

CURRENCY EXCHANGE INTERNATIONAL, CORP.

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

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Income and Comprehensive Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-26



Independent auditor's report

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

T + 1 416 369 7076
F + 1 905 804 0509
www.GrantThornton.ca

To the shareholders of
Currency Exchange International, Corp.

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Opinion

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

Grant Thornton LLP

Toronto, Canada
January 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

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

Approved on behalf of Board of Directors:

(signed) "Randolph Pinna", Director

(signed) "Chirag Bhavsar", Director

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

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

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

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

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

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

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

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

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

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

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

1. Nature of Operations and Basis of Presentation

Nature of operations

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

Basis of presentation

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

Statement of compliance

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

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

Significant management judgment in applying accounting policies and estimation uncertainty

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

Significant management judgment

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

Carrying value of internally developed software

The Company makes significant judgments about the value of its proprietary software, www.ceifx.com. 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, 2018 and 2017

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

Income taxes and recoverability of potential deferred tax assets

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

Estimation uncertainty

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

Share-based payments

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

Assets' carrying values and impairment charges

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

Depreciation and Amortization expense

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

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

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

Fair value measurement

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

Contingencies

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

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

Refer to Note 19.

2. Accounting Policies

Principles of consolidation

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

Cash

Cash includes, but is not limited to:

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

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

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

2. Accounting Policies (continued)

Accounts receivable

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

Revenue recognition

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

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

Foreign currency translation

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

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

Foreign currency forward contracts

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

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

2. Accounting Policies (continued)

Leases

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

Property and equipment

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

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

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

Provisions

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

Intangible assets

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

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

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

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

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

2. Accounting Policies (continued)

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

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

Share-based payments

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

Financial instruments

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

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

Financial assets

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

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

Fair value through profit or loss

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

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

2. Accounting Policies (continued)

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

Loans and receivables

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

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

Financial liabilities

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

Other financial liabilities

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

Financial instruments recorded at fair value

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

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

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

2. Accounting Policies (continued)

Earnings per share

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

Income taxes

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

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

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

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

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

3. Future Accounting Pronouncements

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

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

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

3. Future Accounting Pronouncements (continued)

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

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

4. Segments

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

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

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

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

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

5. Cash

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

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

6. Restricted Cash Held in Escrow

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

7. Operating Leases

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

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

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

8 Property and Equipment

Property and equipment consist of the following:

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

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

8 Property and Equipment (continued)

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

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

9. Intangible Assets

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

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

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

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

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

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

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

10. Income Taxes

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

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

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

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

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

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

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

11. Seasonality of Operations

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

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

12. Lines of Credit

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

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

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

13. Fair Value Measurement of Financial Instruments

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

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

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

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

	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	51,147,685	17,858	-	51,165,543

Cash (Level 1)

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

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

13. Fair Value Measurement of Financial Instruments (continued)

Forward contract positions (Level 2)

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

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

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

14. Risk Management

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

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

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

Credit Risk

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

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

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

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

14. Risk Management (continued)

A breakdown of accounts receivable by category is below:

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

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

Foreign Currency Risk

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

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

Interest Rate Risk

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

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

14. Risk Management (continued)

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

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

Liquidity Risk

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

The following are non-derivative contractual financial liabilities:

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

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

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

Capital Management

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

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

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

14. Risk Management (continued)

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

15. Foreign Currency Forward Contracts

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

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

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

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

16. Equity

Share Capital

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

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

Stock options

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

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

16. Equity (continued)

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

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

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

	Number of options #	Weighted average price CDN\$
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
Granted	153,812	30.76
Exercised	(144,239)	15.61
Cancelled through cashless exercise	(1,991)	20.61
Forfeited	(25,310)	26.35
Outstanding at October 31, 2018	424,495	27.42

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

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

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

17. Earnings per Share

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

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

18. Operating expenses

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

19. Compensation of Key Management Personnel and Related Party Transactions

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

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

19. Compensation of Key Management Personnel and Related Party Transactions (continued)

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

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

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

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

20. Other current assets

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

21. Potential Transaction

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

22. Subsequent Events

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