

# **Department 13 LLC**

**Special Purpose Financial Statements  
for the Year Ended 31 December 2014**

**Department 13 LLC**  
**2014 Financial Report**

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## **Corporate Information**

### **Department 13 LLC**

#### **Directors**

Roger Davies  
Jonathan Hunter  
Steven Shattil

#### **Chief Executive Officer**

Jonathan Hunter

#### **Registered Office**

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3110 Fairview Park Drive, Suite 250  
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United States of America  
Info@department13.com

#### **Website:**

<http://www.department13.com>

### **Accountant**

Traverse Accountants  
Level 3  
35 Lime Street  
Sydney NSW 2001  
Australia

### **Auditor**

RSM Bird Cameron  
Level 12  
60 Castlereagh Street  
Sydney NSW 2000  
Australia

**Department 13 LLC**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2014**

|                                                                                                         | Notes | 2014<br>\$ | 2013<br>\$ |
|---------------------------------------------------------------------------------------------------------|-------|------------|------------|
| Revenue from continuing operations                                                                      | 3     | 334,969    | 142,908    |
| Other income                                                                                            | 3     | -          | 41,849     |
| Consulting expenses                                                                                     |       | (199,333)  | (64,027)   |
| Employee benefits expense                                                                               |       | (2,143)    | (23,169)   |
| General and administration expenses                                                                     |       | (103,841)  | (18,990)   |
| License fees and patent expense                                                                         |       | (38,838)   | (15,190)   |
| Professional fees                                                                                       |       | (5,850)    | (15,530)   |
| Doubtful debts expense                                                                                  |       | -          | (16)       |
| Research and development expense                                                                        |       | (18,936)   | -          |
| (Loss) / Profit before income tax                                                                       |       | (33,972)   | 47,835     |
| Income tax expense                                                                                      |       | -          | -          |
| (Loss) / Profit for the year                                                                            |       | (33,972)   | 47,835     |
| <b>Other comprehensive income</b>                                                                       |       |            |            |
| <i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i> |       |            |            |
| Exchange differences on translating foreign operations, net of tax                                      |       | 379        | (178)      |
| Total comprehensive (loss) / income for the year                                                        |       | (33,593)   | 47,657     |

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Department 13 LLC**  
**Statement of Financial Position**  
**As at 31 December 2014**

|                                          | Notes | 2014<br>\$    | 2013<br>\$    |
|------------------------------------------|-------|---------------|---------------|
| <b>ASSETS</b>                            |       |               |               |
| <b>Current Assets</b>                    |       |               |               |
| Cash and cash equivalents                | 5     | 5,833         | 2,215         |
| Trade and other receivables              | 6     | 58,843        | 76,314        |
| <b>Total Current Assets</b>              |       | <b>64,676</b> | <b>78,529</b> |
| <b>Non-Current Assets</b>                |       |               |               |
| Property, plant and equipment            | 7     | -             | -             |
| <b>Total Non-Current Assets</b>          |       | <b>-</b>      | <b>-</b>      |
| <b>Total Assets</b>                      |       | <b>64,676</b> | <b>78,529</b> |
| <b>LIABILITIES</b>                       |       |               |               |
| <b>Current Liabilities</b>               |       |               |               |
| Trade and other payables                 | 8     | 54,840        | 35,100        |
| <b>Total Current Liabilities</b>         |       | <b>54,840</b> | <b>35,100</b> |
| <b>Total Liabilities</b>                 |       | <b>54,840</b> | <b>35,100</b> |
| <b>Net Assets</b>                        |       | <b>9,836</b>  | <b>43,429</b> |
| <b>EQUITY</b>                            |       |               |               |
| Contributed equity                       | 9     | 29,258        | 29,258        |
| Reserves                                 | 10    | 1,352         | 973           |
| Accumulated losses / (retained earnings) |       | (20,774)      | 13,198        |
| <b>Equity</b>                            |       | <b>9,836</b>  | <b>43,429</b> |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Department 13 LLC**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2014**

|                            | Contributed<br>equity | Retained<br>Earnings /<br>(Accumulated<br>Losses) | Reserves     | Total         |
|----------------------------|-----------------------|---------------------------------------------------|--------------|---------------|
| Notes                      | \$                    | \$                                                | \$           | \$            |
| <b>2013</b>                |                       |                                                   |              |               |
| At 1 January 2013          | 29,258                | (34,637)                                          | 1,151        | (4,228)       |
| Profit for the year        | -                     | 47,835                                            | -            | 47,853        |
| Other comprehensive loss   | -                     | -                                                 | (178)        | (178)         |
| Total comprehensive income | -                     | 47,835                                            | (178)        | 47,657        |
| <b>At 31 December 2013</b> | <b>29,258</b>         | <b>13,198</b>                                     | <b>973</b>   | <b>43,429</b> |
| <b>2014</b>                |                       |                                                   |              |               |
| At 1 January 2014          | 29,258                | 13,198                                            | 973          | 43,429        |
| Loss for the year          | -                     | (33,972)                                          | -            | (33,972)      |
| Other comprehensive income | -                     | -                                                 | 379          | 379           |
| Total comprehensive loss   | -                     | (33,972)                                          | 379          | (33,593)      |
| <b>At 31 December 2014</b> | <b>29,258</b>         | <b>(20,774)</b>                                   | <b>1,352</b> | <b>9,836</b>  |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Department 13 LLC**  
**Statement of Cash Flows**  
**For the year ended 31 December 2014**

|                                                                      | Notes | 2014<br>\$          | 2013<br>\$          |
|----------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                          |       |                     |                     |
| Receipts from customers                                              |       | 356,918             | 119,702             |
| Payments to suppliers and employees                                  |       | (353,808)           | (134,665)           |
| <b>Net cash inflow/(outflow) from operating activities</b>           | 13    | <u>3,110</u>        | <u>(14,963)</u>     |
| <br>Cash flows from investing activities                             |       | <br>-               | <br>-               |
| <b>Net cash from investing activities</b>                            |       | <u>-</u>            | <u>-</u>            |
| <br>Cash flows from financing activities                             |       | <br>-               | <br>-               |
| <b>Net cash from financing activities</b>                            |       | <u>-</u>            | <u>-</u>            |
| <br><b>Net increase/(decrease) in cash and cash equivalents</b>      |       | <br><b>3,110</b>    | <br><b>(14,963)</b> |
| <br>Cash and cash equivalents at the beginning of the financial year |       | <br>2,215           | <br>15,874          |
| Foreign exchange adjustment to cash balance                          |       | 508                 | 1,304               |
| <b>Cash and cash equivalents at end of the year</b>                  |       | <u><b>5,833</b></u> | <u><b>2,215</b></u> |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies**

These financial statements and notes represent those of Department 13 LLC (the "Company"). Department 13 LLC is a limited liability company incorporated in Virginia, USA.

**Basis of preparation**

Management has prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which Management has determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

**Accounting policies**

**(a) Foreign currency translation**

*(i) Functional currency*

Items included in the financial statements of the Company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The functional currency of the Company is United States dollars (US\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

*(ii) Presentation currency*

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the Foreign Currency Translation Reserve.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies (continued)**

**(b) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(c) Income tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies (continued)**

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(d) Leases**

Leases where the lessor retains substantially all of the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies (continued)**

**(e) Impairment of assets**

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(g) Trade and other receivables**

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

**(h) Other receivables**

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Statement of Comprehensive Income as 'impairment expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies (continued)**

**(i) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

**(j) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

**(k) Employee benefits**

**(i) Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

**(ii) Retirement benefit obligations**

The Company does not maintain a company superannuation plan. The Company makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for US resident employees to complying pension funds. The Company's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(l) Contributed equity**

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**1 Summary of significant accounting policies (continued)**

**(m) Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(n) New, revised or amending Accounting Standards and Interpretations adopted**

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(o) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2014. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**2 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The company remains in a development phase and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

*License and patent expenses*

There is a degree of judgement required in respect of the capitalisation of patent costs and the future commercial application thereof. Management has adopted a prudent approach and all patent costs are currently expensed until there is more certainty around the commercialisation of the technology.

|                                                | 2014<br>\$     | 2013<br>\$     |
|------------------------------------------------|----------------|----------------|
| <b>3 Revenue and other income</b>              |                |                |
| <b>Revenue from continuing operations</b>      |                |                |
| Rendering of services                          | 334,969        | 142,908        |
| <b>Other income</b>                            |                |                |
| Gain on debt forgiveness                       | -              | 41,849         |
|                                                | <u>334,969</u> | <u>184,757</u> |
| <b>4 Income tax expense</b>                    |                |                |
| <b>The components of tax expense comprise:</b> |                |                |
| Current tax                                    | -              | -              |
| Deferred tax                                   | -              | -              |
|                                                | <u>-</u>       | <u>-</u>       |

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

|                                             | 2014<br>\$    | 2013<br>\$    |
|---------------------------------------------|---------------|---------------|
| <b>5 Cash and cash equivalents</b>          |               |               |
| Cash at bank                                | 5,833         | 2,215         |
|                                             | <u>5,833</u>  | <u>2,215</u>  |
| <b>6 Trade and other receivables</b>        |               |               |
| CURRENT                                     |               |               |
| Trade and other receivables                 | 58,843        | 72,390        |
| Deposit                                     | -             | 3,924         |
|                                             | <u>58,843</u> | <u>76,314</u> |
| <b>7 Property, plant and equipment</b>      |               |               |
| Office equipment at cost                    | 4,117         | 3,785         |
| Accumulated depreciation                    | (4,117)       | (3,785)       |
|                                             | <u>-</u>      | <u>-</u>      |
| Balance at beginning of the year            | -             | -             |
| Additions                                   | -             | -             |
| Depreciation                                | -             | -             |
| Balance at end of year                      | <u>-</u>      | <u>-</u>      |
| <b>8 Trade and other payables</b>           |               |               |
| CURRENT                                     |               |               |
| Trade and other payables                    | 54,840        | 35,100        |
|                                             | <u>54,840</u> | <u>35,100</u> |
| <b>9 Contributed equity</b>                 |               |               |
| Capital contribution                        | 29,258        | 29,258        |
|                                             | <u>29,258</u> | <u>29,258</u> |
| <b>10 Reserves</b>                          |               |               |
| Foreign currency translation reserve        | 1,352         | 973           |
| <u>Foreign currency translation reserve</u> |               |               |
| Balance at beginning of financial year      | 973           | 1,151         |
| Movements                                   | 379           | (178)         |
| Balance at end of the financial year        | <u>1,352</u>  | <u>973</u>    |

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**11 Commitments**

**Capital commitments**

As at 31 December 2014, the Company has no capital commitments (2013: \$nil).

**12 Events occurring after the balance sheet date**

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

**13 Reconciliation of (loss) / profit after income tax to net cash outflow from operating activities**

|                                                              | <b>2014</b>  | <b>2013</b>     |
|--------------------------------------------------------------|--------------|-----------------|
|                                                              | <b>\$</b>    | <b>\$</b>       |
| <b>(Loss) / Profit for the year</b>                          | (33,972)     | 47,835          |
| Depreciation expense                                         | -            | -               |
| Forex differences                                            | -            | (3,285)         |
| <i>Change in operating assets and liabilities</i>            |              |                 |
| Decrease/ (Increase) in trade and other receivables          | 21,949       | (65,055)        |
| (Decrease)/ Increase in trade and other payables             | 15,133       | 5,542           |
| <b>Net cash inflow / (outflow) from operating activities</b> | <b>3,110</b> | <b>(14,963)</b> |

**14 Company details**

*Corporate Head Office and Principal Place of Business*

D13 Research and Development Lab  
3110 Fairview Park Drive, Suite 250  
Falls Church, VA 2204  
Info@department13.com

**Department 13 LLC**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**Declaration by Management**

Management has determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

Management of the company declare that:

1. the financial statements and notes, present fairly the company's financial position as at 31 December 2014 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. in Management's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Managers.



**Jonathan Hunter**  
**Chief Executive Officer**  
**9 November 2015**



**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF**

**DEPARTMENT 13 LLC**

We have audited the accompanying financial report, being a special purpose financial report, of Department 13 LLC, which comprises the statement of financial position as at 31 December 2014 the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the notes comprising a summary of significant accounting policies and other explanatory notes and the management's declaration.

*Management's Responsibility for the Financial Report*

Management is responsible for the preparation of the financial report, and have determined that the basis of preparation described in Note 1, is appropriate to meet the needs of the members. Management's responsibility also includes such internal control as Management determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 financial report 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 the Management, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

*Opinion*

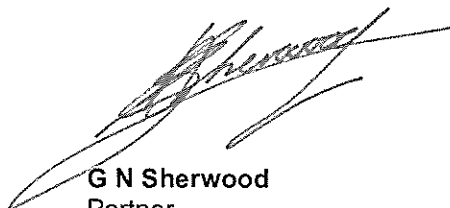
In our opinion, the financial report presents fairly, in all material respects, the financial position of Department 13 LLC as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

*Basis of accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Department 13 LLC to meet the needs of the members. As a result, the financial report may not be suitable for another purpose

A stylized, handwritten signature of the firm RSM.

**RSM AUSTRALIA PARTNERS**

A handwritten signature of G N Sherwood, written in dark ink.

**G N Sherwood**  
Partner

Sydney, NSW  
Dated: 9 November 2015

