Community Merchant Solutions, LLC

Financial Statements
As of and for the Years Ended
December 31, 2013 and 2012

And

Report of Independent Public Accounting Firm

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Report of Independent Public Accounting Firm

To the Members of
Community Merchant Solutions, LLC

Report on the Financial Statements

We have audited the financial statements of Community Merchant Solutions, LLC which are comprised of the statement of financial position as at December 31, 2013 and 2012, and the related statements of profit or loss and other comprehensive income, changes in members' equity, and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Community Merchant Solutions, LLC as at December 31, 2013 and 2012, and of their financial performance and cash flows for each of the years then ended, in accordance with IFRS.

Gregory Scott

Chicago, Illinois USA
May 27, 2014

Statement of Financial Position
December 31, 2013 and 2012

ASSETS	Note	December 31, 2013	December 31, 2012
Noncurrent assets			
Intangible assets	**6**	$ 1,364,150	$ 1,414,150
Property and equipment	**7**	113,968	145,857
Total noncurrent assets		$ 1,478,118	$ 1,560,007
Current assets			
Merchant contracts	**8**	$ 1,079,060	$ 1,412,967
Trade and other receivables	**9**	183,865	36,105
Cash and cash equivalents	**2**	27,516	7,709
Total current assets		$ 1,290,441	$ 1,456,781
Total assets		**$ 2,768,559**	**$ 3,016,788**
MEMBER'S EQUITY & LIABILITIES			
Members' equity			
Members' capital	**10**	$ 2,499,117	$ 2,371,989
Accumulated other comprehensive income	**8**	79,730	526,767
Total members' equity		**$ 2,578,847**	**$ 2,898,756**
Noncurrent liabilities			
Notes payable	**11**	$ 20,145	$ 23,736
Total noncurrent liabilities		$ 20,145	$ 23,736
Current liabilities			
Accounts payable	**2**	$ 160,996	$ 94,296
Notes payable	**11**	8,571	-
Total current liabilities		$ 169,567	$ 94,296
Total liabilities		**$ 189,712**	**$ 118,032**
Total member's equity and liabilities		**$ 2,768,559**	**$ 3,016,788**

The accompanying notes are in integral part of the financial statements.

	Note	Year Ended December 31, 2013	2012
Revenue	12	**$ 3,229,382**	**$ 3,266,374**
Cost of sales	13	**$ (2,208,506)**	**$ (2,332,433)**
Gross profit		**$ 1,020,876**	**$ 933,941**
Operating expenses:			
Selling and distribution costs	14	(148,277)	(54,789)
Administrative expenses	14	(705,924)	(967,987)
Total operating expenses		**$ (854,200)**	**$ (1,022,776)**
Net operating income (loss)		**$ 166,676**	**$ (88,835)**
Finance costs			
Interest expense	11	$ (36,569)	$ (5,776)
Bank charges		(2,979)	(32,665)
Total finance costs		**$ (39,548)**	**$ (38,440)**
Net and comprehensive income (loss)		**$ 127,128**	**$ (127,275)**

The accompanying notes are in integral part of the financial statements.

Community Merchant Solutions

Statement of Changes in Members' Equity
for the Years Ended December 31, 2013 and 2012

	Note	Members' Capital	Other Comprehensive Income	Total Members' Equity
Balance at January 1, 2012		$ 2,499,264	$ 484,712	$ 2,983,976
Net loss for the year ended December 31, 2012	**10**	(127,275)	-	(127,275)
Revaluation of available for sale financial assets	**8**	-	42,055	42,055
Balance at December 31, 2012		**$ 2,371,989**	**$ 526,767**	**$ 2,898,756**
Net income for the year ended December 31, 2013	**10**	127,128	-	127,128
Revaluation of available for sale financial assets	**8**	-	(344,229)	(344,229)
Reclassification adjustment	**8**	-	(102,808)	(102,808)
Balance at December 31, 2013		**$ 2,499,117**	**$ 79,730**	**$ 2,578,847**

The accompanying notes are in integral part of the financial statements.

	Note	Year Ended December 31, 2013	2012
Cash flow from operating activities			
Net income (loss)	**10**	$ 127,128	$ (127,275)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Gain on assignment of merchant contract portfolios	**12**	(475,499)	-
Depreciation of property and equipment	**7**	75,349	63,642
Change in trade receivables	**9**	9,286	18,349
Change in accounts payable	**2**	66,700	77,905
Cash provided by operating activities		**$ (197,035)**	**$ 32,621**
Cash flow from investing activities			
Purchase of property and equipment	**7**	(43,461)	(24,912)
Proceeds from assignment of merchant contract portfolios	**12**	255,323	-
Cash provided by (used in) investing activities		**$ 211,862**	**$ (24,912)**
Cash flow from financing activities			
Proceeds from notes payable	**11**	$ 4,980	$ -
Capital contributions from members	**10**	-	-
Cash provided by financing activities		**$ 4,980**	**$ -**
Net change in cash and cash equivalents		**$ 19,807**	**$ 7,709**
Cash and cash equivalents at beginning of the period		7,709	-
Cash and cash equivalents at end of the period	**2**	**$ 27,516**	**$ 7,709**
Interest paid	**9**	**$ 36,569**	**$ 5,776**
Taxes paid		**$ -**	**$ -**

The accompanying notes are in integral part of the financial statements.

1. Organization and Nature of Operations

Organization – Community Merchant Solutions, LLC ("CMS" or "the Company") was established as a limited liability company in the State of Nevada, USA on December 14, 2006, and effectively re-domiciled in the State of Delaware in January 2011. The Company commenced material operations in February 2007.

Nature of Operations – CMS is currently registered to conduct business in the United States of America and focuses primarily on the Integrated Point of Sales (IPOS) transactions for the small to midsized merchant market. As an Independent Sales Organization (ISO), or *'Merchant Acquirer'*, CMS offers a fully integrated function, turnkey product to its merchant customers, utilizing all the elements of traditional bankcard processing while leveraging proprietary new and secured technologies. The Company offers custom application development, electronic payment processing, gift and loyalty card programs, card design services, terminal and point of sales system installation and training, mobile and cloud based systems, payment gateways, direct mail and email marketing campaigns and full customer support. The integrated programs offered by CMS have resulted lower attrition than industry standards.

2. Summary of Significant Accounting Policies

Basis of Preparation – The financial statements are presented in United States dollars ("$USD"), and are prepared in accordance with IFRS under the historical cost convention except as otherwise noted. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 3 – Critical Accounting Estimates and Judgments.*

Intangible Assets – Purchased intangible assets are recorded at cost, where cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. The cost of such an intangible asset is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the fair value of either the asset received or the asset given up can be measured reliably, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets which have indefinite lives are not amortized, and are stated at cost less accumulated impairment losses.

Property and Equipment – Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Subsequent to recognition, property and equipment is measured at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Financial Assets – The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets 'at fair value through profit or loss' are financial assets held for trading. The

Company had no financial assets 'at fair value through profit or loss' during December 31, 2013 or 2012. 'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables', 'notes receivable', and 'cash and cash equivalents' in the statement of financial position. 'Available-for-sale' financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories, and are carried at fair value, with changes in valuation reflected in a valuation reserve as a component of other comprehensive income.

Trade Receivables – The Company evaluates the collectability of its trade receivables based on a number of factors. In circumstances where the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. The Company recorded no bad debt charge-offs or allowance for bad debts in 2013 and 2012.

Cash and Cash Equivalents – In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the accompanying statement of financial position, any bank overdrafts are shown within borrowings in current liabilities. The Company had no bank overdrafts at the date of the statement of financial position.

Members' Equity – Members' equity represents the Company's accumulated annual net income or loss through December 31, 2013, adjusted for the effect of any member contributions and distributions.

Comprehensive Income - Comprehensive income is defined as all changes in members' equity from transactions and other events and circumstances. Therefore, comprehensive income includes our net income (loss) and all charges and credits made directly to members' equity other than member contributions and distributions such as the revaluation reserve for available for sale financial assets, which is included as a component of 'other comprehensive income' within members' equity.

Notes Payable – Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Accounts Payable - Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Revenue – The Company recognizes revenue when it is realized or realizable and earned. We consider revenue realized or realizable and earned when persuasive evidence of an arrangement exists, the services have been rendered to the customer, the sales price is fixed or determinable, and collection is reasonably assured.

Operating Expenses – Costs necessary to generate revenue are expensed in the period incurred.

Depreciation - The cost less the residual value of each item property, plant and equipment is amortized over its useful economic life. Depreciation commences when assets are available for use. The assets' useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at the end of each reporting period.

Interest Expense - Interest expense is recognized as incurred on the outstanding balance of the Company's notes payable.

Leases – Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recorded as rent expense on a straight-line basis over the period of the lease. The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Income Taxes – As an LLC, all of the Company's income tax obligations flow through to its Members. As a result, the accompanying financial statements do not reflect the impact of income taxes.

Related Party Transactions – The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. The disclosures shall include the nature of the relationship involved, description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements, the dollar amounts of transactions; and amounts due from or to related parties as of the balance sheet date and, if not otherwise apparent, the terms and manner of settlement.

Fair Value - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. For financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable, and the significance of the inputs to the fair value measurement in its entirety. Level 1 inputs are quoted market prices available in active markets for identical assets or liabilities as of the reporting date, Level 2 inputs are those directly or indirectly observable as of the reporting date, other than quoted prices in active markets included in Level 1, and Level 3 pricing inputs are generally unobservable and not corroborated by market data. Fair value is considered to be at Level 3 when pricing models are used, such as discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist.

Segment Reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. As of December 31, 2013, the Company operated in a single segment as described in *Note 1 – Organization and Nature of Operations.*

New Accounting Policies – Issued and Not Adopted – The following accounting policies were recently issued, but are not required to be adopted during 2013:

In November 2009, the IASB issued *IFRS 9 Financial Instruments* as the first step in its project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of *IFRS 7 Financial Instruments: Disclosures* including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and de-recognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. We are currently assessing the impact of adopting IFRS 9 on our financial statements.

In May 2011, the IASB issued *IFRS 13 Fair Value Measurement* as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. Enhanced disclosures about fair value are required to enable financial statement users to understand how the fair values were derived. IFRS 13 must be applied starting January 1, 2015 with early adoption permitted.

New Accounting Policies – Issued & Adopted – The following accounting policies were required to be adopted during 2013:

In May 2011, the IASB issued *IFRS 10 Consolidated Financial Statements* to replace *IAS 27 Consolidated and Separate Consolidated Financial Statements* and *SIC 12 Consolidation - Special Purpose Entiti*es. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied starting January 1, 2013 with early adoption permitted. The adoption of this standard had no impact on our financial statements.

In May 2011, the IASB issued *IFRS 11 Joint Arrangements* to replace *IAS 31, Interests in Joint Vent*ures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied starting January 1, 2013 with early adoption permitted. The adoption of this standard had no impact on our financial statements.

In May 2011, the IASB issued *IFRS 12 Disclosure of Interests in Other Entitie*s to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 must be applied starting January 1, 2013 with early adoption permitted. The adoption of this standard had no impact on our financial statements.

3. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Intangible Assets and Property & Equipment: Valuation – Significant estimates and assumptions are required to determine the valuation of tangible and intangible assets, and the expected useful lives for amortizing and determining the recoverability of these assets. Estimates are also necessary in assessing whether there is an impairment of their value requiring a write-down of their carrying amount. In order to ensure that its assets are carried at no more than their recoverable amount, the Company evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an impairment test. The recoverable amount of an asset or group of assets may require the Company to use estimates and mainly to assess the future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value. Any negative change in relation to the operating performance or the expected future cash flows of individual assets or group of assets will change the expected recoverable amount of these assets or group of assets and therefore may require a write-down of their carrying amount. See *Note 6 – Intangible Assets* and *Note 7 – Property and Equipment* for details of the components of the Company's tangible and intangible assets.

Merchant Contracts: Valuation – Significant estimates and assumptions are required by the Company to determine the valuation of its merchant contracts. At each reporting date, the Company monitors recent market transactions involving the purchase and sale of merchant contract residuals, including its own residuals sale transactions, to determine if a valuation adjustment is necessary. In making this determination, the Company must use judgment in reconciling the reported fair value of its merchant contracts to market price activity, and considers a variety of factors such as the estimated customer attrition rate compared to industry averages, age of customer relationship, and the value of the overall relationship with its customers in terms of other services that may be provided to its customers compared to others within the industry. Details associated with the Company's merchant contracts are included in See *Note 8 – Merchant Contracts.*

4. Financial Risk Management Objectives and Policies

The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risk. Management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The

Company reviews and agrees policies and procedures for the management of these risks. The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk, and liquidity risk. The following section provides details regarding the Company's exposure to these risks and the objectives, policies and processes for the management of these risks.

Market Risk – Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Management believes the Company is not exposed to significant market risk at the date of the statement of financial position other than the market risk associated with the fair value of its merchant contracts. A significant decline in market rates will negatively impact the Company's equity position, but will not impact its cash flow and operating results.

Credit Risk – Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arising from the inability of a customer to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Company. The Company's exposure to credit risk arises primarily from its trade and notes receivable and cash and cash equivalents. Receivables arising during the period are with creditworthy debtors with good payment record with the Company. Cash and cash equivalents are placed with reputable banks and financial institutions with high credit ratings and no history of default.

Liquidity Risk – Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's liquidity risk management policy is to monitor its net operating cash flows and maintain an adequate level of cash and cash equivalents through regular review of its working capital requirements. The Company monitors and maintains a level of cash considered adequate by management to finance the Company's operations and mitigate the effects of the fluctuations in cash flows.

5. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the amount of dividends to the shareholder. The Company has complied with all externally imposed capital requirements as of the date of the statement of financial position, and no changes were made to the Company's capital management objectives, policies or processes during the period then ended.

6. Intangible Assets

On November 17, 2011, an Asset Purchase Agreement ("Agreement") was executed by CMS for a company similar in nature to CMS. The purchase included all assets, including *Merchant Contract Residuals*, and *License Rights* to software it had developed. CMS has classified the license rights as an 'indefinite lived' intangible asset as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. As a result, CMS has not recorded any amortization expense in the accompanying financial statements related to the license rights, nor has CMS recorded any impairment charges for the years ended December 31, 2013 and 2012.

The fair value of the Company's intangible assets are classified as Level 3 in the fair value hierarchy described in *Note 2 – Summary of Significant Accounting Policies: Fair Value*, as the inputs to determine fair value do not meet the criteria to be classified as either Level 1 or Level 2.

7. Property and Equipment

The Company's property and equipment and related depreciation are comprised of the following components:

	Computers & Equipment	Automobiles	Furniture & Fixtures	Total
Cost				
Balance at January 1, 2012	$ 298,207	$ 45,000	$ 35,714	$ 378,921
Additions during the year	24,912	-	-	24,912
Balance at December 31, 2012	323,119	45,000	35,714	403,833
Additions during the year	-	38,805	4,656	43,461
Balance at December 31, 2013	$ 323,119	$ 83,805	$ 40,370	$ 447,294
Accumulated Depreciation				
Balance at January 1, 2012	$ 162,245	$ 21,375	$ 10,714	$ 194,334
Depreciation expense during the year	59,142	4,500	-	63,642
Balance at December 31, 2012	221,387	25,875	10,714	257,976
Depreciation expense during the year	55,154	20,022	174	75,350
Balance at December 31, 2013	$ 276,541	$ 45,897	$ 10,888	$ 333,326
Net balance at December 31, 2012	**$ 101,732**	**$ 19,125**	**$ 25,000**	**$ 145,857**
Net balance at December 31, 2013	**$ 46,578**	**$ 37,908**	**$ 29,482**	**$ 113,968**

8. Investments

The Company uses the cost and fair market value method to account for investments at December 31, 2013 and 2012. The adjustment necessary to record at fair value is reflected in other comprehensive income as a revaluation of available for sale financial assets.

9. Trade and Other Receivables

The Company's trade and other receivables are comprised of the following at December 31, 2013 and 2012:

Description	2013	2012
Trade receivables	$ 26,819	$ 36,105
Notes receivable	157,046	-
Balance at end of the year	**$ 183,865**	**$ 36,105**

The notes receivable represent amounts due from the buyer in connection with the Company's assignment of residual fee income rights associated with certain merchant contract portfolios during 2013.

10. Members' Equity

Members' Equity represents the Company's accumulated annual net income or loss through December 31, 2013, plus Member contributions received less Member draws paid through the reporting date.

11. Notes Payable

The Company's notes payable are comprised of the following at December 31, 2013 and 2012:

Description	Note	December 31, 2013	December 31, 2012
Notes payable:			
Automobile loan	*A*	$ 24,292	$ -
Due to member	*B*	4,424	23,736
Total notes payable		$ 28,716	$ 23,736
Less: current maturities		(8,571)	-
Noncurrent notes payable at end of year		**$ 20,145**	**$ 23,736**

A – The automobile loan represents a 5 automobile lease dated November 18, 2011. The lease carries an interest rate of 3.90%, and requires monthly payments of $714 through December 15, 2016. The Company expects to pay approximately $8,570 for this lease in 2014, 2015, and 2016.

B – The member loan has been paid off during 2014.

12. Revenue

The components of the Company's revenue are as follows:

Description	Note	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Interchange & residual fee income	*A*	$ 2,519,180	$ 3,020,117
Gift & loyalty cards	*B*	83,349	50,433
Equipment & material sales	*C*	151,354	195,824
Gain on portfolio assignments	*D*	475,499	-
Total revenue for the year		**$ 3,229,382**	**$ 3,266,374**

A – Interchange and residual fee income represent fees earned on each non-cash sale transaction processed through POS devices by each merchant under contract. In the credit card processing industry, costs are charged by bank card networks every time a merchant accepts one of their cards for purchases. Essentially, the 'interchange' rate is a percentage that is deducted from each credit card transaction amount, and the 'residual' fee is a set percentage of processing volume charged by Visa, MasterCard, and Discover. The fees earned by the Company are defined in the *Payment Services Distribution Agreement with* WorldPay US, Inc., dated June 11, 2013. Pursuant to this agreement, the Company has obtained a non-exclusive license to sell merchant card services and related products to merchants in the United States. The Company recognizes all proceeds received under this agreement on a gross basis as it bears the ultimate risk associated with credit risk and fraudulent card transactions.

B – Gift and loyalty card income represents fees earned by the Company for processing promotional cards for its merchants under contract.

C – Equipment and material sales represents the gross proceeds received by the Company for providing POS equipment and related items to its merchants under contract.

D – During 2013, the Company assigned the rights to future residual fee income associated with POS transactions processed by three separate portfolios of merchant customers, and recognized an aggregate gain of $475,499 on these transactions. See *Note 6 – Intangible Assets: Merchant Contract Residuals* for a description of the transaction related to a portfolio of merchant customers acquired in 2011, and *Note 9 – Trade and Other Receivables: Notes Receivable* for details regarding the remaining consideration due to the Company for two of the assignment contracts. Although the Company assigned the rights to residual fee income associated with the merchants included in the assignment agreements, it maintains the overall customer relationship which provides an opportunity to develop additional cash flow streams from its merchant customers.

13. Cost of Sales

The components of the Company's cost of sales are as follows:

	For the Year Ended December 31,	
Description	2013	2012
Interchange & residual fee cost	$ 2,094,161	$ 1,851,434
Gift & loyalty cards cost	34,429	89,248
Equipment & material cost	79,916	391,751
Total cost of sales for the year	**$ 2,208,506**	**$ 2,332,433**

14. Operating Expenses

The components of the Company's operating expenses are as follows:

	For the Year Ended December 31,	
Description	2013	2012
Compensation	191,272	431,083
Depreciation	75,349	63,642
General	150,680	144,171
Insurance	3,787	38,249
Legal settlement	25,355	-
Meals & entertainment	19,927	35,067
Professional fees	49,913	91,493
Rent and utilities	52,788	103,584
Technology	43,490	14,260
Travel	93,362	46,438
Administrative expenses	**$ 705,924**	**$ 967,987**
Selling and distribution costs	**$ 148,277**	**$ 54,789**
Total operating expenses	**$ 854,200**	**$ 1,022,776**

15. Commitments and Contingencies

Contingencies – The Company is subject to legal claims that may arise in the normal course of business. However, management is unaware of any pending or threatened claims that would require adjustment or disclosure to the accompanying financial statements.

Lease Commitments – The Company leases its corporate office location for a fixed monthly payment of $5,208 through April 30, 2016, plus a pro-rata share of the leased property's operating expenses, property taxes, and utilities. The Company's aggregate minimum lease payment obligation over each of the next five years is expected to be approximately $75,000 annually.

Other – The Company has no third party guarantees or other commitments, such as those for capital expenditures or other purchase commitments that are contracted for at December 31, 2013 but not yet incurred.

16. Events Occurring After the End of the Reporting Period

No events occurred subsequent to December 31, 2013, that would require adjustment to the accompanying financial statements. However, during the first quarter of 2014, the Company began preparing an application for listing on the National Stock Exchange of Australia ("NSX") as an integral step towards raising capital for expansion and anticipates filing this application before June 30, 2014.

17. Approval of the Financial Statements

The accompanying financial statements were approved by the Members and authorized for issue on May 27, 2014.

Community
Merchant
Solutions

8 August 2014

Mr Ian Craig
The National Stock Exchange of Australia Limited
Suite 12
415 Riversdale Road
Hawthorn East, Victoria 3123

Dear Mr Craig

The Board of Directors of Community Merchant Solutions, Ltd. attest that to the best of our knowledge and after due enquiry there have been no adverse material changes to the financial or trading position of Community Merchant Solutions, Ltd. since the date of the last audited accounts of Community Merchant Solutions, LLC for the year ended 31 December 2013.

Sincerely

H. Wain Swapp

Michael S. Fisher

Charles Christianson