

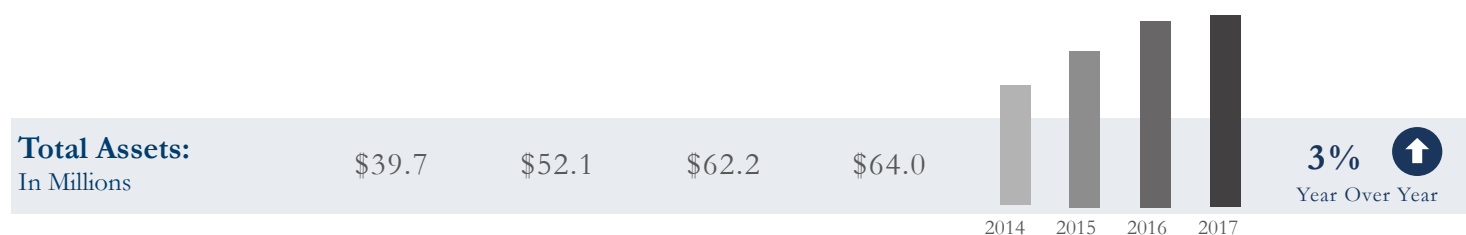
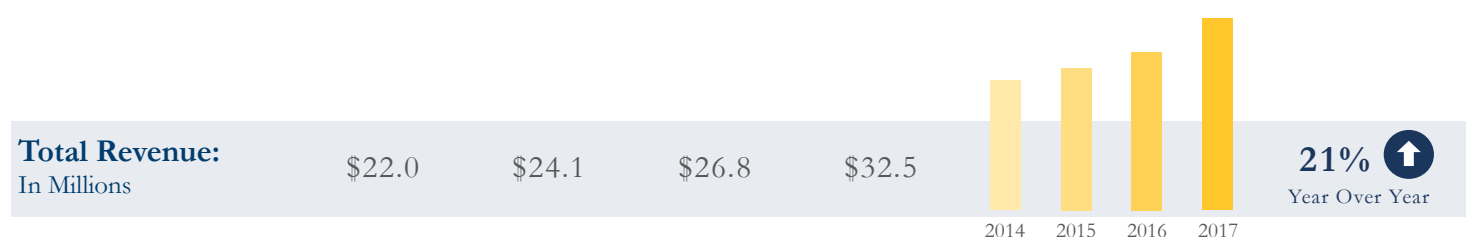
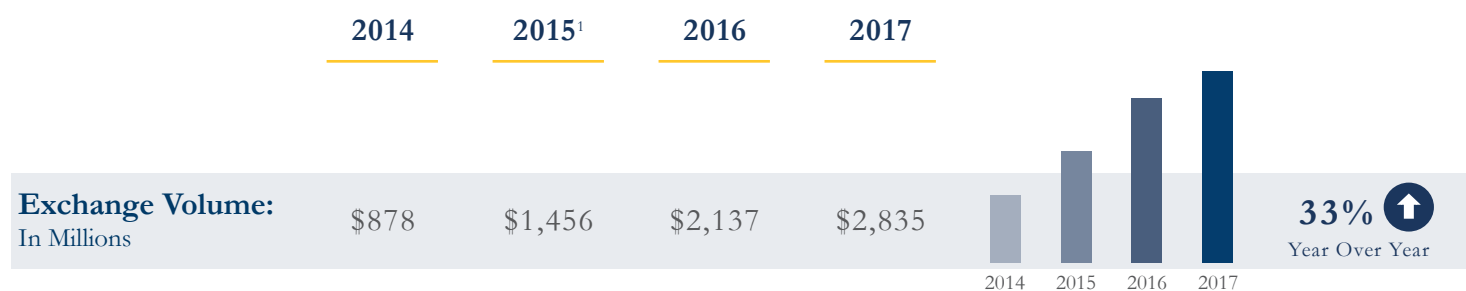


**CURRENCY EXCHANGE
INTERNATIONAL**



2017 | ANNUAL
REPORT

FINANCIAL HIGHLIGHTS



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

Corporate Customers and Transacting Locations

	2014	2015 ¹	2016	2017
Company-Owned Branch Locations	32	36	38	41
Wholesale Company Relationships	469	521	928	977
Transacting Locations	8,274	10,157	13,603	15,026

Key Ratios

	2016	2017
Earnings Per Share	\$0.58	\$0.61
Return On Assets	6.4%	6.0%
Return On Equity	7.5%	6.8%
Operating Margin	25.6%	24.4%

Quarterly Stock Price (TSX:CXI)

TSX stock prices are quoted in Cdn\$

Q1 Ended 1/31/2017	Q2 Ended 4/30/2017	Q3 Ended 7/31/2017	Q4 Ended 10/31/2017
\$27.03	\$21.91	\$24.00	\$26.64

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



Randolph W. Pinna

President and Chief Executive Officer

Dear CXI Shareholders, Customers, Employees and Friends,

I am pleased to present the progress and achievements of Currency Exchange International, Corp. for our year ended October 31, 2017.

CXI's Growth in 2017

In fiscal year 2017, CXI completed its 10th full year in business with significant growth in both customers and corporate structure. CXI continued to expand its foreign currency exchange and international payments services with 49 new wholesale client companies representing more than 1,400 transacting locations. This raises the total number of locations processed and served by CXI across North America to more than 15,000, a year over year increase of more than 10%.

Exchange Bank of Canada (EBC), CXI's wholly owned subsidiary in Canada, had its first full year of operations as a Schedule 1 Bank. Besides having many banknote customers, EBC now has over 40 established corporations utilizing its international payment services. Additionally, EBC is a valuable asset to CXI given its ability to establish correspondent relationships with other banks worldwide and thus, providing the ability to source currency at "interbank pricing". EBC is building these relationships, which will lead to savings by lowering FX transaction sourcing and processing costs, as well as, providing enhanced client servicing capabilities. Although the effects from correspondent relationships were not noticeable in the 2017 year, a strong foundation has been established for 2018 and beyond.

CXI's company-owned retail branch network added three new locations in fiscal year 2017, bringing the total retail branch network in the U.S. to 41 locations. Two of these locations opened in the established CXI markets of San Diego, California and New York City, New York, while the third location opened in Portland, Oregon. In addition, CXI's Westfield Century City branch in Los Angeles, California reopened after being temporarily closed for more than two years during the mall's \$1 billion renovation and expansion project. Year over year the company-owned locations continued their increase

in total transactions conducted and gross income generated at healthy retail exchange margins. CXI plans to maintain the growth rate of its company-owned branch network by opening locations selectively in areas that are well-suited for a new FX retail solution.

The expansion of retail and wholesale locations serviced by CXI and EBC allowed for revenues to grow to US \$32.5 million, up 21% from the previous fiscal year. Net operating income increased to US \$7.92 million up from US \$6.88 million the previous year. The slower growth in the net operating income was largely due to higher operating costs, including significant one-time costs at EBC and investments into expanding CXI's and EBC's international payment business. This has resulted in a lower operating margin, which is expected to return to higher sustainable levels as revenue increases.

CXI's strategic plan continues to commit significant investment into expanding its current payment business with enhancements to both CXI's processing capabilities and the sales team driving this expansion. Specifically, in the fourth quarter of fiscal year 2017 EBC experienced a noticeable increase in its payments business from corporate clients. New customers generated through the sales team and savings enacted by the processing enhancements will allow CXI to see greater positive impact in both top and bottom line income.

Experienced Talent

In fiscal year 2017, one-time costs in the form of payroll at both businesses impacted the company's expenses. CXI appointed industry veteran Mr. Stephen Fitzpatrick as Chief Financial Officer (CFO) of the company and its subsidiary, EBC. Mr. Fitzpatrick (CPA, CGA, MBA) brought a significant amount of financial services experience to CXI and EBC, combining financial and business perspectives in the CFO role.

PRESIDENT'S LETTER

Boosting the strength in sales, trading, IT and compliance departments continue to be a priority with EBC and CXI recruiting additional proven human resources. U.S. and Canada both saw new hires in these departments, which have already made positive contributions. As the business grows, there is always a focus in doing so within a culture of sales and compliance, thus additional investments will be made to both our sales and compliance teams.

Additional strengthening of the operations departments will also occur in the current year to ensure quality customer support with low risk, allowing the CXI group to continue an aggressive expansion while strengthening its quality reputation.

Strategic Growth

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

Developing solutions to digitally process cheque items is another area that the company is focused on to expand FX volumes/revenues. The initiative utilizes the latest technology in the banking sectors to securely and quickly transmit data for processing.

FX ATMs and multi-currency cards, while being smaller businesses, are areas that CXI has maintained a pulse on within the industry. As opportunities evolve, the potential to ramp up either one of these businesses is a distinct option.

Positioned for Continued Growth

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

We are proud of the accomplishments of the past year while we stay focused on the growth of revenues and profits in the years ahead. I am proud of the loyal team of almost 300 employees across the U.S. and Canada who will all work together to grow our group to record levels of trading and profits.

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



Randolph W. Pinna
President and Chief Executive Officer

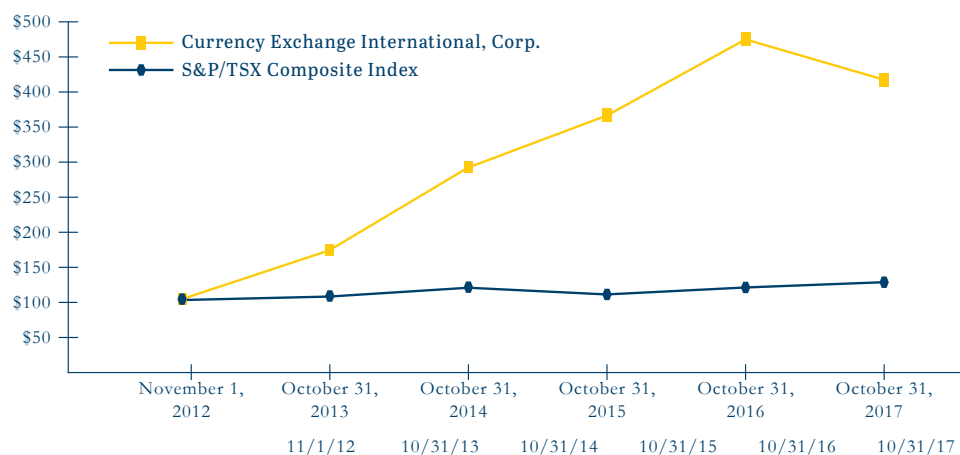
Shareholder's Equity

\$ Millions

October 31, 2017	\$56.5
October 31, 2016	\$50.8
October 31, 2015	\$46.8
October 31, 2014	\$33.0

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

Shareholder Performance Graph



This graph compares the yearly percentage change in the cumulative total shareholder return for C\$100 invested in Common Shares on November 1, 2012 against the cumulative total shareholder return of the S&P/TSX Composite Index for the most recently completed financial years of Currency Exchange International, Corp. since it became listed on the Toronto Stock Exchange ("TSX"), assuming the reinvestment of all dividends. Currency Exchange International, Corp. has never paid any dividends, and will only pay dividends in the future as the board of directors deems appropriate.

2007 - 2009

Operations at CXI commence when it purchased eight retail branches of Foreign Currency Exchange Corp., a subsidiary of the Bank of Ireland Group.

CXI officially launches its proprietary, web-based FX software - CEIFX.

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

2010 - 2012

Three vaults are established in the U.S. with the main currency processing center in Miami, Florida and regional vaults in New York and California.

CXI Canada is established and its Toronto vault begins operations.

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

2013 - 2015

98% of Common Share Purchase Warrants and Broker Compensation Units from CXI's IPO are exercised for total gross proceeds of Cdn\$11.3 million.

CXI buys certain assets of U.S. Exchange House in the U.S. and Canada, merging them within its business operations.

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

2016 - 2017

CXI exchanges more than \$2.8 billion in total exchange volume and ends the year with more than \$64.0 million in assets.

CXI owns and operates 41 branch locations.

CXI Canada continues as a new Schedule I Bank in Canada called Exchange Bank of Canada in English and Banque de change du Canada in French.

EBC is accepted for SWIFT membership expanding its global payment capabilities.

KEY ACTIVITIES

Foreign Banknote Exchange

Overview

Banknotes are a core service offering from CXI and EBC. The company group exchanges billions of dollars' worth of currency annually. Currencies for more than 90 countries are available for exchange. There has been no noticeable decline in demand for cash through current clients or prospective clients at this time.

Clients

Company-owned locations
Corporate clients
Financial institutions

International Payments

Overview

International payments include international wires, Global EFT, and foreign bank draft issuance. Payments are available to be sent to more than 120 countries. Enhanced correspondent relationships are increasing the group's service capabilities. The demand for international payments continues to increase through the U.S. and Canada.

Clients

Corporate clients
Financial institutions

Foreign Cheque Clearing

Overview

The foreign cheque clearing process is becoming more streamlined each year. Enhanced technological solutions for bulk processing and upcoming image capture solutions for Canadian dollar cheques, pave the way for a streamlined service. This drives key benefits, speed and security, to the forefront of this service.

Clients

Corporate clients
Financial institutions

BUSINESS OPERATIONS

Business Highlights

390,000+

company-owned branch transactions in fiscal year 2017

580,000+

wholesale relationship transactions in fiscal year 2017

38% 

in total transactions in fiscal year 2017 vs in fiscal year 2016

Business Overview

CXI's growth as a foreign currency and international payments provider in North America is based on successfully pairing the company's resources and relationships. Through strategic planning, both have continued to expand, allowing the company to further support and gain new clients. Clients of CXI find the company is adept at working closely with them to identify their needs or challenges and provide solutions that address their unique situation.

CXI built a scalable foreign exchange business as it became an industry leader. The company services hundreds of financial institutions, ranging from top 10 U.S. banks, as ranked by number of locations, to banker's banks that roll CXI's services down to their own set of financial institution customers. Exchange Bank of Canada acts as a banker's bank in Canada and continues developing the group's global network of correspondents. In all, CXI services more than 15,000 transacting locations that interact with CXI or EBC as their currency exchange provider.

In the U.S., CXI's company-owned branches provide a balance of higher margin currency trades with individuals. The branch network is a source of foreign currencies the company can then make available through its network of relationships. CXI's operational synergy, affords the company the ability to offer its customers and clients highly competitive rates, helping grow the business, while enjoying larger margins in its business lines.

CXI's expertise in foreign exchange, as well as its experience and technology, builds a foundation to enhance its clients' operations. Whether it's a financial institution, corporation, or individual, CXI creates mutually beneficial relationships as clients experience convenience, high quality customer service, industry best practices, cost-savings and business efficiencies.

Company-Owned Branch Network

CXI's company-owned branch network continues its positive growth trajectory within the company providing significant and consistent revenue. These locations are an established engine for brand awareness in the local communities it serves. Through hundreds of thousands of walk-up transactions a year, consumers are introduced to CXI's brand and experience the company's commitment to delivering a quality product with a high level of customer service. Company-owned branch locations utilize their own localized websites and managed online presence to optimized search results. The local websites and corporate website combined are served more than 750,000 times a year.

In the 2017 fiscal year, CXI added three company-owned locations increasing its total from 38 branches to 41. The new branch openings spanned coast-to-coast as branches opened in Portland, Oregon (Washington Square), San Diego, California (Westfield North County) and New York, New York (Queens Center Mall). Washington Square opened in a new market for CXI, while Westfield North County and Queens Center Mall both opened near established company-owned locations. CXI's Westfield Century City branch in Los Angeles, California resumed operations at the end of the fiscal 3rd quarter after it temporarily closed for more than two years during the mall's massive renovation and expansion project.

Management is committed to finding additional location opportunities each year. It is judicious in selecting when and where CXI opens company-owned locations moving forward in markets and environments with the most positive indicators of success based on its internal evaluation process. Resources, personnel and capital investment at the opening and early stages of the branch's launch are required to successfully make it profitable. CXI's market selection process and marketing strategy have proven time and time again to provide positive return for the company.

United States Business Environment

During the 2017 fiscal year, CXI added 26 new client relationships representing 1,400 new transacting locations across the United States. These relationships are with financial institutions, MSBs and corporate clients. CXI has seen clients trending toward taking advantage of the company's ability to service multiple foreign exchange services all on one online platform - CEIFX software.

Utilizing the CEIFX software opens the door for clients to offer the service directly downstream to clients of their own such as corporations initiating wire payments or banker's banks having client banks enter their own transactions. The software's white labeled environment, client hierarchy and user scope make it an easy product to enable a wide range of setups. Each relationship varies in the services utilized ranging from one or more of the following: foreign currency banknotes, international payments, issuing foreign drafts and clearing foreign denominated cheques.

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

Canadian Business Environment

Exchange Bank of Canada completed its first full year of operations in 2017's fiscal year. EBC's emergence as a foreign exchange and international payments specialty bank gives clients the trust that they are working with a federally regulated Schedule I Canadian Bank, while maintaining a relationship with a dedicated foreign exchange and international payments team.

A high priority for EBC has been growing the bank's global network of correspondent and client relationships not previously available to the company when operating as a Canadian money service business. The growth of its banknote and international payment correspondent network allows the company group to expand its service capabilities and improve efficiencies.

EBC's ability to streamline services through its software and correspondent relationships can produce resource and cost savings. As EBC increases its client base, these connections will realize their potential for EBC and its clients.



CEIFX Software Advantage

Viewed as a leading application in foreign currency exchange, the CEIFX software is a major component in the success of CXI and EBC. Both CXI and EBC utilize the software in their own deployments locally known as CEIFX and EBCFX. The software continues to generate interest with new and potential clients, while the company group is dedicated to maintaining an active development cycle. Investing in the development of the CEIFX software is a high priority as it delivers routine maintenance, security upgrades, new features and client request fulfillment.

The web-based software accommodates all product lines offered by CXI and EBC. The core features allow for fully customized customer setups and integration, instinctual user interface, user management and robust reporting capabilities. A key feature is the software's 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 it helps the group and its clients maintain compliance with certain applicable U.S. and Canadian regulations.

An emphasis for CEIFX's ongoing development is increasingly connecting the system through software integrations. Integrations to outside systems allow CEIFX to effectively and seamlessly improve clients' workflow within their current processes. Facilitating an online environment where clients' existing core banking software, enterprise resource planning software, and data exchanges can access CEIFX with APIs (application programming interfaces) allows for simplified operational, financial and regulatory compliance, thereby cultivating more interest in the online platform by other institutions and creating strategic opportunities for CXI. As well as data flowing in from client sources, integrations allow for data to flow out of the software for automated end-to-end processing.

Even with such robust capabilities, the system remains flexible for many setup types and deployment needs. The ability to white label the software for other financial institutions to facilitate their downstream clients expands where and how the software can be used. CEIFX is a sophisticated tool that helps clients be better at their own business by simplifying foreign exchange and payments through enhanced efficiencies, risk management and powerful validations. As such, CEIFX remains an integral part of the company's competitive advantage.

CURRENCY EXCHANGE INTERNATIONAL, CORP.

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

**FOR THE THREE MONTHS AND
YEAR ENDED OCTOBER 31, 2017
AND 2016**



***CURRENCY EXCHANGE
INTERNATIONAL***

Management Discussion and Analysis
(All amounts expressed in U.S. Dollars unless otherwise noted)
For the three months and year ended October 31, 2017 and 2016

Scope of Analysis

This Management Discussion and Analysis (“**MD&A**”) covers the results of operations, and financial condition of Currency Exchange International, Corp. and its subsidiary (the “**Company**,” or “**CXI**”) for the three months and year ended October 31, 2017 and 2016, including the notes thereto. This document is intended to assist the reader in better understanding and assessing operations and the financial results of the Company.

This MD&A has been prepared as at January 9, 2018 in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”) and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended October 31, 2017 and 2016 and the notes thereto. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited consolidated financial statements for the year ended October 31, 2017. The functional currency of the Company is the U.S. Dollar. The functional currency of the Company's Canadian subsidiary, Exchange Bank of Canada (“**EBC**”), is the Canadian Dollar. The Company's presentation currency is the U.S. Dollar. Unless otherwise noted, all references to currency in this MD&A refer to U.S. Dollars. The consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

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

Additional Information

Additional information relating to the Company, including annual financial statements, is available on the Company's SEDAR profile at www.sedar.com and on the Company's website at www.ceifx.com (“**CEIFX**”).

Forward Looking Statements

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

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

Inherent in forward-looking information are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section in the Company’s MD&A for the year ended October 31, 2017. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A.

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

Overview

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

Issuance of banking license

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

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

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

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

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

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

Overview (continued)

- The Company operates three vaults that serve Canada and the United States as well as two small vaults that serve local markets on the West Coast and Northeast Regions of the United States and serve as distribution centers for its branch network as well as order fulfillment centers for its clients including financial institutions, money service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. On-boarding of new clients, specifically banking clients, normally requires an upfront investment, such as training, and currency signage, as well as additional one-time shipping costs to distribute start-up materials. The Company also normally absorbs information technology costs to customize the CEIFX software for specific client use during the customer implementation phase. There are two common customer setups:
 - Centralized setup - For customers with a high volume of foreign currency exchange who maintain and manage their own inventory in central vault facilities, the Company offers bulk wholesale bank note trading. Trades of this nature are generally executed at lower margins as the cost per transaction is low and the average value is high. The customer implementation phase is normally shorter and the costs of on-boarding clients is low;
 - Decentralized setup - Many customers have determined that it is advantageous to avoid a currency inventory and allow their locations to buy and sell directly from CXI. Transactions in a decentralized setup typically are executed at a higher margin as the average transaction is low and the cost to fulfill each trade is higher than that of a centralized setup. Several of the Company's financial institutions outsource their currency needs in return for a commission based upon exchange volume. When a client outsources their currency needs, the Company is granted access to the entire branch network thus immediately increasing its geographic footprint and expanding its customer base. The customer implementation phase is normally longer in a decentralized setup and the cost of client on-boarding is higher as these clients normally require additional training and support;
- The Company operates 41 branch locations which are located in high tourist traffic areas, staffed by CXI employees, and located across the United States. These locations hold domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with the transactions occurring at these locations are generally higher in order to recapture costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs;
- CXI and EBC currently maintain inventory in the form of domestic and foreign bank notes in financial institutions and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. At October 31, 2017, the Company had inventory on consignment in 703 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these locations; and
- Company owned branch locations generally act as a net buyer of foreign currency whereas CXI's bank and non-bank clients generally act as a net seller. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Overview (continued)

The Company has aggressively grown its branch network as well as the number of wholesale relationships over the years. Below is a list of the Company's wholesale company relationships and transacting locations as well as a listing of its 41 branch locations:

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

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

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

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

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

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

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

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

The Company estimated the likelihood of future revenues to determine the estimated contingent consideration. During the second quarter of fiscal 2016, the actual amount of contingent consideration was determined, and the Company recorded a revaluation of contingent consideration of \$96,359 for the year ended October 31, 2016. At the end of that period, contingent consideration was transferred to accounts payable and was paid in full as of October 31, 2017.

SELECTED FINANCIAL DATA

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

Three-months ending	Revenue \$	Net operating income \$	Net income (loss) \$	Total assets \$	Total equity \$	Earnings (loss) per share (diluted) \$
10/31/2017	9,355,315	2,609,517	1,337,947	63,968,227	56,492,618	\$0.21
7/31/2017	9,862,335	3,597,678	1,944,247	71,348,901	55,545,083	\$0.39
4/30/2017	7,172,429	1,424,291	625,052	66,875,712	52,111,070	\$0.09
1/31/2017	6,087,142	290,024	(85,776)	60,399,965	51,438,703	(\$0.01)
10/31/2016*	7,692,144	2,219,101	1,379,937	62,196,008	50,752,352	0.22
7/31/2016*	7,708,332	2,603,843	1,484,257	71,027,239	49,568,941	0.24
4/30/2016*	5,854,925	1,160,181	479,540	57,181,863	48,527,966	0.08
1/31/2016*	5,572,055	894,364	298,377	50,313,593	46,308,790	0.05

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

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

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Selected Financial Results for the three months and year ended October 31, 2017 and October 31, 2016

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$	Three months ended October 31, 2017 \$	Three months ended October 31, 2016 \$
Revenue	32,477,220	26,827,456	9,355,315	7,692,144
Operating expenses	24,555,711	19,949,967	6,745,797	5,473,043
Net Operating income	7,921,509	6,877,489	2,609,517	2,219,101
Total other income/(expense), net	26,854	(138,183)	15,321	(16,568)
EBITDA*	7,948,363	6,739,306	2,624,838	2,202,533
Net income	3,821,469	3,642,111	1,337,947	1,379,937
Basic earnings per share	0.62	0.59	0.22	0.22
Diluted earnings per share	0.61	0.58	0.21	0.22

* Earnings before interest, taxes, depreciation and amortization

	October 31, 2017	October 31, 2016
Total assets	63,968,227	62,196,008
Total long term financial liabilities	-	-
Total equity	56,492,618	50,752,351

Results of operations – year ended October 31, 2017 and 2016

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Year ended October 31, 2017	Year ended October 31, 2016
	\$	\$
United States	28,505,302	22,053,195
Canada	3,971,918	4,774,261
Total	32,477,220	26,827,456

During the year ended October 31, 2017 total commission revenues increased by 21% to \$32,477,220 compared to \$26,827,456 for the year ended October 31, 2016. Since October 31, 2016, the Company has added 49 new wholesale relationships comprising 1,423 locations, of which 26 wholesale relationships representing 1,400 transacting locations were added in the United States and 23 wholesale relationships representing 23 transacting locations were added in Canada. During the year ended October 31, 2017, the number of transactions between the Company and its customers increased 38% to 974,000 transactions from 704,000 for the same period in the previous year.

During the year ended October 31, 2017, operating expenses increased 23% to \$24,555,711 compared to \$19,949,967 for the year ended October 31, 2016, the major components of which are presented below:

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Results of operations – year ended October 31, 2017 and 2016 (continued)

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$	Change \$	Change %
Salaries and benefits	13,060,957	10,787,911	2,273,046	21%
Rent	3,018,722	2,652,296	366,426	14%
Legal, professional and director's fees	1,768,647	1,054,277	714,370	68%
Postage and shipping	3,449,837	2,546,923	902,914	35%
Stock based compensation	556,379	650,216	(93,837)	-14%
Executive replacement costs	299,177	-	299,177	N/A
Software Maintenance	373,954	340,177	33,777	10%
Insurance	339,067	350,185	(11,118)	-3%
Other general and administrative	1,688,971	1,567,982	120,989	8%
Total operating expenses	24,555,711	19,949,967	4,605,744	23%

- Salaries and benefits increased 21% to \$13,060,957 from \$10,787,911 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of hiring in the areas of compliance, information technology, operations, payments, vault operations and sales as well as adding 3 company owned branch locations;
- Rent increased 14% to \$3,018,722 from \$2,652,296. The Company has opened 3 new branch locations as well as the expansion of the Toronto and Orlando vault locations since October 31, 2016;
- Legal, professional and directors' fees increased 68% to \$1,768,647 from \$1,054,277. The increase is related primarily to audit and legal fees to support the Company's wholly owned subsidiary, EBC;
- Postage and shipping increased 35% to \$3,449,837 from \$2,546,923 and is due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 49 new customers representing 1,423 new transacting locations since October 31, 2016 which has led to a 38% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;
- Stock based compensation decreased 14% to \$556,379 from \$650,216 for the vested portion of stock options granted pursuant to the Company's stock option plan. The decrease is due to 40,069 options that were forfeited in Q3 2017 as well as 22,572 options used in a cashless option exercise. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn\$22.31. There were 442,223 options outstanding at October 31, 2017 compared to 521,592 options outstanding at October 31, 2016;
- Executive replacement costs increased to \$299,177 from \$Nil due to the replacement of two senior executives in the company;

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Results of operations – year ended October 31, 2017 and 2016 (continued)

- Software maintenance has increased 10% to \$373,954 from \$340,177 due to increased investment into the Company's software, CEIFX; and
- Other general and administrative expenses increased 8% to \$1,688,971 from \$1,567,982. Other expenses are comprised of travel and lodging, software maintenance, utilities, bank service charges, foreign exchange gains and losses through profit and loss, and other general and administrative expenses. The increase is partly due to start up fees for the new bank to join certain payments associations, increased bank service fees from higher volume of transactions and the revaluation of foreign currency assets and liabilities.

The ratio of operating expenses to total revenue for the year ended October 31, 2017 was 76% compared to 74% for the year ended October 31, 2016. Over time, the Company will endeavor to increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

Other income and expenses are comprised of the following:

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$
Other income (expense)	26,854	(41,824)
Revaluation of contingent consideration	-	(96,359)
Interest and accretion expense	(162,554)	(95,758)
Depreciation and amortization	(1,324,211)	(1,311,526)
Income tax expense	(2,640,129)	(1,689,911)
Total other expense	(4,100,041)	(3,235,378)

- Other income (expense) increased to \$26,854 from (\$41,824) and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States as well as other miscellaneous income and expense. Expenses pertaining to completing the bank license application decreased to \$Nil from \$58,683;
- Revaluation of contingent consideration relates to the change in contingent consideration from customer trading relationships acquired from the USEH acquisition. At January 31, 2016, the remaining contingent consideration was reassessed and the Company recorded a revaluation of contingent consideration of \$96,359 for the year ended October 31, 2016. At the end of the period, contingent consideration was transferred to accounts payable;
- Interest and accretion expense increased to \$162,554 from \$95,758 and relates to interest payments on credit lines;
- Depreciation and amortization increased to \$1,324,211 from \$1,311,526 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and
- Income tax expense increased to \$2,640,129 from \$1,689,911 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 effective tax rate for the year ended October 31, 2017 is 38% compared to 28% for the year ended October 31, 2016. The increase is due to more income being generated in the United States than in Canada.

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Results of operations – three month periods ended October 31, 2017 and 2016

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Three months ended October 31, 2017	Three months ended October 31, 2016
	\$	\$
United States	8,152,456	6,509,599
Canada	1,202,859	1,182,545
Total	9,355,315	7,692,144

During the three month period ended October 31, 2017 total commission revenues increased by 22% to \$9,355,315 compared to \$7,692,144 for the three month period ended October 31, 2016. Since October 31, 2016, the Company has added 49 new wholesale relationships comprising 1,423 locations, of which 26 wholesale relationships representing 1,400 transacting locations were added in the United States and 23 wholesale relationships representing 23 transacting locations were added in Canada. During the three month period ended October 31, 2017, the number of transactions between the Company and its customers increased 32% to 278,000 transactions from 211,000 for the same period in the previous year.

During the three month period ended October 31, 2017, operating expenses increased 23% to \$6,745,797 compared to \$5,473,045 for the three month period ended October 31, 2016, the major components of which are presented below:

	Three months ended October 31, 2017	Three months ended October 31, 2016	Change	Change
	\$	\$	\$	%
Salaries and benefits	3,694,561	2,848,522	846,039	30%
Rent	832,203	708,856	123,347	17%
Legal, professional and director's fees	465,038	214,178	279,858	131%
Postage and shipping	867,981	768,015	99,966	13%
Stock based compensation	167,258	174,057	(6,799)	-4%
Executive replacement costs	18,602	-	18,602	N/A
Software Maintenance	46,361	99,381	(53,020)	-53%
Insurance	90,697	73,850	16,847	23%
Other general and administrative	563,096	586,186	(52,088)	-9%
Total operating expenses	6,745,797	5,473,045	1,272,752	23%

- Salaries and benefits increased 30% to \$3,694,561 from \$2,848,522 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of the hiring employees engaged in the areas of compliance, information technology, payments, operations, vault operations and sales as well as adding 3 company owned branch locations;
- Rent increased 17% to \$832,203 from \$708,856. The Company has opened 3 new branch locations as well as the expansion of the Toronto and Orlando vault locations since October 31, 2016;
- Legal, professional and directors' fees increased to \$465,038 from \$214,178. The increase is related primarily to legal fees to support the Company's wholly owned subsidiary, EBC;

Results of operations – three month period ended October 31, 2017 and October 31, 2016 (continued)

- Postage and shipping increased 13% to \$867,981 from \$768,015 and is due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 49 new customers representing 1,423 new transacting locations since October 31, 2016 which has led to a 38% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;
- Stock based compensation decreased 4% to \$167,258 from \$174,057 for the vested portion of stock options granted pursuant to the Company's stock option plan. The decrease is due to 40,069 options that were forfeited in Q3 2017 as well as 22,572 options used in a cashless option exercise. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn\$22.31. There were 442,223 options outstanding at October 31, 2017 compared to 521,592 options outstanding at October 31, 2016;
- Executive replacement costs increased to \$18,602 from \$Nil due to the replacement of two senior executives in the company;
- Software maintenance has decreased 53% to \$46,361 from \$99,381 due to increased capitalization of internally developed software including investments into the Company's software, CEIFX, offset by increased costs related to miscellaneous software to support IT and Finance functions and to non-capitalized software-related expenditures to support the bank expansion; and
- Other general and administrative expenses decreased 9% to \$563,096 from \$586,186. Other expenses are comprised of travel and lodging, software maintenance, utilities, bank service charges, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for three month period ended October 31, 2017 was 72% compared to 71% for the three month period ended October 31, 2016. Correspondingly, the ratio traditionally is higher during the winter months and decreases as the fiscal year progresses. This is due to the cyclical nature of the business as the Company has more exchange volumes from March to September and the Company is able to redeploy the currency it purchases in the summer months from its branch locations and resell it to other financial institutions and non-financial institution customers, thus bypassing currency wholesalers and widening its gross margins. The Company expects this ratio to remain consistent with the seasonality of the business in the short term. Over time, the Company will endeavor to increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Results of operations – three month period ended October 31, 2017 and October 31, 2016 (continued)

Other income and expenses are comprised of the following:

	Three months ended October 31, 2017 \$	Three months ended October 31, 2016 \$
Other income (expense)	15,321	(16,568)
Interest and accretion expense	(58,817)	(37,866)
Depreciation and amortization	(354,710)	(308,864)
Income tax expense	(873,364)	(475,866)
Total other expense	(1,271,570)	(839,164)

- Other income (expense) increased to \$15,321 from (\$16,568) and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States as well as other miscellaneous income and expense. Expenses pertaining to completing the bank license application decreased to \$Nil from \$19,826;
- Interest and accretion expense increased to \$58,817 from \$37,866 and relates to interest payments on credit lines;
- Depreciation and amortization increased to \$354,710 from \$308,864 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and
- Income tax expense increased to \$873,364 from \$475,866 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 effective tax rate for the three month period ending October 31, 2017 is 37% compared to 23% for the three month period ended October 31, 2016. The increase is due to more income being generated in the United States than in Canada.

Cash flows

Cash flows from operating activities during the year ended October 31, 2017 resulted in an inflow of \$5,508,783 compared to an inflow of \$2,446,143 during the year ended October 31, 2016. The reason for the increase in operating cash flow was due to a decrease in accounts receivable as well as an increase in accrued expenses. The actual amount of accounts receivable and accounts payable fluctuate from period to period due to the volume of activity and timing differences. In most instances accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Operating cash flow is generated by commission and fee income, and is offset by operating expenses.

Cash used in investing activities during the year ended October 31, 2017 resulted in an outflow of \$976,314 compared to an outflow of \$595,863 during the year ended October 31, 2016. This represents additions to property and equipment and to the internally developed software, CEIFX.

Cash used by financing activities during the year ended October 31, 2017 was \$2,428,902 compared to cash provided by financing of \$3,293,301 during the year ended October 31, 2016. The primary reason for the decrease in inflows relates to a repayment of the line of credit partially offset by the exercise of executive stock options.

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Liquidity and capital resources

At October 31, 2017, the Company had working capital of \$52,778,077 (October 31, 2016 - \$47,016,377).

The Company maintains a revolving line of credit with BMO Harris Bank, N.A. which was increased in March of 2017 to \$15,000,000 to assist with its short-term cash flow needs. At October 31, 2017, the balance outstanding was \$Nil (October 31, 2016 - \$3,181,805). The line of credit bears interest at Libor plus 2.0%

In April of 2017, the Company's wholly-owned Canadian subsidiary, EBC established a revolving line of credit with Bank of Montreal with available credit of Cdn\$3,000,000 (\$2,326,844) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus .5%. At October 31, 2017, the balance outstanding was \$Nil.

The Company had a total available balance of unused lines of credit of \$17,326,844 at October 31, 2017 (October 31, 2016 - \$9,055,205).

Selected annual financial information

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

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$	Year ended October 31, 2015 \$	Year ended October 31, 2014 \$
Revenues	32,477,220	26,827,456	24,075,775	22,005,953
Net operating income (1)	7,921,509	6,877,489	7,137,444	7,189,769
Net income	3,821,469	3,642,111	4,665,985	4,249,225
Basic earnings per share	\$0.62	0.59	0.80	0.78
Diluted earnings per share	\$0.61	0.58	0.77	0.77
Total assets	63,968,227	62,196,008	52,112,593	39,709,302
Total liabilities	7,475,609	11,443,657	5,352,490	6,982,895
Total non-current financial liabilities	-	-	-	585,144
Working capital	52,778,077	47,016,377	42,674,895	28,935,018

Notes:

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

Commitments and contingencies

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

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Commitments and contingencies (continued)

The Company has entered into non-cancellable operating leases with terms in excess of one year for the use of certain facilities. The minimum rental payments associated with these leases are \$5,532,896 and are payable as follows:

	Within 1 year	1 to 5 years	after 5 years	Total
	\$	\$	\$	\$
October 31, 2017	2,256,996	3,275,900	0	5,532,896
October 31, 2016	2,351,712	3,805,658	246,359	6,403,729

Off-balance sheet arrangements

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

Hedging activity

Other than as noted below, the Company does not engage in any form of hedged, derivative or leveraged trading. The Company does not extend credit to any of its customers, other than through industry standard settlement terms.

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

The fair value of forward contracts, which represents the amount that would be (paid)/received by the Company if the forward contracts were terminated at October 31, 2017 was \$17,858 - (October 31, 2016 - \$44,771).

At October 31, 2017 and October 31, 2016 approximately \$1,972,168 and \$1,240,694, respectively, were being held as collateral on these contracts and are reflected as restricted cash held in escrow in the consolidated statements of financial position.

Transactions with related parties

The remuneration of directors and key management personnel during the year ended October 31, 2017 and October 31, 2016 were as follows:

	Year ended	
	October 31, 2017	October 31, 2016
	\$	\$
Short-term benefits	2,308,625	1,826,519
Post-employment benefits	99,332	62,146
Stock based compensation	676,565	640,251
	<u>3,084,522</u>	<u>2,528,916</u>

The Company incurred legal and professional fees in the aggregate of \$145,404 for the year ended October 31, 2017 (2016 - \$23,530) charged by entities controlled by directors or officers of the Company.

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Transactions with related parties (continued)

Advances between CXI and EBC are provided under a Revolving Line of Credit, renewed May 31, 2017; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At October 31, 2017, the intercompany loan balance was \$1,100,000 (2016 - \$Nil).

Option grants

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

Below is information related to each option grant:

Date of Grant	Expiry Date	Share price at grant date (Cdn\$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (Cdn\$)	Fair value of option at grant date (\$)
29-Oct-13	29-Oct-18	10.86	35,640	1.29%	35%	10.86	3.44
29-Oct-13	29-Oct-18	10.86	114,420	1.29%	35%	10.86	3.44
9-Jul-14	9-Jul-19	13.24	1,762	1.70%	29%	13.24	3.58
30-Oct-14	30-Oct-19	18.00	87,215	1.61%	27%	16.21*	4.97
30-Oct-14	30-Oct-19	18.00	24,144	1.61%	27%	16.21*	4.97
11-Mar-15	11-Mar-20	28.40	2,726	1.62%	25%	28.15*	5.75
30-Oct-15	30-Oct-20	23.50	28,972	1.47%	32%	24.64*	5.10
30-Oct-15	30-Oct-20	23.50	89,435	1.47%	32%	24.64*	5.10
16-Jan-16	16-Jan-21	17.89	17,600	1.46%	33%	17.79*	3.86
11-Mar-16	11-Mar-21	21.30	4,182	1.45%	34%	22.78*	4.78
28-Mar-16	28-Mar-21	23.15	2,261	1.37%	34%	22.45*	5.87
26-Oct-16	25-Oct-21	32.96	22,757	1.30%	34%	30.75*	8.46
26-Oct-16	25-Oct-21	32.96	66,820	1.30%	34%	30.75*	8.46
6-Jun-17	6-Jun-22	20.79	9,865	1.71%	37%	21.53*	5.27
26-Oct-17	26-Oct-22	26.84	25,039	2.07%	36%	25.52*	7.69
26-Oct-17	26-Oct-22	26.84	76,981	2.07%	36%	25.52*	7.69

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

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

	Number of options #	Weighted average price Cdn\$
Outstanding at October 31, 2015	424,866	15.49
Granted	113,620	28.28
Exercised	(16,894)	8.61
Outstanding at October 31, 2016	521,592	18.50
Granted	111,885	25.17
Exercised	(128,613)	9.99
Cancelled through cashless exercise	(22,572)	17.28
Forfeited	(40,069)	25.54
Outstanding at October 31, 2017	442,223	22.31

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Option grants (continued)

The following options are outstanding and exercisable at October 31, 2017:

Grant Date	Exercise price (Cdn\$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
29-Oct-13	10.86	17,820	0.99	17,820
29-Oct-13	10.86	40,013	0.99	40,013
30-Oct-14	16.21	59,365	2.00	59,365
30-Oct-14	16.21	20,120	2.00	20,120
11-Mar-15	28.15	2,726	2.36	1,817
30-Oct-15	24.64	28,972	3.00	28,972
30-Oct-15	24.64	70,657	3.00	47,106
16-Jan-16	17.79	11,733	3.21	-
11-Mar-16	22.78	4,182	3.36	1,394
26-Oct-16	30.75	19,506	3.99	19,506
26-Oct-16	30.75	55,244	3.99	18,415
6-Jun-17	21.53	9,865	4.60	-
26-Oct-17	25.52	25,039	4.99	-
26-Oct-17	25.52	<u>76,981</u>	4.99	<u>-</u>
Total		<u>442,223</u>		<u>254,528</u>

Subsequent events

On December 22, 2017, the President of the United States signed tax reform legislation, which includes a broad range of tax reform proposals affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Many of these provisions significantly differ from current US tax law, resulting in pervasive financial reporting implications.

Had the tax reform legislation been signed prior to October 31, 2017, the estimated effect on the Company's consolidated financial statements for 2017 would have been a decrease in current tax expense of \$931,000 and a one-time increase in deferred tax expense of \$308,000 for a net decrease in overall tax expense of \$623,000. The increase in deferred tax expense arises from a reduction in deferred tax assets of identical amount. The deferred tax asset was generated on the basis of the former higher tax rate and will be liquidated over time at the lower rate now in effect. This change represents an estimated reduction in the statutory tax rate in the United States from 38.5% to 26.7%.

The estimated one-time increase in deferred tax expense is expected to be recognized by the Company in the first quarter of the 2018 year. Income before income taxes will be taxed at the lower statutory rate on a prospective basis from the date the tax reform legislation was signed. There will also be an impact on deferred taxes related to the repatriation of funds from the Company's wholly-owned Canadian subsidiary, of which the quantitative impact cannot yet be reasonably estimated.

Management Discussion and Analysis
(All amounts expressed in U.S. Dollars unless otherwise noted)
For the three months and year ended October 31, 2017 and 2016

Accounting standards and policies

The Company's accounting policies are described in Note 2 to the Company's audited consolidated financial statements for the years ended October 31, 2017 and 2016.

Risk factors

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

Future capital needs and uncertainty of additional financing

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

Competition

The Company faces competition from established competitors 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, the Company believes that it must continue to develop new products and services and introduce enhancements to its existing products and services in a timely manner if it is to remain competitive. Even if the Company introduces new and enhanced products and services, it may not be able to compete effectively because of the significantly greater financial, technical, marketing and other resources available to some of its competitors. As the markets for the Company's products and services expand, additional competition may emerge and competitors may commit more resources to competitive products and services. There can be no assurance that the Company will be able to compete successfully in these circumstances.

Management of Growth

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

Management Discussion and Analysis
(All amounts expressed in U.S. Dollars unless otherwise noted)
For the three months and year ended October 31, 2017 and 2016

Credit Risk

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

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

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

A breakdown of accounts receivable by category is below:

	At October 31, 2017	At October 31, 2016
Customer type	\$	\$
Domestic and international financial institutions	3,625,821	3,562,076
Money service businesses	2,674,168	4,405,212
Other	144,042	118,973
Total	6,444,031	8,086,261

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

Foreign Currency Risk

The volatility of the Company's foreign currency holdings may increase as a result of the political and financial environment of the corresponding issuing country. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in tills, vaults and in transit at October 31, 2017 was approximately \$7,930,000 (October 31, 2016 - \$6,400,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$5,320,000 (October 31, 2016 - \$3,250,000). 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 +\$106,000/-\$106,000 (October 31, 2016 gain/loss of approximately +\$65,000/- \$65,000).

Management Discussion and Analysis
 (All amounts expressed in U.S. Dollars unless otherwise noted)
 For the three months and year ended October 31, 2017 and 2016

Foreign Currency Risk (continued)

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

Interest Rate Risk

At October 31, 2017, the Company had access to interest bearing financial instruments in cash, short term accounts payable and line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's accounts are interest bearing; however, since prevailing interest rates are low there is minimal interest rate risk. Borrowings bear interest at variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest bearing financial liabilities, refer to Note 12 of the consolidated financial statements.

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

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the year ended October 31, 2017 would have been approximately +\$11,600/-11,600 higher/lower as a result of credit lines held at variable interest rates.

Liquidity Risk

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

The following are non-derivative contractual financial liabilities:

Non-derivative financial liabilities	At October 31, 2017			
	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	4,939,749	4,939,749	4,939,749	\$Nil
Accrued expenses	2,115,943	1,885,351	1,885,351	\$Nil
Income taxes payable	419,917	419,917	419,917	\$Nil
Non-derivative financial liabilities	At October 31, 2016			
	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	5,984,751	5,984,751	5,984,751	\$Nil
Accrued expenses	1,509,411	1,285,606	1,285,606	\$Nil
Income taxes payable	767,690	767,690	767,690	\$Nil
Line of credit	3,181,805	3,181,805	3,181,805	\$Nil

Management Discussion and Analysis
(All amounts expressed in U.S. Dollars unless otherwise noted)
For the three months and year ended October 31, 2017 and 2016

Capital Management

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

	At October 31, 2017	At October 31, 2016
Current assets	60,253,686	58,460,034
Current liabilities	(7,475,609)	(11,443,657)
Working capital	<u>52,778,077</u>	<u>47,016,377</u>

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

Product Development and Rapid Technological Change

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

To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of its technology and website, CEIFX. The Internet and the e-commerce industry 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 based and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its website, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal, financial or other reasons, the Company’s business could be materially adversely affected.

Intellectual Property

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

Government Regulation and Compliance

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

Network Security Risks

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

Risk of System Failure or Inadequacy

The Company's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, the growth of the Company's customer base may strain or exceed the capacity of its computer and telecommunications systems and lead to degradations in performance or systems failure. The Company may in the future experience failure of its information systems which may result in decreased levels of service delivery or interruptions in service to its customers. While the Company continually reviews and seeks to upgrade its technical infrastructure and maintains a fully integrated, offsite, backup server farm to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

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

Theft and Risk of Physical Harm to Personnel

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

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

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

Reliance on Key Personnel

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

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

Control of the Company

Randolph W. Pinna, the Chief Executive Officer and Chairman of the Company, is the principal shareholder of the Company and the promoter of the Company. Mr. Pinna beneficially owns approximately 22%, net of options, of the issued and outstanding Common Shares.

By virtue of his status as the principal shareholder of the Company and by being a director and officer of the Company, 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 of Directors and its Committees.

Global Economic and Financial Market Conditions

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

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

Market Price and Volatile Securities Markets

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

Management Discussion and Analysis
(All amounts expressed in U.S. Dollars unless otherwise noted)
For the three months and year ended October 31, 2017 and 2016

International Issuer, Management and Directors

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Consolidated Financial Statements
For the years ended October 31, 2017 and 2016
(Expressed in U.S. Dollars)

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Consolidated Financial Statements
For the years ended October 31, 2017 and 2016
(Expressed in U.S. Dollars)

TABLE OF CONTENTS

Independent Auditor's Report	33-34
Consolidated Statements of Financial Position	35
Consolidated Statements of Income and Comprehensive Income	36
Consolidated Statements of Changes in Equity	37
Consolidated Statements of Cash Flows	38
Notes to the Consolidated Financial Statements	39-58

Independent auditor's report

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To the shareholders of
Currency Exchange International, Corp.

We have audited the accompanying consolidated financial statements of Currency Exchange International, Corp., which comprise the consolidated statements of financial position as at October 31, 2017 and October 31, 2016, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Currency Exchange International, Corp. as at October 31, 2017 and October 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Toronto, Canada
January 9, 2018

Chartered Professional Accountants
Licensed Public Accountants

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Financial Position
October 31, 2017 and 2016
(Expressed in U.S. Dollars)

	ASSETS	
	October 31, 2017	October 31, 2016
Current assets	\$	\$
Cash (Note 6)	51,147,685	48,435,544
Accounts receivable (Note 15)	6,444,031	8,086,261
Restricted cash held in escrow (Note 7)	1,972,168	1,240,694
Forward contract assets (Note 16)	17,858	44,771
Other current assets (Note 21)	671,944	652,764
Total current assets	<u>60,253,686</u>	<u>58,460,034</u>
Property and equipment (Note 9)	1,003,639	719,254
Intangible assets (Note 10)	1,510,665	2,171,501
Other assets	90,923	91,106
Net deferred tax asset (Note 11)	1,109,314	754,113
Total assets	<u><u>63,968,227</u></u>	<u><u>62,196,008</u></u>
	LIABILITIES AND EQUITY	
Current liabilities		
Accounts payable	4,939,749	5,984,751
Line of credit (Note 13)	-	3,181,805
Accrued expenses	2,115,943	1,509,411
Income taxes payable	419,917	767,690
Total current liabilities	<u>7,475,609</u>	<u>11,443,657</u>
Total liabilities	<u>7,475,609</u>	<u>11,443,657</u>
Equity		
Share capital	6,263,428	6,134,815
Equity reserves	26,671,628	24,881,443
Retained earnings	23,557,562	19,736,093
Total equity	<u>56,492,618</u>	<u>50,752,351</u>
Total liabilities and equity	<u><u>63,968,227</u></u>	<u><u>62,196,008</u></u>

Approved on behalf of Board of Directors:

(signed) "Randolph Pinna", Director

(signed) "Chirag Bhavsar", Director

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Income and Comprehensive Income
Years ended October 31, 2017 and 2016
(Expressed in U.S. Dollars)

	Year ended	
	October 31, 2017	October 31, 2016
Revenues	\$	\$
Commissions from trading	30,462,663	25,147,376
Fee income	2,014,557	1,680,080
Total revenues (Note 5)	32,477,220	26,827,456
Operating expenses (Note 19)	24,555,711	19,949,967
Net operating income	7,921,509	6,877,489
Other income (expense)		
Other income	26,854	(41,824)
Revaluation of contingent consideration (Note 4)	-	(96,359)
Total other income (expense)	26,854	(138,183)
Earnings before interest, taxes, depreciation and amortization	7,948,363	6,739,306
Interest and accretion	162,554	95,758
Depreciation and amortization	1,324,211	1,311,526
Income before income taxes	6,461,598	5,332,022
Income tax expense (Note 11)	2,640,129	1,689,911
Net income for the period	3,821,469	3,642,111
Other comprehensive income, after tax		
Net income for the period	3,821,469	3,642,111
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	609,519	(411,575)
Total other comprehensive income	4,430,988	3,230,536
Earnings per share (Note 18)		
-basic	\$0.62	\$0.59
-diluted	\$0.61	\$0.58
Weighted average number of common shares outstanding (Note 18)		
-basic	6,198,775	6,121,985
-diluted	6,266,840	6,277,080

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Changes in Equity
Years ended October 31, 2017 and 2016
(Expressed in U.S Dollars)

	Share Capital		Equity Reserves				Retained Earnings		Total Equity
	Shares	Amount	Share premium	Accumulated Other Comprehensive Income (Loss)	Stock Options	Stock Options	Amount	Amount	
Balance at November 1, 2016		\$	\$	\$	#	\$	\$	\$	
	6,134,815	6,134,815	29,082,296	(5,763,851)	521,592	1,562,998	19,736,093	50,752,351	
Stock based compensation (Note 17)	-	-	-	-	111,885	703,042	-	703,042	
Issue of share capital and share premium on exercise of stock options (Note 17)	128,613	128,613	1,126,256	-	(151,185)	(501,969)	-	752,900	
Forfeited options (Note 17)	-	-	-	-	(40,069)	(146,663)	-	(146,663)	
Gain on foreign currency translation	-	-	-	609,519	-	-	-	609,519	
Net income	-	-	-	-	-	-	3,821,469	3,821,469	
Balance, October 31, 2017	6,263,428	6,263,428	30,208,552	(5,154,332)	442,223	1,617,408	23,557,562	56,492,618	
Balance at November 1, 2015									
	6,117,921	6,117,921	28,938,419	(5,352,276)	424,866	962,057	16,093,982	46,760,103	
Stock based compensation (Note 17)	-	-	-	-	113,620	650,216	-	650,216	
Issue of share capital and share premium on exercise of stock options (Note 17)	16,894	16,894	143,877	-	(16,894)	(49,275)	-	111,496	
Loss on foreign currency translation	-	-	-	(411,575)	-	-	-	(411,575)	
Net income	-	-	-	-	-	-	3,642,111	3,642,111	
Balance, October 31, 2016	6,134,815	6,134,815	29,082,296	(5,763,851)	521,592	1,562,998	19,736,093	50,752,351	

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Cash Flows
Years ended October 31, 2017 and 2016
(Expressed in U.S. Dollars)

	Year ended October 31, 2017	Year ended October 31, 2016
Cash flows from operating activities	\$	\$
Net income	3,821,469	3,642,111
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	1,324,211	1,311,526
Stock based compensation	556,379	650,216
Change in fair value of forward contract positions (Note 16)	24,051	165,433
Deferred taxes	(352,316)	(395,509)
Increase (decrease) in cash due to change in:		
Accounts receivable	1,724,792	(5,291,382)
Restricted cash held in escrow	(731,474)	(460,111)
Other assets	(16,470)	(155,754)
Accounts payable, accrued expenses, contingent consideration and income taxes payable	(841,859)	2,979,613
Net cash flows from operating activities	5,508,783	2,446,143
Cash flows from investing activities		
Purchase of property and equipment	(748,334)	(387,949)
Purchase of intangible assets	(227,980)	(207,914)
Net cash outflow from investing activities	(976,314)	(595,863)
Cash flows from financing activities		
Proceeds from the exercise of stock options	752,903	111,496
Net (payments) borrowings on line of credit	(3,181,805)	3,181,805
Net cash flows from financing activities	(2,428,902)	3,293,301
Net change in cash	2,103,567	5,143,581
Cash, beginning of period	48,435,544	43,690,996
Exchange difference on foreign operations	608,574	(399,033)
Cash, end of period	51,147,685	48,435,544
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for income taxes	2,299,009	1,858,707
Cash paid during the period for interest	122,909	95,758
Cash received during the year for interest	13,427	16,859

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

1. Nature of Operations and Basis of Presentation

Nature of operations

Currency Exchange International, Corp. (the "**Company**") was originally incorporated under the name Currency Exchange International, Inc. under the Florida Business Corporation Act on April 7, 1998. The Company changed its name to Currency Exchange International, Corp. on October 19, 2007 and commenced its current business operations at that time. The Company is a public corporation whose shares are listed and posted for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "CXI," and the over the counter market ("**OTCBB**") in the United States under the symbol "CURN". The Company operates as a money service business and provides currency exchange, wire transfer, and cheque cashing services at its locations in the United States and Canada. The Company maintains a head office and five vaults as well as 41 branch locations. The Company's registered head office is located at 6675 Westwood Boulevard, Suite 300, Orlando, Florida, 32821, United States of America. In September 2016, the Company's wholly owned Canadian Subsidiary, Currency Exchange International of Canada Corp ("**CXIC**") received letters patent to continue as a schedule 1 Bank. The continued entity, Exchange Bank of Canada ("**EBC**") is a non-deposit taking, non-lending financial institution engaged in foreign exchange services.

Basis of presentation

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

Statement of compliance

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

The consolidated financial statements were authorized for issue and approved by the Board of Directors on January 9, 2018.

Significant management judgment in applying accounting policies and estimation uncertainty

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

Significant management judgment

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

Carrying value of internally developed software

The Company makes significant judgments about the value of its proprietary software, www.ceifx.com. 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
Years ended October 31, 2017 and 2016

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

Income taxes and recoverability of potential deferred tax assets

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

Estimation uncertainty

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

Share-based payments

Management determines the overall expense for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. The determination of the most appropriate valuation model is dependent on the terms and conditions of the grant. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates, future employee stock option exercise behaviors and corporate performance. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Assets' carrying values and impairment charges

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

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 best estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for amortization and in the assets' carrying amounts.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

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

Fair value measurement

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

Contingencies

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

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

Refer to Notes 4, 8 and 20.

2. Accounting Policies

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, EBC, a Schedule 1 bank in Canada. In October 2017, the Company merged its wholly-owned US subsidiary, Currency Exchange International America Corp. ("**CXIA**") into its operations. This common control transaction had no impact on the Company's consolidated financial statements from either an accounting or tax perspective.

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 fair value based on foreign exchange rates as at October 31, 2017 and 2016, respectively.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

2. Accounting Policies (continued)

Accounts receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts. Accounts receivable consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. The amount of accounts receivable varies widely from period to period due to the volume of activity and timing differences. There is minimal counter-party risk as the majority of the Company's receivables reside with banks, money service business customers and other financial institutions. The Company has longstanding relationships with most of its customers and has a strong repayment history. Management estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. The Company does not accrue interest on past due receivables. Management determined that the allowance for doubtful accounts was \$Nil as of October 31, 2017 and 2016, 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 and commissions paid on the sale and purchase of currencies. The amount of this spread is based on competitive conditions and the convenience and value-added services offered. These revenue streams are all reflected in commissions from trading and are recognized at the time each transaction occurs on a trade date basis or at the end of each reporting period when revaluations of foreign exchange positions take place.

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

Foreign currency translation

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

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

Foreign currency forward contracts

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

2. Accounting Policies (continued)

Leases

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

Property and equipment

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

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

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

Provisions

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

Intangible assets

Intangible assets are comprised of the Company's internally developed software ("**CEIFX**") and its related modules as well as software and customer trading relationships purchased from U.S. Exchange House, Inc. ("**USEH**") (Note 4). Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they have met the following recognition requirements:

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

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

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

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

2. Accounting Policies (continued)

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

Share-based payments

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

Financial instruments

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

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

Financial assets

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

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

Fair value through profit or loss

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

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a 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 realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

2. Accounting Policies (continued)

Loans and receivables

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

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

Financial liabilities

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

Other financial liabilities

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

Financial instruments recorded at fair value

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

Earnings per share

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

Income taxes

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

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

2. Accounting Policies (continued)

tax assets.

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

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

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

3. Future Accounting Pronouncements

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

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

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

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

4. Purchase of Assets from U.S. Exchange House, Inc.

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

The Company estimated the likelihood of future revenues to determine the estimated contingent consideration. During the second quarter of fiscal 2016, the actual amount of contingent consideration was determined, and the Company recorded a revaluation of contingent consideration of \$96,359 for the year ended October 31, 2016. At the end of that period, contingent consideration was transferred to accounts payable and was paid in full as of October 31, 2017.

5. Geographical Segments

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

	Revenues (\$)		
	United States	Canada	Total
Year ended October 31, 2017	28,505,302	3,971,918	32,477,220
Year ended October 31, 2016	22,053,195	4,774,261	26,827,456

Assets	At October 31, 2017			At October 31, 2016		
	United States	Canada	Total	United States	Canada	Total
	\$	\$	\$	\$	\$	\$
Cash	34,935,125	16,212,560	51,147,685	32,320,063	16,115,481	48,435,544
Accounts receivable	4,272,920	2,171,111	6,444,031	6,051,174	2,035,087	8,086,261
Restricted cash held in escrow	1,972,168	-	1,972,168	1,240,694	-	1,240,694
Forward contract assets	17,858	-	17,858	102,159	(57,388)	44,771
Other current assets	576,351	95,593	671,944	607,694	45,070	652,764
Property and equipment	799,758	203,881	1,003,639	655,096	64,158	719,254
Intangible assets	1,200,712	309,953	1,510,665	1,642,755	528,746	2,171,501
Other assets	90,923	-	90,923	91,106	-	91,106
Net deferred tax asset	1,001,597	107,717	1,109,314	701,851	52,262	754,113
Total assets	44,867,412	19,100,815	63,968,227	43,412,592	18,783,416	62,196,008

6. Cash

Included within cash of \$51,147,685 at October 31, 2017 (2016 - \$48,435,544) are the following balances:

	At October 31, 2017	At October 31, 2016
	\$	\$
Cash held in transit, vaults, tills and consignment locations	43,786,752	41,385,819
Cash deposited in bank accounts in jurisdictions in which the Company operates	7,360,933	7,049,725
Total	51,147,685	48,435,544

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

7. Restricted Cash Held in Escrow

Certain of the Company's secured transactions and derivative contracts require the Company to post cash collateral or maintain minimum cash balances in escrow. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated. The Company had cash collateral amounts of \$1,972,168 at October 31, 2017 (2016 - \$1,240,694).

8. Operating Leases

The Company and its subsidiary companies entered into non-cancellable operating leases with terms in excess of one year for the use of certain facilities. The rent expense associated with these leases for the year ended October 31, 2017 was \$3,018,722 (2016 - \$2,652,296).

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

	Within 1 year	1 to 5 years	after 5 years	Total
	\$	\$	\$	\$
October 31, 2017	2,256,996	3,275,900	0	5,532,896
October 31, 2016	2,351,712	3,805,658	246,359	6,403,729

9. Property and Equipment

Property and equipment consist of the following:

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$	\$
Balance, October 31, 2015	48,601	226,055	428,223	1,278,617	1,981,496
Additions	31,646	28,001	100,699	227,153	387,499
Net exchange differences	-	(645)	(1,840)	(2,906)	(5,391)
Balance, October 31, 2016	80,247	253,411	527,082	1,502,864	2,363,604
Additions	-	56,668	220,445	471,221	748,334
Net exchange differences	-	1,435	5,541	5,956	12,932
Balance, October 31, 2017	80,247	311,514	753,068	1,980,041	3,124,870
Depreciation	\$	\$	\$	\$	\$
Balance, October 31, 2015	33,381	168,405	245,185	812,338	1,259,309
Additions	16,612	38,489	96,515	237,317	388,933
Net exchange differences	-	(523)	(1,385)	(1,984)	(3,892)
Balance, October 31, 2016	49,993	206,371	340,315	1,047,671	1,644,350
Additions	16,188	39,221	142,780	270,876	469,065
Net exchange differences	-	1,036	2,751	4,029	7,816
Balance, October 31, 2017	66,181	246,628	485,846	1,322,576	2,121,231
Carrying amounts	\$	\$	\$	\$	\$
Balance, October 31, 2016	30,254	47,040	186,767	455,193	719,254
Balance, October 31, 2017	14,066	64,886	267,222	657,465	1,003,639

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

10. Intangible Assets

Intangible assets are comprised of the Company's internally developed software ("CEIFX") and its related modules as well as software and customer trading relationships purchased from USEH (Note 4). Amortization for intangibles is computed on an individual basis over the estimated useful life using the straight-line method as follows:

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

Intangible assets consist of the following at October 31, 2017 and 2016:

	Internally developed software	Acquired software	Customer trading relationships	Total
Cost	\$	\$	\$	\$
Balance, October 31, 2015	980,224	480,000	3,288,283	4,748,507
Additions	207,913	-	-	207,913
Balance, October 31, 2016	1,188,137	480,000	3,288,283	4,956,420
Additions	227,980	-	-	227,980
Balance, October 31, 2017	1,416,117	480,000	3,288,283	5,184,400
	Internally developed software	Acquired software	Customer trading relationships	Total
Amortization	\$	\$	\$	\$
Balance, October 31, 2015	404,665	380,000	1,041,452	1,826,117
Amortization	201,308	100,000	621,285	922,593
Net exchange differences	-	-	36,209	36,209
Balance, October 31, 2016	605,973	480,000	1,698,946	2,784,919
Amortization	231,159	-	633,688	864,847
Net exchange differences	-	-	23,969	23,969
Balance, October 31, 2017	837,132	480,000	2,356,603	3,673,735
	Internally developed software	Acquired software	Customer trading relationships	Total
Carrying amounts	\$	\$	\$	\$
Balance, October 31, 2016	582,164	-	1,589,337	2,171,501
Balance, October 31, 2017	578,985	-	931,680	1,510,665

11. 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, 2017 and 2016 consist of the following:

	October 31, 2017	October 31, 2016
	\$	\$
Deferred tax assets		
Accrued expenses	351,924	91,809
Stock based compensation	677,083	591,012
Other	21,263	78,787
Net intangible assets	298,280	180,070
Total deferred tax assets	1,348,550	941,678
Deferred tax liabilities		
Net property and equipment	(239,236)	(187,565)
Total deferred tax liabilities	(239,236)	(187,565)
Net deferred tax asset	1,109,314	754,113

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

11. Income Taxes (continued)

Reconciliation of the provision for income taxes to the amount calculated using the Company's statutory tax rate for the year ended October 31, 2017 and 2016 are as follows:

	<u>October 31, 2017</u>	<u>October 31, 2016</u>
	\$	\$
Income before taxes	6,461,598	5,332,022
Statutory tax rate	38.50%	38.5%
Tax expense at statutory rate	2,487,715	2,052,828
Recovery on exercise of director and employee stock options	(24,092)	(52,379)
Foreign tax rate adjustment	84,329	(290,531)
Other non-deductible differences	92,177	(20,007)
Income tax expense	<u>2,640,129</u>	<u>1,689,911</u>

The enacted tax rates in the United States of 38.5% (2016 - 38.5%) and Canada of 26.5% (2016 – 26.5%) where the Company operates are applied in the in the tax provision calculation.

The provision for income taxes for the year ended October 31, 2017 and 2016 consists of the following:

	<u>October 31, 2017</u>	<u>October 31, 2016</u>
	\$	\$
Current tax expense	2,995,330	2,084,438
Deferred tax benefit	(355,201)	(394,527)
Income tax expense	<u>2,640,129</u>	<u>1,689,911</u>

12. Seasonality of Operations

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

13. Lines of Credit

The Company maintains a line of credit for access to capital during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A. for up to \$15,000,000. The credit line is secured against the Company's cash and other non-cash assets. The line of credit bears interest at Libor plus 2.0% [at October 31, 2017 – 1.26% (2016 – 2.53%)]. At October 31, 2017, the balance outstanding was \$Nil (2016 - \$3,181,805).

In April of 2017, the Company's wholly-owned Canadian subsidiary, EBC established a revolving line of credit with Bank of Montreal with available credit of Cdn\$3,000,000 (\$2,326,844) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus .5%. At October 31, 2017, the balance outstanding was \$Nil.

14. Fair Value Measurement of Financial Instruments

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

14. Fair Value Measurement of Financial Instruments (continued)

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

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2017 and 2016. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

	At October 31, 2017			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Cash	51,147,685	-	-	51,147,685
Forward contract assets	-	17,858	-	17,858
Total assets	<u>51,147,685</u>	<u>17,858</u>	<u>-</u>	<u>51,165,543</u>
	At October 31, 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Cash	48,435,544	-	-	48,435,544
Forward contract assets	-	44,771	-	44,771
Total assets	<u>48,435,544</u>	<u>44,771</u>	<u>-</u>	<u>48,480,315</u>

Cash (Level 1)

The Company's cash balances consisting of local and foreign currency notes held in vaults, tills, bank accounts, and in transit are based upon foreign exchange rates quoted in active markets as of October 31, 2017 and 2016.

Forward contract positions (Level 2)

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

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

- Accounts receivable
- Restricted cash held in escrow
- Accounts payable, line of credit, accrued expenses, and income taxes payable/receivable

15. Risk Management

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

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

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

15. Risk Management (continued)

Credit Risk

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

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

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

A breakdown of accounts receivable by category is below:

	At October 31, 2017	At October 31, 2016
Customer type	\$	\$
Domestic and international banks	3,625,821	3,562,076
Money service businesses	2,674,168	4,405,212
Other	144,042	118,973
Total	6,444,031	8,086,261

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

Foreign Currency Risk

The volatility of the Company's foreign currency holdings may increase as a result of the political and financial environment of the corresponding issuing country. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in vaults, tills and in transit at October 31, 2017 was approximately \$7,930,000 (2016 - \$6,400,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$5,320,000 (2016 - \$3,250,000). 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 +\$106,000/-\$106,000 (2016 gain/loss of approximately +\$65,000/-\$65,000).

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

15. Risk Management (continued)

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

Interest Rate Risk

At October 31, 2017, the Company had access to interest bearing financial instruments in cash, short term accounts payable and line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's accounts are interest bearing; however, since prevailing interest rates are low there is minimal interest rate risk. Borrowings bear interest at variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest bearing financial liabilities, refer to Note 13.

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

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the year ended October 31, 2017 would have been approximately +\$11,600/-\$11,600 higher/lower as a result of credit lines held at variable interest rates.

Liquidity Risk

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

The following are non-derivative contractual financial liabilities:

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

At October 31, 2016				
Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	5,984,751	5,984,751	5,984,751	\$Nil
Accrued expenses	1,509,411	1,285,606	1,285,606	\$Nil
Income taxes payable	767,690	767,690	767,690	\$Nil
Contingent consideration	3,181,805	3,181,805	3,181,805	\$Nil

The Company had available unused lines of credit amounting to \$17,326,844 at October 31, 2017.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

15. Risk Management (continued)

Capital Management

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

	October 31, 2017	October 31, 2016
Current assets	60,253,686	58,460,034
Current liabilities	(7,475,609)	(11,443,657)
Working capital	<u>52,778,077</u>	<u>47,016,377</u>

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

16. Foreign Currency Forward Contracts

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

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

The fair value of forward contracts, which represents the amount that would be received/(paid) by the Company if the forward contracts were terminated at October 31, 2017 was \$17,858 (2016 - \$44,771).

At October 31, 2017 and October 31, 2016 approximately \$1,972,168 and \$1,240,694, 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 7.

17. Equity

Share Capital

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

Period Exercised	Num of Shares	USD value	Cdn\$
Q3 2016	13,894	\$ 94,686	\$ 120,885
Q4 2016	3,000	\$ 16,810	\$ 22,500
Q1 2017	15,000	\$ 85,376	\$ 112,500
Q2 2017	83,363	\$ 652,742	\$ 871,666
Q3 2017	5,594	\$ 57,077	\$ 75,757
Q4 2017	47,229	\$ 407,929	\$ 513,709

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

17. Equity (continued)

Stock options

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

The outstanding options at October 31, 2017 and 2016 and the respective changes during the periods are summarized as follows:

Date of Grant	Expiry Date	Share price at grant date (Cdn\$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (Cdn\$)	Fair value of option at grant date (\$)
29-Oct-13	29-Oct-18	10.86	35,640	1.29%	35%	10.86	3.44
29-Oct-13	29-Oct-18	10.86	114,420	1.29%	35%	10.86	3.44
9-Jul-14	9-Jul-19	13.24	1,762	1.70%	29%	13.24	3.58
30-Oct-14	30-Oct-19	18.00	87,215	1.61%	27%	16.21*	4.97
30-Oct-14	30-Oct-19	18.00	24,144	1.61%	27%	16.21*	4.97
11-Mar-15	11-Mar-20	28.40	2,726	1.62%	25%	28.15*	5.75
30-Oct-15	30-Oct-20	23.50	28,972	1.47%	32%	24.64*	5.10
30-Oct-15	30-Oct-20	23.50	89,435	1.47%	32%	24.64*	5.10
16-Jan-16	16-Jan-21	17.89	17,600	1.46%	33%	17.79*	3.86
11-Mar-16	11-Mar-21	21.30	4,182	1.45%	34%	22.78*	4.78
28-Mar-16	28-Mar-21	23.15	2,261	1.37%	34%	22.45*	5.87
26-Oct-16	25-Oct-21	32.96	22,757	1.30%	34%	30.75*	8.46
26-Oct-16	25-Oct-21	32.96	66,820	1.30%	34%	30.75*	8.46
6-Jun-17	6-Jun-22	20.79	9,865	1.71%	37%	21.53*	5.27
26-Oct-17	26-Oct-22	26.84	25,039	2.07%	36%	25.52*	7.69
26-Oct-17	26-Oct-22	26.84	76,981	2.07%	36%	25.52*	7.69

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

	Number of options	Weighted average price
	#	Cdn\$
Outstanding at October 31, 2015	424,866	15.49
Granted	113,620	28.28
Exercised	(16,894)	8.61
Outstanding at October 31, 2016	521,592	18.50
Granted	111,885	25.17
Exercised	(128,613)	9.99
Cancelled through cashless exercise	(22,572)	17.28
Forfeited	(40,069)	25.54
Outstanding at October 31, 2017	442,223	22.31

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

17. Equity (continued)

The following options are outstanding and exercisable at October 31, 2017:

Grant Date	Exercise price (Cdn\$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
29-Oct-13	10.86	17,820	0.99	17,820
29-Oct-13	10.86	40,013	0.99	40,013
30-Oct-14	16.21	59,365	2.00	59,365
30-Oct-14	16.21	20,120	2.00	20,120
11-Mar-15	28.15	2,726	2.36	1,817
30-Oct-15	24.64	28,972	3.00	28,972
30-Oct-15	24.64	70,657	3.00	47,106
16-Jan-16	17.79	11,733	3.21	-
11-Mar-16	22.78	4,182	3.36	1,394
26-Oct-16	30.75	19,506	3.99	19,506
26-Oct-16	30.75	55,244	3.99	18,415
6-Jun-17	21.53	9,865	4.60	-
26-Oct-17	25.52	25,039	4.99	-
26-Oct-17	25.52	76,981	4.99	-
Total		442,223		254,528

18. Earnings per Share

The calculation of earnings per share is presented below. Diluted earnings per share for the year ended October 31, 2017 and 2016 included all stock option grants with the exception of the options granted March 11, 2015, October 31, 2016 and October 31, 2017 as the strike price exceeded the average stock price from the date of the option grant.

	Year ending	
	October 31, 2017	October 31, 2016
Basic		
Net income	\$3,821,469	3,642,111
Weighted average number of shares outstanding	6,198,775	6,121,985
Basic earnings per share	\$0.62	\$0.59
Diluted		
Net income	\$3,821,469	3,642,111
Weighted average number of shares outstanding	6,266,840	6,277,080
Diluted earnings per share	\$0.61	\$0.58

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

19. Operating expenses

	Year ended	
	October 31, 2017	October 31, 2016
	\$	\$
Salaries and benefits	13,060,957	10,787,911
Rent	3,018,722	2,652,296
Legal and professional	1,768,647	1,054,277
Postage and shipping	3,449,837	2,546,923
Stock based compensation	556,379	650,216
Executive replacement costs	299,177	-
Software maintenance	373,954	340,177
Insurance	339,067	350,185
Other general and administrative	1,688,971	1,567,982
Operating expenses	<u>24,555,711</u>	<u>19,949,967</u>

20. Compensation of Key Management Personnel and Related Party Transactions

In accordance with IAS 24 *Related Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel during the year ended October 31, 2017 and 2016 was as follows:

	Year ended	
	October 31, 2017	October 31, 2016
	\$	\$
Short-term benefits	2,308,625	1,826,519
Post-employment benefits	99,332	62,146
Stock based compensation	676,565	640,251
	<u>3,084,522</u>	<u>2,528,916</u>

The Company incurred legal and professional fees in the aggregate of \$145,404 for the year ended October 31, 2017 (2016 - \$23,530) charged by entities controlled by directors or officers of the Company.

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

Advances between CXI and EBC are provided under a Revolving Line of Credit, renewed May 31, 2017; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At October 31, 2017, the intercompany loan balance was \$1,100,000 (2016 - \$Nil) and was eliminated upon consolidation.

21. Other current assets

	At October 31, 2017	At October 31, 2016
	\$	\$
Prepaid rent	224,067	186,463
Prepaid insurance	134,847	143,545
Prepaid Advertising	79,625	25,886
Other assets	233,405	296,870
Total	<u>671,944</u>	<u>652,764</u>

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Notes to the Consolidated Financial Statements
Years ended October 31, 2017 and 2016

22. Subsequent Events

On December 22, 2017, the President of the United States signed tax reform legislation, which includes a broad range of tax reform proposals affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Many of these provisions significantly differ from current US tax law, resulting in pervasive financial reporting implications.

Had the tax reform legislation been signed prior to October 31, 2017, the estimated effect on the Company's consolidated financial statements for 2017 would have been a decrease in current tax expense of \$931,000 and a one-time increase in deferred tax expense of \$308,000 for a net decrease in overall tax expense of \$623,000. The increase in deferred tax expense arises from a reduction in deferred tax assets of identical amount. The deferred tax asset was generated on the basis of the former higher tax rate and will be liquidated over time at the lower rate now in effect. This change represents an estimated reduction in the statutory tax rate in the United States from 38.5% to 26.7%.

The estimated one-time increase in deferred tax expense is expected to be recognized by the Company in the first quarter of the 2018 year. Income before income taxes will be taxed at the lower statutory rate on a prospective basis from the date the tax reform legislation was signed. There will also be an impact on deferred taxes related to the repatriation of funds from the Company's wholly-owned Canadian subsidiary, of which the quantitative impact cannot yet be reasonably estimated.

BOARD OF DIRECTORS



Randolph W. Pinna

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

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

Joseph August

Director of CXI
Director of EBC
Independent Board Member

V. James Sardo

Director of CXI
Director of EBC
Independent Board Member

Chirag Bhavsar

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

Linda Stromme

Director of CXI
Director of EBC
Independent Board Member

Mark D. Mickleborough

Director of CXI
Director of EBC
Board Member

James D.A. White

Director of CXI
Director of EBC
Independent Board Member

Shareholder Information

Annual Meeting of Shareholders

Shareholders are invited to attend the annual meeting of Currency Exchange International, Corp. to be held on March 15, 2018 at 4:30 p.m. (EST) at:
333 Bay Street, 46th Floor,
Toronto, Ontario, Canada M5H 2S5

Investor Relations

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

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(USA) Toll-Free: (888) 998 3948
(USA) Email: InvestorRelations@ceifx.com
(CANADA) Telephone: (416) 479 9547
(CANADA) Email: bill.mitoulas@ceifx.com

Shareholder Services

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

Transfer Agent

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Toronto, Ontario Canada M5J 2Y1

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Facsimile: (888) 453 0330 (Toll Free)
Web Site: www.computershare.com

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

Auditors

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



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