director

Refer to accompanying notes to the consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Income and Comprehensive Income**  
**Thirteen-months ended October 31, 2013, and year ended September 30, 2012**  
**(Expressed in U.S. Dollars)**

	Thirteen-months ended October 31, 2013	Year ended September 30, 2012
<b>Revenues</b>	\$	\$
Commissions from trading	14,674,438	11,245,366
Fee income	1,315,996	1,069,107
<b>Total revenues (Note 4)</b>	15,990,434	12,314,473
Operating expenses (Note 19)	11,944,971	8,740,852
<b>Net operating income</b>	4,045,463	3,573,621
<b>Other income (expense)</b>		
Other income/(expense)	13,126	(2,373)
Gain on forward contract (Note 14)	-	92,343
Fair value change in warrant liability (Note 15)	458,241	962,408
Interest and accretion (Note 12)	(37,874)	(150,988)
Expenses related to Exchange Bank of Canada (Note 20)	(272,004)	(114,673)
Warrant issue costs	-	(124,171)
Costs related to initial public offering (Note 17)	-	(231,720)
<b>Total other income (expense)</b>	161,489	430,826
<b>Income before income taxes</b>	4,206,952	4,004,447
Income tax expense (Note 10)	(1,565,258)	(1,286,795)
<b>Net income</b>	2,641,694	2,717,652
<b>Other comprehensive income for the year, after tax</b>		
Net Income	2,641,694	2,717,652
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	(286,670)	-
<b>Total comprehensive income</b>	2,355,024	2,717,652
<b>Earnings per share (Note 18)</b>		
- basic	\$0.64	\$0.83
- diluted	\$0.64	\$0.83
<b>Weighted average number of common shares outstanding (Note 18)</b>		
- basic	4,126,996	3,268,789
-diluted	4,133,075	3,271,454

Refer to accompanying notes to the consolidated financial statements.

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

	<u>Common Stock</u>			<u>Accumulated Other Comprehensive Income</u>	<u>Broker Options</u>		<u>Stock Options</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Equity Reserves</u>		<u>Broker Options</u>	<u>Amount</u>	<u>Stock Options</u>	<u>Amount</u>		
	#	\$	\$		#	\$	#	\$		
<b>Balance at September 30, 2011</b>	2,492,068	2,492,068	1,847,842	-	-	-	-	-	1,819,428	6,159,338
Issuance of shares (Note 17)	1,380,000	1,380,000	6,479,701	-	-	-	-	-	-	7,859,701
Issuance of broker options (Note 17)	-	-	-	-	82,800	129,512	-	-	-	129,512
Issuance of stock options (Note 17)	-	-	-	-	-	-	90,000	64,409	-	64,409
Share issue costs (Note 17)	-	-	(703,638)	-	-	-	-	-	-	(703,638)
Net income	-	-	-	-	-	-	-	-	2,717,652	2,717,652
<b>Balance, September 30, 2012</b>	3,872,068	3,872,068	7,623,905	-	82,800	129,512	90,000	64,409	4,537,080	16,226,974
Issuance of shares (Note 17)	1,518,405	1,518,405	9,413,968	-	-	-	-	-	-	10,932,373
Exercise of broker options (Note 17)	-	-	89,910	-	(82,680)	(129,324)	-	-	-	(39,414)
Expiry of broker options (Note 17)	-	-	188	-	(120)	(188)	-	-	-	-
Issuance of stock options (Note 17)	-	-	-	-	-	-	288,060	289,019	-	289,019
Loss on foreign currency translation	-	-	-	(286,670)	-	-	-	-	-	(286,670)
Net income	-	-	-	-	-	-	-	-	2,641,694	2,641,694
<b>Balance, October 31, 2013</b>	5,390,473	5,390,473	17,127,971	(286,670)	-	-	378,060	353,428	7,178,774	29,763,976

Refer to accompanying notes to the consolidated financial statements.



**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Consolidated Statements of Cash Flows**  
**For the thirteen-month period ended October 31, 2013, and year ended**  
**September 30, 2012 (Expressed in U.S. Dollars)**

	Thirteen-months ended October 31, 2013	Year ended September 30, 2012
<b>Cash flows from operating activities</b>	<b>\$</b>	<b>\$</b>
Net income	2,641,694	2,717,652
Adjustments to reconcile net income to net cash flows from operating activities		
Amortization	347,052	248,707
Stock based compensation	289,019	64,409
Non cash warrant issue cost	-	124,171
(Gain) loss on disposal of assets	(6,380)	4,281
Deferred taxes	11,524	(61,085)
Foreign exchange loss on short term note payable	-	108,347
Foreign exchange gain on forward contract	-	(92,343)
Accretion expense	-	42,873
Fair value change in warrant liability	(458,241)	(962,408)
(Decrease) increase in cash due to change in:		
Accounts receivable	(461,760)	(363,668)
Restricted cash held in escrow	(73,530)	(32,822)
Other assets	(140,794)	147,586
Accounts payable and accrued expenses	2,407,741	316,136
<b>Net cash flows from operating activities</b>	<b>4,556,326</b>	<b>2,261,836</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(355,693)	(257,240)
Purchase of intangible assets	(260,797)	(82,389)
Proceeds from sale of equipment	18,308	-
<b>Net cash outflow from investing activities</b>	<b>(598,182)</b>	<b>(339,629)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of broker options and share warrants	10,932,373	9,240,936
Share Issue costs	-	(698,297)
Repayment of long-term debt	-	(222,141)
Repayment on lines of credit and notes payable	-	(2,099,904)
Repayment of shareholder loan payable	-	(167,010)
<b>Net cash flows from financing activities</b>	<b>10,932,373</b>	<b>6,053,584</b>
Net change in cash	14,890,447	7,975,791
Cash, beginning of period	16,564,453	8,588,662
Exchange difference on foreign operations	(324,104)	-
Cash, end of period	31,130,866	16,564,453
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for income taxes	1,540,733	1,211,223
Cash paid during the period for interest	26,954	108,115
Cash received during the year for interest	7,157	1,688
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Warrants issued on conversion of broker options (Note 17)	39,414	-
Broker options issued for services (Note 17)	-	129,512

Refer to accompanying notes to the consolidated financial statements.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the thirteen-month period ended October 31, 2013, and year ended**  
**September 30, 2012 (Expressed in U.S. Dollars)**

**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 Corporations 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) 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 currently maintains a head office and four vaults as well as 26 branch locations. The Company's registered head office is located at 4901 Vineland Road, Suite 580, Orlando, Florida, 32811, United States of America.

*Change in reporting period*

Effective February 2013, Currency Exchange International, Corp. changed its fiscal year end to October 31, 2013 to conform to the reporting period for Canadian chartered banks.

*Basis of presentation*

The presentational 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 financial statements. These consolidated financial statements have been prepared on a historical cost basis, with exception to certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

*Statement of compliance*

The policies applied in these consolidated financial statements are based on International Financial Reporting Standards (IFRS) issued and outstanding as of October 31, 2013. The Board of Directors approved the consolidated financial statements on January 8, 2014.

*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 intangible assets*

The Company makes significant judgments about the value of its proprietary software, 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 for impairment on an ongoing basis.

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the thirteen-month period ended October 31, 2013, and year ended**  
**September 30, 2012 (Expressed in U.S. Dollars)**

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

*Share-based payments including broker options*

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. 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. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*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 within the Company's control, are feasible, and are 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.

*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 the carrying value may not be recoverable.

*Amortization expense*

The Company's property and equipment and intangible assets are amortized over their estimated useful economic lives. Useful lives are based upon management's 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 amortization and in the assets' carrying amounts.

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

*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 Notes 7 and 21.

*Comparative figures*

Comparative figures have been reclassified to conform to the current period's presentation.

**2. Accounting Policies**

*Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries, Currency Exchange International of Canada Corp. ("CXIC") a corporation incorporated under the Canada Business Corporations Act and Currency Exchange International America Corp ("CXIA"), a corporation incorporated under the Florida Corporations Act.

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 currency notes;
- 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 market value based on foreign exchange rates as of October 31, 2013 and September 30, 2012, respectively.

*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 bulk of the Company's receivables reside with banks and other financial institutions. 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 allowance for doubtful accounts was \$Nil as of October 31, 2013 and September 30 2012, respectively.

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**2. Accounting Policies (continued)**

*Revenue recognition*

Commissions from trading 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 used to offset the changes in foreign exchange positions and commissions paid on the sale and purchase of currencies. These revenue streams are all reflected in commissions from trading and are recognized at the time each transaction takes place 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 when the transaction is made on a trade date basis.

*Foreign currencies*

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 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 Currency Exchange International of Canada Corp. is the Canadian dollar and the functional currency of the parent and Currency Exchange International America Corp. 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 U.S. dollar 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 foreign currency translation are included in accumulated other comprehensive income.

*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 immediately in the consolidated statement of income and comprehensive income.

*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.

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**2. Accounting Policies (continued)**

*Property and equipment*

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

Vehicles	3 years
Computer equipment	3 years
Furniture and equipment	3 years
Leasehold improvements	over the term of the lease

When parts of an asset have different useful lives, amortization 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 internally developed software. Costs related to the development of software prior to technological feasibility are expensed. Once the Company concludes that technological feasibility has been obtained and the Company intends to use the software, all subsequent development costs are capitalized and reported at cost less any accumulated amortization and any accumulated losses.

Amortization is calculated on a straight line basis over the estimated useful life of 5 years.

*Share-based payments including broker options*

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 assets*

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

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**2. Accounting Policies (continued)**

*Fair value through profit and loss*

Financial assets at fair value through profit and loss are initially recognized at fair value with changes in fair value recorded through income. Cash in local and foreign currencies held in tills, vaults, or in transit are included in this category of financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. 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, financial instruments included in other current assets and restricted cash held in escrow are all classified as loans and receivables.

*Derivative financial instruments*

Derivatives are initially recognised 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 recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

*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, accrued expenses, shareholder loan payable, and short term note payable which are all classified as other financial liabilities. Warrant liability is classified as fair value through profit or loss.

*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. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

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**2. Accounting Policies (continued)**

*Financial instruments recorded at fair value*

Financial instruments recorded at fair value in the consolidated statements 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of October 31, 2013 and September 30, 2012, cash including foreign currencies held in tills and vaults and the warrant liability are classified as Level 1 financial instruments.

*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. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. 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 always provided for in full. 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.



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**2. Accounting Policies (continued)**

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. New Accounting Policies and Future Accounting Pronouncements**

*Future accounting pronouncements*

Certain pronouncements were issued by the International Accounting Standards Board (“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 (2009) Financial Instruments (“IFRS 9 (2009)”) was issued in November 2009 and contained requirements for financial assets. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 (2009) also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. IFRS 9 (2009) amends some of the requirements of IFRS 7 including added disclosures about investments in equity instruments designated through fair value of other comprehensive income.

IFRS 9 (2010) Financial Instruments (“IFRS 9 (2010)”) was issued in October 2010 and contains all of the requirements in IFRS 9 (2009), as well as requirements for financial liabilities. Most of the guidance in IFRS 9 (2010) related to the recognition and measurement of financial liabilities remains unchanged from current IFRS. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* (“IFRS 10”) provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12 *Consolidation – Special purpose entities*. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

IFRS 12 *Disclosure of Involvement with Other Entities* (“IFRS 12”) was issued in May 2011. IFRS 12 requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity’s conclusion during the reporting period. This standard is effective for annual periods beginning on or after October 1, 2013, and early adoption is permitted. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

IFRS 13 *Fair Value Measurement* (“IFRS 13”) was issued in May, 2011 and provides guidance on how to measure fair value, as well as requiring specific disclosures related to fair value measurements recognized and in the financial statements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has adopted this standard for the annual period commencing November 1, 2013. The Company has determined that there is no impact at this time.

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**3. New Accounting Policies and Future Accounting Pronouncements (continued)**

IAS 32 Financial Instruments - Presentation ("IAS 32") was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company has not yet determined the impact of IAS 32 on its consolidated financial statements.

**4. Operating 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
Thirteen-months ended October 31, 2013	14,382,012	1,608,422	15,990,434
Year ended September 30, 2012	11,477,160	837,313	12,314,473

Assets	October 31, 2013			September 30, 2012		
	United States	Canada	Total	United States	Canada	Total
	\$	\$	\$	\$	\$	\$
Cash	6,451,236	24,679,630	31,130,866	10,018,626	6,545,827	16,564,453
Accounts receivable	59,640	973,719	1,033,359	389,754	213,848	603,602
Restricted cash held in escrow	-	200,707	200,707	132,340	-	132,340
Other current assets	297,838	141,957	439,795	304,019	8,956	312,975
Property and equipment	348,001	113,272	461,273	301,405	89,720	391,125
Intangible assets	371,130	-	371,130	185,929	-	185,929
Other assets	31,636	13,053	44,689	28,819	6,385	35,204
Total assets	7,559,481	26,122,338	33,681,819	11,360,892	6,864,736	18,225,628

On October 31, 2013 the Company restructured its operations to add additional capital into CXIC as part of its bank application process. As a result, the cash and capital in the Canadian subsidiary increased substantially.

**5. Cash**

Included within cash of \$31,130,866 (September 30, 2012 - \$16,564,453) are the following balances:

	October 31, 2013	September 30, 2012
	\$	\$
Cash held in transit, vaults, tills and consignment locations	15,427,028	15,026,294
Cash deposited in bank accounts in jurisdictions in which it operates	15,703,838	1,538,159
<b>Total</b>	<b>31,130,866</b>	<b>16,564,453</b>

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**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 in escrow of \$200,707 as of October 31, 2013 (September 30, 2012 - \$132,340)

**7. Operating Leases**

The Company has 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 thirteen-months ended October 31, 2013 was \$1,683,547 (year ended September 30, 2012 - \$1,344,777).

The following is a schedule of future minimum rental payments and license fees required under these agreements as of October 31, 2013:

<u>Year ended</u>	<u>Remaining minimum payments required</u>
October 31, 2014	\$1,193,131
October 31, 2015	\$833,896
October 31, 2016	\$548,236
October 31, 2017	\$523,228
October 31, 2018	\$344,434
October 31, 2019 and thereafter	\$98,689
<b>Total</b>	<b>\$3,541,614</b>

The Company is also responsible for its proportionate share of operating costs.

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**8. Property and Equipment**

Property and equipment consisted of the following as of October 31, 2013 and September 30, 2012:

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$	\$
Balance, September 30, 2011	51,567	88,062	100,927	462,135	702,691
Additions	14,806	44,183	70,899	127,352	257,240
Disposals	-	(7,761)	-	-	(7,761)
Balance, September 30, 2012	66,373	124,484	171,826	589,487	952,170
Additions	31,683	33,564	33,327	254,958	353,532
Disposals	(49,853)	(25,812)	(6,861)	(16,312)	(98,838)
Balance, October 31, 2013	48,203	132,236	198,292	828,133	1,206,864
Amortization	\$	\$	\$	\$	\$
Balance, September 30, 2011	30,146	64,623	66,753	185,057	346,579
Amortization	12,100	25,501	29,995	150,350	217,946
Disposals	-	(3,480)	-	-	-
Balance, September 30, 2012	42,246	86,644	96,748	335,407	561,045
Amortization	14,231	31,003	41,733	184,489	271,456
Disposals	(37,926)	(25,811)	(6,861)	(16,312)	(86,910)
Balance, October 31, 2013	18,551	91,836	131,620	503,584	745,591
Carrying amounts	\$	\$	\$	\$	\$
Balance, September 30, 2012	24,127	37,840	75,078	254,080	391,125
Balance, October 31, 2013	29,652	40,400	66,672	324,549	461,273

**9. Intangible Assets**

Intangible assets are comprised of the Company's internally developed software and its related modules. Amortization is computed on an individual product basis over the estimated economic life of the product using the straight-line method. The balance of intangible assets as of October 31, 2013 and September 30, 2012 consisted of:

	Cost	Amortization	Net Book Value
	\$	\$	\$
Balance, September 30, 2011	149,201	14,900	134,301
Additions	82,389	30,761	51,628
Balance, September 30, 2012	231,590	45,661	185,929
Additions	260,797	75,596	185,201
Balance, October 31, 2013	492,387	121,257	371,130

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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, 2013 and September 30, 2012 consist of the following:

	<u>October 31, 2013</u>	<u>September 30, 2012</u>
	\$	\$
<b>Deferred tax assets</b>		
Accrued expenses	63,468	50,063
Stock based compensation	137,837	24,875
Listing expenses	-	89,490
Total deferred tax assets	<u>201,305</u>	<u>164,428</u>
<b>Deferred tax liabilities</b>		
Intangible assets	144,741	71,806
Net property and equipment	104,698	70,961
Currency translation	-	58,271
Total deferred tax liabilities	<u>249,439</u>	<u>201,038</u>
Net deferred tax liabilities	<u>48,134</u>	<u>36,610</u>

Reconciliation of the provision for income taxes to the amount calculated using the Company's statutory tax rate for the thirteen-months ended October 31, 2013 and year ended September 30, 2012 are as follows:

	<u>October 31, 2013</u>	<u>September 30, 2012</u>
	\$	\$
<b>Income before taxes</b>	4,206,952	4,004,447
Statutory tax rate	<u>38%</u>	<u>39%</u>
Tax expense at statutory rate	1,598,642	1,561,734
Permanent difference (benefit)	(71,269)	(323,005)
Other	<u>37,885</u>	<u>48,066</u>
Income tax expense	<u>1,565,258</u>	<u>1,286,795</u>

The enacted tax rates in Canada of 26.5% (2012 – 26.9%) and in the United States of 38% (2012 – 39%) where the Company operates are applied in the tax provision calculation. The Canadian rate was reduced due to a scheduled rate reduction, whereas the decrease in the United States rate was due to change in income allocations amongst the states.

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**10. Income taxes (continued)**

The provisions for income taxes for the thirteen-months ended October 31, 2013 and year ended September 30, 2012 consist of the following:

	October 31, 2013	September 30, 2012
	\$	\$
Current tax expense	1,553,734	1,347,880
Deferred tax (benefit) expense	11,524	(61,085)
Income tax expense	<u>1,565,258</u>	<u>1,286,795</u>

**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 fewer 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.

**12. Lines of Credit**

The Company maintains two lines of credit for access to capital during peak business periods. In May of 2012, the Company entered into a line of credit agreement with Branch Banking and Trust Company for a principal amount of up to \$1,000,000 for a one-time fee of \$10,000. The line of credit bears interest at the bank's prime rate (as of October 31, 2013 3.25%) and is secured against the Company's cash and non-cash assets and renews annually. Any and all future debt is subordinate to the credit line. In May of 2013, the Company amended the note to increase the principal to an amount of up to \$2,000,000 for a one-time fee of \$10,000. At October 31 2013, the balance on the line of credit was \$Nil (September 30, 2012 - \$Nil). During the thirteen-month period ended October 31, 2013, the Company recognized interest expense of \$6,715 respectively (year ended September 30, 2012 - \$3,290).

On January 4, 2011, the Company entered into a Master Purchasing Agreement to borrow up to Cdn\$5,000,000 with a shareholder of the Company. On December 14, 2011, the Company amended the terms of the Master Purchasing Agreement to reduce the available credit from Cdn\$5,000,000 to Cdn\$2,000,000 upon completion of the offering described in Note 17. The Master Purchasing Agreement is subordinate to the credit line held with Branch Banking and Trust Company described below and is unsecured. Specific repayment terms and interest rates are negotiated when drawings are made. During the thirteen-month period ended October 31, 2013, the Company recognized interest and accretion expense of \$19,618 (year ended September 30, 2012 - \$131,237).

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**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 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 and accounts receivable.

All domestic and international banking relationships are approved by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances may exceed the federally or provincially 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 and other financial institutions. 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. A breakdown of accounts receivable by category is below:

	October 31, 2013	September 30, 2012
<b>Customer type</b>	<b>\$</b>	<b>\$</b>
Domestic and international banks	443,739	215,114
Money service businesses	584,109	377,839
Other	5,511	10,649
<b>Total</b>	<b>1,033,359</b>	<b>603,602</b>

These limits are reviewed regularly by senior management.

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.

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**13. Risk Management (continued)**

*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 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. The amount of unhedged inventory held in vaults, tills and in transit at October 31, 2013 was approximately \$3,040,000. The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is \$1,550,000. 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 +\$30,000/- \$30,000.

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the US dollar and the functional currencies of its subsidiaries. The major foreign currency giving rise to this currency risk is the Canadian dollar.

The Company does not hedge its net investment in its foreign subsidiary and the related foreign currency translation of local earnings.

*Interest Rate Risk*

As of October 31, 2013, the Company had access to interest bearing financial instruments in cash and short term note payables. A significant amount of the Company's cash is held as foreign currency banknotes 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 fixed and 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.

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 thirteen-months ended October 31, 2013 would have been approximately +\$1,000/- \$1,000 higher/lower as a result of credit lines held at variable interest rates.



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**13. Risk Management (continued)**

*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 CEO, 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	As of October 31, 2013		Next fiscal year	Future fiscal years
	Carrying amount	Contractual amount		
	\$	\$	\$	\$
Accounts payable	2,918,054	2,918,054	2,918,054	-
Accrued expenses	801,165	757,237	757,237	-

Non-derivative financial liabilities	As of September 30, 2012		Next fiscal year	Future fiscal years
	Carrying amount	Contractual amount		
	\$	\$	\$	\$
Accounts payable	682,572	682,572	682,572	-
Accrued expenses	714,207	690,212	690,212	-

The Company had unused lines of credit amounting to \$4,000,000 as of October 31, 2013 (September 30, 2012 - \$3,000,000).

The Company manages capital through its financial and operational forecasting processes. 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.

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 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. For the thirteen-months ended October 31, 2013, the change in foreign currency value was a gain of \$369,834 (year ended September 30, 2012 - loss of \$36,273), and the net change from foreign currency forward contracts related to foreign currency inventory holdings was a loss of \$282,973 (year ended September 30, 2012 - gain - \$11,046).

At October 31, 2013 and September 30, 2012, management has assessed that the fair value of the above foreign currency forward contracts was a nominal amount, given their short-term nature.

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**14. Foreign Currency Forward Contracts (continued)**

As of October 31, 2013 and September 30, 2012 approximately \$200,707 and \$132,340, 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.

In December of 2011, the Company entered into a forward contract to purchase Cdn\$2,000,000 to mitigate the foreign currency exchange risk relating to a short term Cdn\$2,000,000 loan entered in to under the Master Purchasing Agreement described in Note 12. The forward contract expired on the date of the Company's public offering. During the thirteen-months ended October 31, 2013, the Company realized an exchange gain on the forward contract of \$Nil (year ended September 30, 2012 - gain of \$92,343).

**15. Warrant Liability**

On March 9, 2012, the Company completed a public offering by issuing 1,380,000 units for gross proceeds of Cdn\$9,177,000 (Note 17). Each unit was comprised of one common share and one common share purchase warrant and expired on September 12, 2013. The grant date fair value of \$1,381,235 was allocated to the warrants based on the Black-Scholes option pricing model using the following inputs:

	<u>March 9, 2012</u>
Risk-free interest rate	0.20%
Expected volatility	59%
Expected dividend yield	Nil
Expected life (years)	1.5
Fair value of common share at grant date	Cdn\$5.66

Warrants issued by the Company to purchase common shares, for a fixed price stated in Canadian dollars, a currency other than the Company's functional currency of US dollars, and not offered pro rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities under IFRS. Such warrants are required to be measured and recognized at fair value as a liability with changes subsequent to initial recognition included in the consolidated statement of income and comprehensive income. Subsequently, the warrants became publically traded and the fair value of the warrants is based on the quoted market price of the warrants at each reporting date. The warrant liability is classified as Level 1 within the fair value hierarchy.

On December 24, 2012, 59,634 broker compensation options described in Note 17 were exercised enabling each option holder one common share and one common share purchase warrant.

In February 2013, 40 broker compensation options described in Note 17 were exercised enabling each option holder one common share and one common share purchase warrant.

In March of 2013, 23,006 broker compensation options described in Note 17 were exercised enabling each option holder one common share and one common share purchase warrant.

Prior to the expiry date, a total of 1,435,725 warrants were converted in to common shares and 26,955 warrants remained outstanding. At the time of expiry, the warrant liability was extinguished and the gain was recognized on the consolidated statement of income and comprehensive income. During the thirteen-months ended October 31, 2013, the Company realized a non-cash gain of \$458,241 on the revaluation and expiration of the liability (year ended September 30, 2012 - gain - \$962,408).

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**16. Retirement Plan**

The Company has a defined contribution 401(k) retirement plan which covers substantially all employees in the United States who are twenty-one years of age and have achieved 1,000 hours of service with the Company in a period of twelve consecutive months. Participating employees may elect to defer a portion of their compensation on a before or after tax basis in accordance with Section 401(k) of the Internal Revenue Code. The Company makes matching dollar for dollar contributions of up to 4% of each plan participant's gross wages. For the thirteen-months ended October 31, 2013 the Company's matching contribution expense was \$99,985 (year ended September 30, 2012 - \$57,390).

**17. Shareholders' Equity**

*Share Capital*

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

On March 9, 2012, the Company completed a public offering by issuing 1,380,000 units at a price of Cdn\$6.65 per unit for gross proceeds of Cdn\$9,177,000 (\$9,240,936). Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitled its holder to purchase one additional share at a price of Cdn\$7.50 until September 8, 2013. An amount of \$1,381,235 was allocated as a warrant liability on the date of issue as described in Note 15. In connection with the offering, officers and directors combined to purchase 8,100 common shares.

The Company issued broker compensation options entitling the agents to acquire a maximum of 82,800 units at Cdn\$6.65 per unit until March 11, 2013. Each unit consists of one common share and one common share purchase warrant exercisable at a price of Cdn\$7.50 until September 12, 2013. The grant date fair value of the broker options of \$129,512 was determined based on the Black-Scholes option pricing model using the assumptions as presented below:

Risk-free interest rate	0.18%
Expected volatility	59%
Expected dividend yield	Nil
Expected life (years)	1
Fair value of unit at grant date	Cdn\$6.65
Fair value of option at grant date	\$1.56

In connection with the offering, the Company also paid cash commission to the agents in the amount of \$555,135, and incurred other professional fees and expenses of \$272,674 for a total cost of \$827,809 of which \$703,638 was allocated to common shares and \$124,171 related to warrants was expensed.

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**17. Shareholders' Equity (continued)**

During the thirteen-months ended October 31, 2013, 82,680 broker compensation units were exercised at a price of Cdn\$6.65 per unit, for proceeds of Cdn\$549,822 (\$548,264).

	Broker Options #	Remaining Expected Life (years)	Weighted Average Exercise Price Cdn\$	Value \$
Balance, September 30, 2011	-	-	-	-
Issued, March 9, 2012	82,800	-	6.65	129,512
Balance, September 30, 2012	82,800	-	6.65	129,512
Exercised, December 24, 2012	(59,634)	-	6.65	(93,276)
Exercised, February 2013	(40)	-	6.65	(63)
Exercised, March 2013	(23,006)	-	6.65	(35,985)
Expired, March 2013	(120)	-	6.65	(188)
<b>Balance, October 31, 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

In August and September of 2013, 1,435,725 common share purchase warrants were exercised for one common share of stock at a price of Cdn\$7.50 for proceeds of Cdn\$10,767,938 (\$10,384,109)

*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, management and consultants. 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 Company's board of directors.

Below is information related to each option grant:

Date of Grant	<u>May 4, 2012</u>	<u>December 17, 2012</u>	<u>May 3, 2013</u>	<u>October 29, 2013</u>	<u>October 29, 2013</u>
Expiry Date	May 4, 2017	December 18, 2017	May 3, 2018	October 29, 2018	October 29, 2018
Vesting Schedule	1/3 annually	1/3 annually	1/3 annually	1 year	1/3 annually
Amount granted	90,000	116,000	22,000	35,640	114,420
Exercise Price	Cdn\$7.50	Cdn\$7.50	Cdn\$7.65	Cdn\$10.86	Cdn\$10.86
Risk-free interest rate	0.78%	0.74%	0.73%	1.29%	1.29%
Expected volatility	45%	49%	38%	35%	35%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Expected life (years)	5	5	5	5	5
Fair value of share at grant date	Cdn\$7.30	Cdn\$6.75	Cdn\$7.35	Cdn\$10.86	Cdn\$10.86
Fair value of option at grant date	\$2.84	\$2.66	\$2.42	\$3.44	\$3.44
Amount vested for the thirteen-months ended October 31, 2013	\$118,658	\$155,366	\$12,335	\$1,343	\$1,317

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**17. Shareholders' Equity (continued)**

The outstanding options as of October 31, 2013 and September 30, 2012 and the respective changes during the periods are summarized as follows:

	October 31, 2013			September 30, 2012		
	Number of options	Weighted average exercise price	Vesting attributable to period	Number of options	Weighted average exercise price	Vesting attributable to period
	#	Cdn\$	Cdn\$	#	Cdn\$	Cdn\$
Outstanding, beginning of period	90,000	7.50	64,409	-	-	-
Granted	288,060	9.26	289,019	90,000	7.50	64,409
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding, end of period	378,060	8.84	353,428	90,000	7.50	64,409

The following options are outstanding and exercisable at October 31, 2013:

Options Outstanding and Exercisable			
Exercise price	Number outstanding	Average remaining contractual life	Number exercisable
Cdn\$	#	(years)	#
7.50	90,000	3.51	30,000
7.50	116,000	4.13	-
7.65	22,000	4.51	-
10.86	35,640	5.00	-
10.86	114,420	5.00	-

**18. Earnings per Common Share**

The calculation of earnings per share is presented below.

	Thirteen-months ended October 31, 2013	Year ended September 30, 2012
<b>Basic</b>		
Net income	\$2,641,694	\$2,717,652
Weighted average number of shares outstanding	4,126,996	3,268,789
Basic earnings per share	\$0.64	\$0.83
<b>Diluted</b>		
Net income	\$2,641,694	\$2,717,652
Weighted average number of shares outstanding	4,133,075	3,271,454
Diluted earnings per share	\$0.64	\$0.83

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**19. Operating Expenses**

	<u>Thirteen-months ended</u> <u>October 31, 2013</u>	<u>Year ended</u> <u>September 30, 2012</u>
	\$	\$
Salaries and benefits	5,742,923	4,060,630
Rent	1,683,547	1,344,777
Legal and professional	1,089,853	616,725
Postage and shipping	1,187,081	878,711
Stock based compensation	289,019	64,409
Amortization	347,052	248,707
Other general and administrative	1,605,496	1,526,893
Operating expenses	<u>11,944,971</u>	<u>8,740,852</u>

**20. Exchange Bank of Canada**

On November 23, 2012, the Company submitted its application to continue its wholly-owned 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 (Canada) and the Minister of Finance (Canada), the new bank will be called "Exchange Bank of Canada" in English and "Banque de Change du Canada" in French and will have its head office in Toronto. During the thirteen-months ended October 31, 2013, the Company recognized legal and administrative expenses of \$272,004 in relation to the application process (year ended September 30, 2012 - \$114,673). In 2014, the Corporation expects that it will continue to work towards receiving approval to continue its Canadian subsidiary, Currency Exchange International Canada Corp., as a Schedule I licensed bank.

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**21. 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 thirteen-months ended October 31, 2013 and year ended September 30, 2012 was as follows:

	Thirteen-months ended	Year ended
	October 31, 2013	September 30 2012
	\$	\$
Short-term benefits	1,090,856	604,073
Post-employment benefits	18,700	9,348
Stock based compensation	255,535	64,409
	1,365,091	677,830

On October 1, 2011, the Company entered into an employment agreement with the President and CEO of the Company. Pursuant to this agreement, the Company is committed to pay an annual base salary of \$160,500 per annum indefinitely until such time as the agreement is terminated. In October, 2013, the Compensation Committee of the Board of Directors agreed to increase the base salary to \$225,000 per annum with a maximum cash bonus of up to 62.5% of the annual base salary as part of the Company's short term incentive plan ("STIP"). This contract contains clauses requiring additional payments of a minimum of \$321,000 to be made upon the occurrence of certain events such as a change of control or termination for reasons other than cause. As the likelihood of a change on control is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

On October 29, 2013, the Compensation Committee of the Board of Directors approved STIP for key officers and executives of the Company. The maximum amount of STIP payable for key officers and executives for the fiscal year beginning November 1, 2013 will be \$416,000 and will be paid upon the achievement of performance objectives.

The Company incurred legal and professional fees in the aggregate of \$86,171 for the thirteen-months ended October 31, 2013 (year ended September 30, 2012 - \$78,792) charged by entities controlled by directors or officers of the Company. During thirteen-months ended October 31, 2013, the Company incurred an expense of \$255,535 from stock options granted to officers and directors (year ended September 30, 2013 - \$64,409).

On March 9, 2012 the Company completed its public offering described in Note 17. Officers and directors who participated in the offering combined to purchase a total of 8,100 units.

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**22. Other Current Assets**

	<u>October 31, 2013</u>	<u>September 30, 2012</u>
	\$	\$
Prepaid rent	131,034	107,752
Prepaid insurance	92,871	57,879
Forward escrow deposits	2,836	5,083
Due on debit and credit cards	33,447	89,111
Forward contract positions	83,430	8,999
Other assets	96,177	44,151
Total	<u>439,795</u>	<u>312,975</u>

**23. Subsequent Events**

On November 12, 2013 the Company entered in to a lease agreement for a new corporate headquarters in Orlando, Florida. The lease calls for total minimum payments of \$668,365 and expires on July 31, 2018.



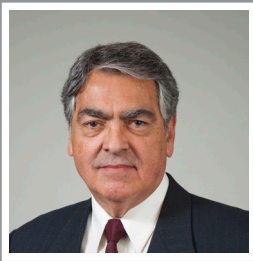
## CURRENCY EXCHANGE INTERNATIONAL



**Randolph W. Pinna**

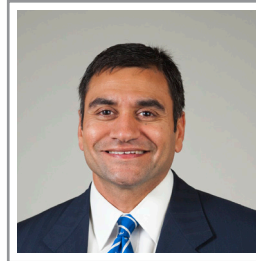
**CEO, President, Chairman of the Board**

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 Bay, Florida to a multinational publicly-traded company 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 Currency Exchange International  
Independent Board Member



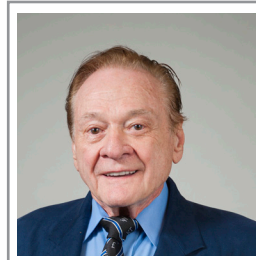
**Chirag Bhavsar**

Lead Director of Currency Exchange International  
Independent Board Member



**Mark D. Mickleborough**

Director of Currency Exchange International  
Board Member



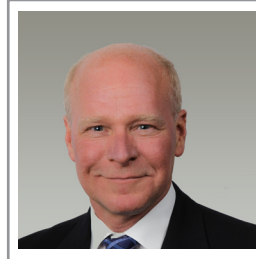
**Dr. Sanford Pinna, M.D.**

Director of Currency Exchange International  
Board Member



**V. James Sardo**

Director of Currency Exchange International  
Independent Board Member



**James D.A. White**

Director of Currency Exchange International  
Independent Board Member

Local (407) 240 0224  
U.S.A. (888) 998 3948  
Fax (407) 240 0217  
Email [InvestorRelations@ceifx.com](mailto:InvestorRelations@ceifx.com)  
Web [www.ceifx.com](http://www.ceifx.com)



**CURRENCY EXCHANGE  
INTERNATIONAL**

6675 Westwood Boulevard Suite 300, Orlando, Florida 32821



# **CURRENCY EXCHANGE** **INTERNATIONAL**



Local (407) 240 0224  
Fax (407) 240 0217  
U.S.A. (888) 998 3948  
Email [InvestorRelations@ceifx.com](mailto:InvestorRelations@ceifx.com)

Corporate Office:  
6675 Westwood Boulevard Suite 300  
Orlando, Florida 32821  
[www.ceifx.com](http://www.ceifx.com)