Heurston Group Plc (formerly 2Up Gaming Plc) and its Subsidiary Companies

UK Company Number 7501485

Financial Report for the Period 1 July 2014 to 30 June 2015

Heurston Group Plc and its Subsidiary Companies

UK Company Number 7501485

Financial Report for the Period 1 July 2014 to 30 June 2015

STRATEGIC REPORT

Your Directors present their Strategic report on the consolidated group ("Heurston") for the financial period 1 July 2014 to 30 June 2015.

Principal Activities and Review of Operations

During this period the company was known as 2UP Gaming Plc. The name was changed in March 2016 to Heurston Group Plc to better reflect the future business of the group.

The Board reviewed the strategies underlying the establishment of the Heurston group and re-affirmed its commitment to the core basis of the group's business strategy. The strategy has a number of key elements including a strong international acquisitions focus, complimented by international partnerships bringing strong local synergies and our in-house IT development capabilities. Together these will create or customise unique and highly attractive internet based IT opportunities which will value add due to their synergies within the group.

The principal activities of the consolidated group have been to continue to buildi a strong international presence, complimented by in-house IT development capabilities through the completed acquisition of Streamark Limited, to create unique and highly commercial video streaming capabilities. The offering has been reinforced so that it's infrastructure is more robust and secure and provides a superior user experience.

During the period to 30 June 2015, the Heurston Group continued its major activities to meet its overall aims and prepare for commercial operations to commence during the 2016 financial year. As foreshadowed last year, the priority focus has been placed on completing the acquisition of Streamark and developing its market prospects. This has proceeded very successfully with some of the more important activities and milestones discussed hereunder.

The acquisition of European based video streaming business Streamark Plc ("Streamark") was completed in early 2015 and following further development refinement the software is exceeding expectations. Streamark develops applications based on streaming video, tracking and communications technologies for mobile operators, TV network, cable operators and hardware manufacturers. Its unique live video streaming technology can be used across a wide range of handsets, such as Apple, Android, Symbian and Blackberry, running on mobile bandwidths EDGE, GPRS, 3G and 4G.

The technology is beginning to realise its significant potential across a range of markets. Heurston staff have been working with and assisting Streamark to access new market opportunities with the initial focus on the US, Canada and Europe, closely followed by development of market opportunities in Asia including India.

During the year Streamark Limited concluded licencing agreements with Zee Entertainment ("Zee"), which will roll out to up to 140 countries worldwide during 2016 through its subsidiary dittoTV. Zee is the largest media company in India and intends reinforcing its global footprint by expanding in the belief that, with the benefits of the Streamark technology it is able to provide a superior product when combined with its existing content.

The successful Launch of dittoTV "by Streamark" entailed the approval of new application software by both Apple iOS and Google for android devices. The active promotion of the Streamark platform was delayed whilst undergoing the comprehensive approval processes for both App's. These were quite complex and involved because of the size and complexity of each App, but were completed and both approvals granted early in the 2016 calendar year.

Soft launch of the services has now commenced and Zee is in the process of organising a full commercial launches across all the key markets in which it is established.

Additionally Heurston will leverage its investment in Streamark Limited to develop best of breed technologies internally as well as open a new Technology Division to create new markets and revenue streams for the overall business. Streamark Limited is viewed as a plank in our overall strategic plan of expanding and making other acquisitions.

Notwithstanding the key focus described above, we also continued with our trials of the live website previously called www.2up.com but now with the new domain name www.heurstongroup.com. Whilst low key, the trials provide a "hands on", fully operational environment for testing and understanding many important aspects of our

STRATEGIC REPORT (CONTINUED)

Principal Activities and Review of Operations (continued)

Live Streaming platforms and systems as well as the operational, support and market requirements for full scale live operations.

Other international relationships continue to be developed both to enhance our IT technology focus and to further develop the group's presence in Europe, America and Asia. We expect that the 2015/16 financial year will see the launch of a number of services aimed at establishing and then growing our revenues, as well as new opportunities presenting from these developing international partnerships.

Principal Risks and Uncertainties Facing the Group

Future Funding

The group's short term funding requirements are expected to come largely from imminent sales of Streamark services. Any delay in completing sales or sales results significantly less than forecast will require the group to undertake additional fund raising activities.

In addition, the group may require further funds to respond to business challenges, such as funding future acquisitions or to enhance existing products and services. Accordingly, the company may need to engage in equity or debt financings to secure additional funds. If the company raises additional funds through further issues of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the company in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the company may not be able to obtain additional financing on terms favourable to it, if at all. If the group is unable to obtain adequate financing or financing on terms satisfactory to it, when the group requires it, the group's ability to continue to support its business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

Economic, Political, Judicial, Administrative, Taxation or other Regulatory Matters

Adverse developments in the political, economic and regulatory environment may materially and adversely affect the financial position and business prospects of the group. In particular, the group may expand into emerging markets, in which the economic and legislative environments can be less stable than the group's existing markets. Political and economic uncertainties include, but are not limited to economic slowdowns, changes in interest rates, changes in taxation and currency exchange control. Legislative and regulatory risks may include potential changes around data privacy and protection for intellectual property.

Heurston and its proposed business partners and customers are all subject to applicable laws in jurisdictions in which they operate. As with other online web based gaming companies around the world, there is uncertainty regarding which jurisdiction has the right to regulate or legislate the industry in different markets. Legislation designed to restrict or prohibit Internet gaming may be adopted in the future in certain jurisdictions, or they may interpret the laws differently. This may have a material impact on the group's business.

New laws and regulations that address issues such as user privacy, pricing, online content regulations, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of Internet and electronic commerce is currently uncertain. Moreover, it may take years to determine the extent of which existing laws relating to issues such as intellectual ownership and infringement, libel, and personal privacy are applicable to the Internet.

The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth of the Internet, and also the demand for Heurston's products and services, increase the cost of doing business or could otherwise have a material adverse effect on the group's business, revenue, operations and financial condition.

Changes in taxation rates or law, or misinterpretation of the law or any failure to manage tax risks adequately could result in increased charges, financial loss, including penalties, and reputational damage, which may have an adverse effect on the group's financial condition and future prospects. A material change in the level or

STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties Facing the Group (continued)

Economic, Political, Judicial, Administrative, Taxation or other Regulatory Matters (continued)

applicability of VAT, sales and other consumption taxes in the United Kingdom and other jurisdictions could have an adverse effect on the group's sales, which could have a material adverse effect on the group's prospects, business, financial condition or results of operations.

Whilst the group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic, regulatory and taxation factors will not materially and adversely affect the group.

Litigation

While the group seeks to limit its exposure to litigation, there can be no guarantee that the current or future actions of the group will not result in litigation or arbitration or otherwise be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation or arbitration proceedings may be brought against the group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material adverse effect on the group's financial position, results or operations.

Exchange rate fluctuations

The group's reporting currency is sterling but a substantial proportion of the group's forecast revenue will be earned in other currencies, including Euro and US dollar. Although the group incurs expenditures in these other currencies, the movement of any of these currencies against sterling may have a detrimental effect on the group's results of operations and financial condition.

Competition risk

There can be no guarantee that the group's competitors have not already developed and/or will not develop products and services which are competitive to those supplied by the group and there can be no assurances that the availability of any such products and services will not adversely affect future demand for the group's own products and services. The group's competitors may have or develop greater financial, marketing and technological resources that the group enabling them to develop products and services which are competitive to those of the group and to promote them more successfully than the group.

The demand and acceptance of new products and services are subject to uncertainty and growing competition. If the market develops more slowly than expected, or becomes saturated with competitors offerings or if Heurston's product offerings do not attain sufficient market acceptance, the projected business revenues, operations and financial position of Heurston could be materially adversely affected.

Product risks

The group's products and the software on which they are based are complex and may contain undetected defects when first introduced. Additionally problems may be discovered from time to time in existing, new or enhanced products. Undetected defects could damage the group's reputation, ultimately leading to an increase in the group's costs or reduction in its revenues.

The growth of Internet usage has caused frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the internet infrastructure or Heurston or partnership network system will be able to support the demands placed by the continued growth of the internet, the overall e-commerce industry or that of Heurston's prospective business partners and customers.

The Internet's viability could be affected by delays in the development or the adoption of new standards and protocols to handle increased levels of activity or due to increased Government regulation. If critical issues concerning the commercial use of the Internet are not favorably resolved (including security, reliability, cost, ease of use, accessibility and quality of service), if the necessary infrastructure is not sufficient, or if other technologies or technological devices eclipse the internet as a viable channel, this may negatively affect internet usage, and the group's projected business, revenues, operations and financial condition.

STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties Facing the Group (continued)

Product risks (continued)

Internet gaming software and electronic commerce services are reliant on technologies and network systems to securely handle transactions and user information over the internet, which may be vulnerable to system intrusions, unauthorized access or manipulation. As users become increasingly sophisticated and devise new ways to commit fraud, Heurston security and network systems may be tested and subject to attack. There is no assurance that such intrusions or attacks can be prevented, and any system intrusion or attack may cause a delay, interruption or financial loss, which could have a material adverse effect on Heurston's projected business, revenues, operations and financial results.

Market risks

The group may be affected by general market trends which are unrelated to the performance of the group itself. The group's success will depend on market acceptance of the group's products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the group may change and this could lead to an adverse effect upon its revenue and earnings.

Key Performance Indicators

The Heurston group has identified a number of key performance indicators for the next 18 months to ensure successful growth over the period:

Streamark – levels of sales achieved and market acceptance of Streamark products and services. This is particularly important over the next six months as early sales ramp up and generate the levels of revenues forecast.

Funding – Levels of funding required in both the short term to support Streamark sales, marketing and infrastructure requirements and in the slightly longer term to support further acquisitions and market and product expansions. Specifically, the bringing to fruition of current funding activities supported by future funding plans as needed for business development and operations.

Strategy – Maintenance of the group's strategic focus on rapid growth through acquisitions, joint venture arrangements, access to new markets, distribution channels and technology partners. This is a strategic imperative to achieve growth in new markets in line with the group's business plan.

Resources – As the business expands the group needs to ensure the appropriate financial, people, technical, regulatory and processes/system resources are developed in line with the forecast market growth. Subsidiary key indicators in each of these areas will be used to manage and control these requirements.

Technology – Heurston operates in a heavily technology dependent space. It will be critical to measure performance in, and management of:

- Role out of infrastructure that can scale with customer location and take-up;
- Implementation of common platforms and synergies across acquired platforms and markets;
- Technology that provides availability, security and integrated services across many market requirements; and
- Continual technology improvements and enhancements leading to higher customer satisfaction and ability to offer additional products and services.

Regulatory – a wide component of the group's planned activities are subject to regulatory requirements which are different for each jurisdiction and at varying stages of development and change. A key indicator is that the group is fully aware of, and prepared for, regulatory requirements in each market that it chooses to enter and has the expertise available to ensure no unforseen regulatory issues have a significant adverse impact on the rollout of services.

STRATEGIC REPORT (CONTINUED)

Events Subsequent to the End of the Reporting Period

Besides the ongoing development and marketing activities, particularly those relating to Streamark as described in the Review of Operations, there have been a number of further important developments since the end of the financial year as described hereunder.

Firstly, late in the period GXG Markets announced they would be ceasing operation of their markets and subsequently did cease operation on 18 August 2015. This of course has had a significant impact on the ability of shareholders to trade shares since that date. Immediately upon the announcement the board of Heurston commenced the planning of a move to another, more appropriate share market. Our aim is to complete such a move during the 2016 calendar year.

Fund raising activities have also continued since the end of the period as follows:

- £171,539 was raised by 31 December 2015 through the sale of 1,715,393 new shares issued.
- The board resolved to convert the Cres convertible note outstanding loan of £1,718,128 as at 30 June 2015 to shares and issued Cres 17,181,277 new shares.
- The above two share issues increased the shares on issue from 280,161,774 to 299,058,444.
- Final payment was received for the sale of 30% of Streamark Limited.
- The Board also agreed to issue a new convertible note to Cres for an additional £750,000 (A$1,500,000) to cover additional loans made or expected to be made to the group since 30 June 2015. As at 31 December 2015 Cres has loaned the group an additional £64,853 (A$127,539) since 30 June 2015.

Additional fund raising activities are continuing until the end of the March 2016 quarter to ensure sufficient funding for general operations and, particularly, for Streamark sales, marketing and infrastructure rollout requirements. By the start of the June quarter, initial revenues are expected to be generated from the sales of Streamark technologies.

Kingfisher Limited, the group's subsidiary in Vanautu, was established to hold the gaming licence originally required by the group. As our international partnerships have developed it has become clear that this licence is no longer required and therefore it has been allowed to lapse. As a consequence, Kingfisher Limited was also no longer required and was deregistered on 29 February 2016.

All activities with Midoil USA LLC relating to the USA market were ceased during the 2014 financial year. Subsequently, Midoil have claimed that Heurston owes Midoil outstanding money for non-payment of claimed expenses and for lost profits from not proceeding further with the arrangements. On 9 December 2014 Midoil issued a Statutory Demand to Heurston for payment of these claimed monies.

Heurston strongly disputes all aspects of Midoil's claims and, via its UK legal representatives, advised Midoil accordingly. Midoil unconditionally withdrew the Statutory Demand on 12 December 2014.

Whilst discussions have been held between Heurston and Midoil, there is a possibility that Midoil will pursue further legal action. Should Midoil do so, Heurston will continue to strongly dispute Midoil's claims and will initiate counter claims against Midoil. No provision for such a claim has been made in the accounts.
The group has also received a claim from an ex director in respect of amounts he claims are due to him for services provided to the group. The dispute is still under negotiation however any settlement is not expected to impact the financial position of the group.

Other than the items described above, the Directors are not aware of any significant events since the end of the reporting period.

This Strategic report is signed in accordance with a resolution of the Board of Directors:

____
Director
Marino Sussich
Dated :

DIRECTORS' REPORT

Your Directors present their Directors' report on the consolidated group ("Heurston") for the financial period 1 July 2014 to 30 June 2015.

Directors

The names of the Directors in office at the date of this report are:
- Marino Sussich
- Peter Lombardo
- Sorin Pigulea (appointed 21 November 2014)

Directors have been in office since the start of the financial period to the date of this report, unless otherwise stated. There was a change in the company secretary position with the addition of Mr Nigel Harrison appointed to the role on 19 May 2015.

Dividends

No dividends were paid or declared since the start of the financial period (2014: nil).

Shares Issued by the Company

During November 2014, a number of convertible loan notes totaling £272,565 (AUD$500,000) were issued to Agora Asset Management Pty Ltd and Healthybook Living Pty Ltd atf Healthy Living Trust.
The notes were convertible into 2,725,650 ordinary £0.10 shares. The loan notes were agreed to be converted within the period and 1,362,825 new shares were issued to each of the parties above on 5 March 2015.

On 15 September 2014, 3,000,000 ordinary £0.10 shares were issued to the shareholders of Streamark Plc to complete the purchase of that company. On 5 March 2015, a further 1,548,294 ordinary £0.10 shares were issued to various shareholders as part of the group's normal investment raisings.

As advised in the previous period, the nominal value of 2,000,000 shares issued, in the amount of £200,000, is included as unpaid share capital in accounts receivable as payment was still outstanding as at 30 June 2015. The issue of shares without receiving any consideration is in breach of United Kingdom company law.
During the 2014 financial year the company issued a call notice demanding payment, which was not forthcoming, and subsequently completed all processes required for these shares to be cancelled for non-payment. The shares are still included in the share total for 30 June 2015 but the shares were cancelled on 3 February 2016.

Options

During the financial period, options for new shares in the company were granted as follows:

- The related party loan taken out with Cres Pty Ltd was increased to £1,718,128.This facility was restructured by the issue of a new replacement convertible loan note to Cres Pty Ltd on 1 December 2014, the total facility being for AUD $3,250,000 at 7% interest per annum and eligible for conversion on 30 November 2015. Subsequent to 30 June 2015, the Board and the lender have agreed to convert the note to17,181,277 new shares as per the terms of the note and to issue a new convertible note to cover all loans to the group by Cres since 30 June 2015. This will be done during the 2016 FY and a new convertible note issued to Cres for an additional £750,000 to cover additional loans made to the group since 30 June 2015.

- As described in the 2014 report, the Annual General Meeting held on 1 May 2014 granted Directors M Sussich and P Lombardo share options for 20,000,000 and 8,000,000 shares respectively.
  At the Annual General Meeting held on 2 July 2015, these share options were replaced with new options of similar value and additional options were granted to other directors. However, based on legal advice that the share options were not clear, the Board took the view that all share options should be cancelled. At the board meetings of 31 August 2015 and 18 October 2015, all share options were subsequently annulled.

DIRECTORS' REPORT (CONTINUED)

Options (continued)

Other than as stated above, no shares were issued during or since the end of the period as a result of the exercise of an option over unissued shares or interests.

Acquisition of Streamark

As referred to in the Strategic Report, the acquisition of European based video streaming business Streamark Plc ("Streamark") was completed during the period. The purchase included the acquisition of Streamark Srl which was 100% owned by Streamark Plc.

On 29 December 2011 the company signed a Memorandum of Understanding to acquire the entire issued share capital of Streamark Plc and issued 21,000,000 ordinary £0.10 shares in part consideration for the acquisition. The acquisition agreement was signed on 11 August 2014 and the acquisition was completed on 12 March 2015 including the payment of a further 3,000,000 ordinary £0.10 shares. £175,888 has also been incurred in respect of additional costs in connection with the acquisition.

The primary reason for the acquisition was that Streamark owned unique technology that would enhance a mobile online users experience of any video based services and was a major step in building a strong international presence, complimented by in-house IT development capabilities. Streamark develops applications based on streaming video, tracking and communications technologies for mobile operators, TV network, cable operators and hardware manufacturers. Its unique live video streaming technology can be used across a wide range of handsets, such as Apple, Android, Symbian and Blackberry, running on mobile bandwidths EDGE, GPRS, 3G and 4G.

Immediately upon completion of the acquisition, Streamark Plc was re-registered as a private company domiciled in the United Kingdom and called Streamark Limited.

On 19 January 2015 an agreement was signed with an investor group for them to acquire 30% holding in Streamark. The primary reason for this sale was to raise sufficient funding for the active international sales and implementation of Streamark's technologies. The sale of this 30% holding will be completed in the 2016 financial year.

Research and Development

The Heurston group's research and development focus during the period to 30 June 2015 was severely reduced as a result of the change in focus with the completion of the purchase of Streamark and preparations for substantial developments relating to the Indian market.

For these reasons, further development of our website, especially our core, trial retail site www.heurstongroup.com, and on our underlying gaming platforms, was reduced to a minimum for the year.

Rather, resources have been allocated to the compression and streaming technologies available through Streamark and particularly the current market opportunities for these services.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Financial Instruments

The key financial risk management objectives and policies of the group are to minimise debt whilst using equity raisings and future expected revenues to fund the group's business operations. Risk management policies are reviewed and approved by the Board of Directors on a regular basis, including credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for group operations. The group does not have any derivative instruments at 30 June 2015.

DIRECTORS' REPORT (CONTINUED)

Financial Instruments (continued)

The main risks the group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to foreign exchange rates:

- Credit risk: The group has no significant concentrations of credit risk with any single counterparty or group of counterparties.

- Liquidity risk: The group manages this risk through the preparation of forward looking cash flow analyses in relation to its operational, investing and financing activities. Additionally, in order to meet its short term obligations, the group prepares detailed weekly and monthly cash flow analyses and may obtain funding from a variety of sources such as equity raising and issuance of convertible loan notes.

- Market risk: The group has no interest bearing assets and its interest bearing liabilities are at a fixed rate of interest of 7% per annum based on the facility available. Cash flows are therefore substantially independent of changes in market interest rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US dollar and Australian dollar. The group does not currently earn revenue but once trading intends to mitigate this risk by the purchase of goods, commodities and services in the respective functional currencies, and by the matching of foreign currency revenues and expenses. The effects of currency fluctuations on the translation of net asset values into sterling are reflected in the group's consolidated equity position.

Likely Developments and Expected Results of Operations

Major efforts in the 2016 financial year will focus on:

- The achievement of significant sales of Streamark technology services
- Completion of negotiations aimed at the Indian market, followed by the launch of services to that market.

Successful prosecution of these efforts will mean the change in Heurston's core activities from development and opportunity evaluation to active operations and opportunity exploitation. This will be a significant step to achieving our aim to take a leading position in the global online gaming, wagering and entertainment industry.

A key consideration of the group's programme revolves around leveraging the intellectual property and technological capability of its partners to facilitate the development of attractive new products, as well as maximising the cross selling potential of games to a global customer base. Other Asian and European markets will be particularly focussed on in 2016.

A level of evaluation and development will therefore need to be maintained for the foreseeable future and potential further acquisitions and partnerships examined. Besides the increased loans from Cres Pty Ltd, other fund raising to support the level of programmes envisaged are included in negotiations currently underway.

Statement as to Disclosure to Auditors

So far as each Director at the date of approval of this report is aware:

- There is no relevant audit information of which the company's auditor is unaware;

- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

DIRECTORS' REPORT (CONTINUED)

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

This Director's report is signed in accordance with a resolution of the Board of Directors:

____

Director
Marino Sussich
Dated :

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEURSTON GROUP PLC

We have audited the financial statements of Heurston Group Plc for the year ended 30 June 2015 which are set out on pages 12 to 45. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Basis for disclaimer of opinion

During a previous period the company issued 234,882,828 shares in a share for share exchange to acquire the entire share capital of 2UP Holdings Pty Limited. We have been unable to obtain sufficient appropriate audit evidence regarding the accuracy of the shares exchanged as part of the agreement or the valuation placed on the subsidiary in the share for share exchange.

In addition, on 12 March 2015 the group acquired the entire share capital of Streamark Plc in exchange for £3.96 million payable via a combination of shares and cash. We have been unable to obtain sufficient appropriate audit evidence regarding the fair value of the assets and liabilities acquired on acquisition.

Disclaimer of opinion on the consolidated and company financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on either the consolidated or company financial statements. Accordingly we do not express an opinion on either the consolidated or company financial statements.

Emphasis of matter – going concern

Although not expressing an opinion on the financial statements we have considered the adequacy of the disclosures regarding going concern and draw your attention to note 1 of the financial statements. The group's ability to continue as a going concern is dependent on its ability to continue raising finance from related party loans, equity sales and potential future revenue streams.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEURSTON GROUP PLC (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect of the limitation on our work relating to the valuation of the investments in subsidiaries and the accuracy of the shares issued in the share for share exchange, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent company financial statements are not in agreement with the accounting records and returns; and

- certain disclosures of directors' remuneration specified by law are not made.

Joanne Allen*, Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

	Note	Consolidated group	
		2015	**2014**
		£	**£**
Marketing expense		(2,808)	(624)
Occupancy expense		(25,680)	(12,265)
Employee benefit expense	4	(2,586,076)	(664,481)
Depreciation and amortisation expense		(136,414)	(156,998)
Other expenses		(373,826)	(929,860)
Total operating expenses		**(3,124,804)**	**(1,764,228)**
Finance costs		(152,363)	(4,160)
Loss before income tax	3	**(3,277,167)**	**(1,768,388)**
Income tax expense	5a	-	-
Loss for the period		**(3,277,167)**	**(1,768,388)**
Other comprehensive (loss)/income:			
Unrealised foreign exchange (loss)/gain on consolidation		(33,309)	34,202
Other comprehensive (loss)/income for the year, net of tax		(33,309)	34,202
Total comprehensive loss for the year		(3,310,476)	(1,734,188)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Consolidated group	
		2015	2014
		£	£
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	3,997,829	166,829
Property, plant and equipment	10	47,275	15,858
Trade and other receivables	11	2,860	2,150,408
TOTAL NON-CURRENT ASSETS		4,047,964	2,333,095
CURRENT ASSETS			
Trade and other receivables	11	231,544	211,088
Cash and cash equivalents	13	71,084	3,967
TOTAL CURRENT ASSETS		302,628	215,055
TOTAL ASSETS		**4,350,592**	**2,548,150**
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	13	18	-
Trade and other payables	14	744,023	553,761
Short term debt	15	1,718,128	-
TOTAL CURRENT LIABILITIES		2,462,169	553,761
NON-CURRENT LIABILITIES			
Long term debt	15	-	1,064,514
TOTAL NON-CURRENT LIABILITIES		-	1,064,514
TOTAL LIABILITIES		**2,462,169**	**1,618,275**
NET ASSETS		**1,888,423**	**929,875**
EQUITY			
Issued capital	16	28,016,177	27,288,783
Share premium account	16	2,154,520	745,557
Merger reserve		(23,474,321)	(23,474,321)
Other reserves		2,551	35,860
Share options reserve	19	2,559,200	426,533
Accumulated losses		(7,369,704)	(4,092,537)
TOTAL EQUITY AND RESERVES		**1,888,423**	**929,875**

The financial statements were approved by the board on and signed on its behalf by:

Marino Sussich - Director

PARENT COMPANY - STATEMENT OF COMPREHENSIVE INCOME AND EARNINGS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

	2015	2014
	£	£
Operating expenses	(2,611,820)	(1,006,169)
Total operating expenses	**(2,611,820)**	**(1,006,169)**
Finance costs	-	-
Loss before income tax	**(2,611,820)**	**(1,006,169)**
Income tax expense	-	-
Loss and other comprehensive loss for the year	**(2,611,820)**	**(1,006,169)**

PARENT COMPANY - STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015	2014
		£	£
ASSETS			
NON-CURRENT ASSETS			
Investment in subsidiaries	2	27,444,171	23,488,283
Prepaid investment	11	-	2,150,408
		27,444,171	25,638,691
CURRENT ASSETS			
Amount due from subsidiaries		1,899,749	1,909,971
Amount due from shareholders	11	200,000	200,000
TOTAL ASSETS		29,543,921	27,748,662
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	(536,293)	(398,238)
TOTAL LIABILITIES		(536,293)	(398,238)
NET ASSETS		**29,007,628**	**27,350,424**
EQUITY			
Issued capital	16	28,016,177	27,288,783
Share premium account	16	2,154,520	745,557
Share options reserve	19	2,559,200	426,533
Accumulated losses		(3,722,269)	(1,110,449)
TOTAL EQUITY AND RESERVES		**29,007,628**	**27,350,424**

The financial statements were approved by the board on and signed on its behalf by:

Marino Sussich - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

	Note	Ordinary Share Capital	Share Premium Reserve	Merger Reserve	Share Options Reserve	Exchange Translation Reserve	Accumulated Losses	Total
		£	£	£	£	£	£	£
Balance at 30 June 2013		**27,228,783**	**707,622**	**(23,474,321)**	**-**	**1,658**	**(2,324,149)**	**2,139,593**
Comprehensive income								
Loss attributable to members of the parent entity		-	-	-		-	(1,768,388)	(1,768,388)
Other comprehensive income for the period		-	-	-		34,202	-	34,202
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**		**34,202**	**(1,768,388)**	**(1,734,186)**
Transactions with owners, in their capacity as owners and other transfers								
Shares issued during the period	16	60,000	37,935	-		-	-	97,935
Share options reserve	19	-	-	-	426,533	-	-	426,533
Total transactions with owners and other transfers		**60,000**	**37,935**	**-**	**426,533**	**-**	**-**	**274,468**
Balance at 30 June 2014		**27,288,783**	**745,557**	**(23,474,321)**	**426,533**	**35,860**	**(4,092,537)**	**929,875**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015 (CONTINUED)

	Note	Ordinary Share Capital	Share Premium Reserve	Merger Reserve	Share Options Reserve	Exchange Translation Reserve	Accumulated Losses	Total
		£	£	£	£	£	£	£
Balance at 30 June 2014		**27,288,783**	**745,557**	**(23,474,321)**	**426,533**	**35,860**	**(4,092,537)**	**929,875**
Comprehensive income								
Loss attributable to members of the parent entity		-	-	-		-	(3,277,166)	(3,277,166)
Other comprehensive loss for the period		-	-	-		(33,309)	-	(75,357)
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**	**-**	**(33,309)**	**(3,277,166)**	**(3,310,474)**
Transactions with owners, in their capacity as owners and other transfers								
Additional shares issued in respect of Streamark Plc agreement		300,000	1,380,000					1,680,000
Shares issued during the period	16	427,394	28,963	-		-	-	456,357
Share options reserve	19	-	-	-	2,132,667	-	-	2,132,667
Total transactions with owners and other transfers		**727,394**	**1,408,963**	**-**	**2,132,667**	**-**	**-**	**4,269,024**
Balance at 30 June 2015		**28,016,177**	**2,154,520**	**(23,474,321)**	**2,559,200**	**(2,551)**	**(7,369,704)**	**1,888,423**

The movement on ordinary share capital, share premium reserve and share options reserve in the Statement of Changes in Equity above is also applicable for the company.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

	Note	Consolidated group	
		2015	2014
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities	18	(715,060)	(625,979)
Finance costs		(152,363)	(4,160)
Net cash used in operating activities		(867,423)	(630,139)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(19,822)	-
Payments for intangible assets	9	(2,205)	(67,716)
Acquisition of Streamark Plc, net of cash acquired	6	(153,422)	-
Net cash used in investing activities		(175,449)	(67,716)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		456,357	-
Proceeds from related party borrowings		653,614	728,021
Net cash provided by financing activities		1,109,971	728,021
Net increase in cash held		67,099	30,166
Cash and cash equivalents at the beginning of the financial period		3,967	(26,199)
Cash and cash equivalents at end of financial period	13	71,066	3,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

The consolidated financial statements and notes represent those of Heurston Group Plc and its subsidiary companies (the "consolidated group" or "group" or "Heurston"). The consolidated financial statements have been prepared for the period 1 July 2014 to 30 June 2015 in line with the group's reporting requirements. Comparative figures are for the period 1 July 2013 to 30 June 2014.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted for use in the European Union

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest pound.

Going Concern

At 30 June 2015 the group had a working capital deficiency of £2,159,541 (2014: £338,706) and incurred a loss for the period of £3,277,167 (2014: £1,768,388). The 2015 loss includes an amount of £2,132,667 (2014: £426,533) included as an Employee Benefits expense for the share options granted to M Sussich and P Lombardo. These share options were annulled subsequent to the end of the period. The group reported a net cash outflow from operating activities of £867,423 (2014: £630,139) and net assets of £1,888,423 (2014: £929,875). Since the period end, a short term loan of £1,718,128 has been converted to equity and additional capital has been raised as follows:

- £171,539 was raised through the sale of 1,715,390 new shares issued.
- The Board has agreed to issue a new convertible note to Cres for an additional £750,000 to cover additional loans made or expected to be made to the group since 30 June 2015. As at 31 December 2015 Cres has loaned the company an additional £64,853 (A$127,539) since 30 June 2015.

Additional fund raising activities are continuing until the end of the March 2016 quarter to ensure sufficient funding for general operations and, particularly, for Streamark sales, marketing and infrastructure rollout requirements. By the start of the June quarter, initial revenues are expected to be generated from the sales of Streamark technologies.

The Directors are of the opinion that the group will be able to meet its financial obligations as and when they fall due for at least 12 months from the date on which the financial statements are approved.

Accordingly the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business and at amounts recognised in the financial statements.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Heurston at the end of the reporting period. A controlled entity is any entity over which Heurston has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the group during the period, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a. **Principles of Consolidation (cont'd)**

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full.

In the company statement of financial position investments in subsidiaries are accounted for at the nominal value of the shares issued on acquisition.

Pooling of Interest on Incorporation of Parent Entity

On incorporation of the entity, subsidiaries have been consolidated using the pooling of interest method on the basis that the entities being combined are ultimately controlled by the same parties, both before and after the combination.

Under this method the assets and liabilities of the acquiree are recorded at book values and intangible assets and contingent liabilities are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are written off immediately in profit or loss.

Subsequent Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. **Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. **Income Tax (Cont'd)**

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.

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.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Office Equipment	10% - 67% Reducing Balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

d. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. **Financial Instruments**

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. **Impairment of Assets**

At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f. **Intangibles**

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are amortised on a systematic basis over the useful life of the project. As each project requires continuing development to remain best in breed, amortisation has been commenced from the year of capitalisation despite the projects not yet being revenue generating.

Patents and Trademarks

Patents and Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives.

IT Development

Costs incurred in developing products or systems that will contribute to future period financial benefits through revenue generation are capitalised. Costs capitalised include external direct costs of materials and service and direct payroll costs of employees' time spent on projects. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives.

Amortisation rates have been determined as follows:

Patents and Trademarks	10% Straight line
Gaming Design & Construction	40% Straight line
Website Design	40% Straight line

g. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in UK pound, which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

– assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;

– income and expenses are translated at average exchange rates for the period; and

– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred via other comprehensive income to the group's exchange translation reserve in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Employee benefits deriving from share options granted have been measured using the Black Scholes method and recognised as an employee benefits expense and as a share options reserve.

i. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. **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.

k. **Revenue and Other Income**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

l. **Other Receivables**

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

m. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the group that remain unpaid at the end of the reporting period.

n. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o. **Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

UK operations will be subject to Value Added Tax (VAT) once this entity has operations. Other international subsidiaries will be subject to their domestic equivalent.

p. **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates

The key estimate affecting the group is considered to be the carrying value of intangible assets.

During the year the group acquired intangible assets with its acquisition of Streamark Limited, the fair value of which the directors considered to be £3,964,655. If the valuation placed on these intangible assets by the directors varies significantly from the value in use, the financial statements will be materially misstated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

r. **New Accounting Standards for Application in Future Periods**

The IASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. None of these Standards and Interpretations are expected to have a significant impact on the figures included in the consolidated financial statements in the period of initial application.

The IASB has also issued IFRS 9 Financial Instruments which has yet to be endorsed by the EU. The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and derecognition of financial assets. On adoption of the standard, the group will have to re-determine the classification of any financial assets, based on the business model for each category of financial asset. This is not expected to give rise to any significant adjustments. Most financial liabilities will continue to be carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 2: PARENT INFORMATION

The company had no cashflow in the period and therefore no cashflow statement has been prepared.

Investment in subsidiaries

	2015	2014
	£	£
The company owns the following wholly owned subsidiaries:		
2Up Holdings Pty Limited*	23,488,283	23,488,283
2Up Gaming Services Pty Limited	-	-
Streamark Limited*	3,955,888	-
	27,444,171	23,488,283

*2Up Holdings Pty Limited owns the entire issued share capital of Kingfisher Limited (Vanuatu). Streamark Limited owns the entire issued share capital of Streamark SRL.

Following the incorporation of Heurston Group Plc (under its original name of 2Up Gaming Plc), 2Up Holdings Pty Ltd and its subsidiary companies were acquired through a share for share exchange. The subsidiaries have been consolidated using the pooling of interest method on the basis that the entities being combined are ultimately being controlled by the same parties, both before and after the combination. Using this method the assets and liabilities of the acquiree are recorded at book values and intangible assets and contingent liabilities are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are written off immediately in profit and loss.

	Net Assets Acquired £
The carrying value of the subsidiaries' net assets at the date of combination were as follows:	
2Up Holdings Pty Ltd	13,898
2Up Gaming Services Pty Ltd	63
Kingfisher Limited (Vanuatu)	1
Total net assets acquired by parent entity at incorporation	13,962

The shares in 2Up Holdings Pty Ltd were exchanged for 234,882,828 Ordinary £0.10 shares in Heurston Group Plc (under its original name of 2Up Gaming Plc). The investment has been accounted for at the nominal value of the shares issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 3: EXPENSES BY NATURE

	Consolidated group	
	2015	**2014**
	£	**£**
Group loss before income tax from continuing operations is arrived at after charging:		
Finance costs	152,362	4,160
Marketing expense	2,808	624
Employee benefit expense (note 4)	2,586,076	664,481
Depreciation and amortisation	136,414	156,998
Other expenses:		
- Litigation settlement costs	-	447,561
- Professional fees	331,366	441,833
- Administration expenses	42,460	40,466
Occupancy expense:		
- Minimum lease payments	14,640	7,968
- Light and heat	2,710	2,023
- Other expenses	8,330	2,274
	3,277,166	1,768,388

NOTE 4: EMPLOYEES AND REMUNERATION

The average number of persons employed by the group during the period was 7 (2014 :5).

	Consolidated group	
	2015	**2014**
	£	**£**
The aggregate payroll costs of these persons were as follows:		
Wages & salaries	440,961	222,804
Contributions to defined contribution pension schemes	12,448	15,144
Share option expense (note 20)	2,132,667	426,533
	2,586,076	664,481

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 5: INCOME TAX EXPENSE

		Note	Consolidated group 2015 £	2014 £
a.	The components of tax expense comprise:			
	Current tax		-	-
			-	-
b.	The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:			
	Prima facie tax payable on loss from ordinary activities before income tax at 20% (2014 : 21%)			
	– Consolidated group		(655,433)	(371,361)
	Add:			
	Tax effect of:			
	– group taxable losses carried forward		655,433	371,361
	Current tax charge		-	-

A taxation rate of 20% has been used as this is the corporate taxation rate effective in the United Kingdom.

c. Future years charges:

No deferred tax asset has been accounted for in respect of group taxable losses carried forward of £7,943,300 (2014: £4,666,134) on the grounds that recoverability is currently uncertain as to timing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 6: ACQUISITION OF STREAMARK

Disclosure relating to acquisition of Streamark Plc, UK Company Number 07462550

Name of Acquiree: Heurston Group Plc, UK Company Number 07501485

Description of Acquiree: A UK public limited company listed on the GXG Exchange with the principal business activity of online gambling and betting activities

Acquisition Date: 12 March 2015

Percentage of voting interests acquired: 100%

Subsidiary included in acquisition: The purchase included the acquisition of Stream Srl which was 100% owned by Streamark Plc.

The primary reason for the business combination was that Streamark owned unique software and related technology that would enhance a mobile online users experience of any video based services and was a major step in building a strong international presence, complimented by in-house IT development capabilities. Streamark develops applications based on streaming video, tracking and communications technologies for mobile operators, TV network, cable operators and hardware manufacturers. Its unique live video streaming technology can be used across a wide range of handsets, such as Apple, Android, Symbian and Blackberry, running on mobile bandwidths EDGE, GPRS, 3G and 4G.

The acquisition was achieved in two stages. On 29 December 2011 the company signed a Memorandum of Understanding to acquire the entire issued share capital of Streamark Plc and issued 21,000,000 ordinary £0.10 shares in part consideration for the acquisition. The acquisition agreement was signed on 11 August 2014 and the acquisition was completed on 12 March 2015 including the payment of a further 3,000,000 ordinary £0.10 shares. £175,888 has also been incurred in respect of additional costs in connection with the acquisition.

Immediately upon completion of the acquisition, Streamark Plc was re-registered as a private company domiciled in the United Kingdom and called Streamark Limited.

The acquisition date fair value of the total consideration transferred was £ 3,955,888. The acquisition date fair value of each major class of consideration was:

- 24,000,000 ordinary shares of Heurston Group Plc valued at £3,780,000; and
- Cash totaling £175,888.

All assets and liabilities recognised in the purchase reside in its fully owned subsidiary, Streamark SRL, a Rumanian company and are made up of the items shown in the following table. It should be noted that:

- No goodwill was recognised in the purchase;
- No contingent liabilities were recognised in the purchase; and
- The prime value of the acquisition resides in the unique software that the company had developed but not recognised in its balance sheet. Heurston revalued the company's software assets in line with the overall acquisition costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 6: ACQUISITION OF STREAMARK (CONTINUED)

The assets and liabilities acquired at their fair value were as follows:

	£
Intangible assets – software (revalued from £2,633)	3,964,655
Property, plant and equipment	22,265
Financial assets	1,859
Trade and other receivables	7,788
Cash and cash equivalents	22,466
Trade and other payables	(14,091)
Loans	(49,054)
NET ASSETS ACQUIRED	3,955,888
CONSIDERATION GIVEN:	
Shares issued (24,000,000 shares)	3,780,000
Cash	175,888
	3,955,888

NOTE 7: DIRECTORS REMUNERATION

The Board considers that the Directors of the company are the key management personnel of the group and that no other person is considered to be key management.

Director, Peter Lombardo received remuneration of £60,440 in the period (2014: £38,667).

Director, Sorin Pigulea (appointed 21 November 2014) received remuneration of £76,767, however this was entirely remuneration for his Streamark executive management role, not for his director role.

No remuneration was provided to any other Director of the group in return for services rendered during the period other than through the issue of share options. As noted previously, all share options have been annulled by the board subsequent to the end of the financial year.The Directors are not entitled to any post employment benefits, termination benefits or any other short or long term benefits from their employment during this period.

The following transactions occurred during the period with Director, Marino Sussich:

- The related party loan taken out with Cres Pty Ltd was increased to £1,718,128.This facility was restructured by the issue of a new replacement convertible loan note to Cres Pty Ltd on 1 December 2014, the total facility being for AUD $3,250,000 at 7% interest per annum and eligible for conversion on 30 November 2015. Subsequent to 30 June 2015, the Board and the lender have agreed to convert the note to17,181,277 new shares as per the terms of the note. This will be done during the 2016 FY and a new convertible note issued to Cres for an additional £750,000 to cover additional loans made to the company since 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 8: AUDITORS' REMUNERATION

	Consolidated group	
	2015	**2014**
	£	**£**
Remuneration of the auditor of the parent entity for:		
– auditing the financial statements	13,525	10,124
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries	11,766	13,349
	25,231	23,473

NOTE 9: INTANGIBLE FIXED ASSETS

Consolidated group	**Gaming License**	**Patents & Trademarks**	**Website Design (Internally Generated)**	**Game Design & Construction (Internally Generated)**	**Total**
	£	**£**	**£**	**£**	**£**
Cost:					
Brought forward at 1 July 2013	65,191	55,089	4,815	429,021	554,116
Additions	-	-	-	67,716	67,716
Effect of foreign currency exchange differences	(5,281)	(4,462)	(390)	(34,753)	(44,886)
At 30 June 2014	**59,910**	**50,627**	**4,425**	**461,984**	**576,946**
Accumulated amortisation:					
Brought forward at 1 July 2013	13,038	10,266	4,815	260,691	288,810
Amortisation expense	4,196	4,328	-	143,507	152,031
Effect of foreign currency exchange differences	(1,257)	(1,040)	(390)	(28,037)	(30,724)
At 30 June 2014	**15,977**	**13,554**	**4,425**	**376,161**	**410,117**
Carrying amount:					
At 30 June 2014	**43,933**	**37,073**	**-**	**85,823**	**166,829**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 9: INTANGIBLE FIXED ASSETS (CONT'D)

Consolidated group	**Gaming License**	**Patents & Trademarks**	**Website Design (Internally Generated)**	**Game Design & Construction (Internally Generated)**	**Streamark Software**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Cost:						
At 1 July 2014	**59,910**	**50,627**	**4,425**	**461,984**	**-**	**576,946**
Acquisition of subsidiary (note 6)	-	3,146	-	-	3,962,022	3,965,168
Additions	-	2,205	-	-	-	2,205
Effect of foreign currency	(4,761)	(4,023)	(351)	(38,530)	(4,310)	(51,975)
At 30 June 2015	**55,149**	**51,955**	**4,074**	**423,454**	**3,957,712**	**4,492,344**
Accumulated amortisation:						
At 1 July 2014	**15,977**	**13,554**	**4,425**	**376,161**	**-**	**410,117**
Acquisition of subsidiary (note 6)	-	513	-	-	-	513
Amortisation expense	43,870	4,470	-	77,938		126,278
Effect of foreign currency exchange differences	(4,698)	(1,367)	(351)	(35,977)	-	(42,393)
At 30 June 2015	**55,149**	**17,170**	**4,074**	**418,122**	**-**	**494,515**
Carrying amount:						
At 30 June 2015	**-**	**34,785**	**-**	**5,332**	**3,957,212**	**3,997,829**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Consolidated group	**Office Equipment**
	£
Cost:	
Brought forward at 1 July 2013	60,947
Effect of foreign currency exchange differences	(4,936)
At 30 June 2014	56,011
Accumulated Depreciation:	
Brought forward at 1 July 2013	38,548
Charge for period	4,967
Effect of foreign currency exchange differences	(3,362)
At 30 June 2014	40,153
Carrying amount	
At 30 June 2014	15,858
Cost:	
Balance at 1 July 2014	56,011
Acquisition of subsidiary (note 6)	27,286
Additions	19,822
Effect of foreign currency exchange differences	(4,450)
At 30 June 2015	98,669
Accumulated Depreciation:	
Balance at 1 July 2014	40,153
Acquisition of subsidiary (note 6)	5,021
Charge for the period	10,136
Effect of foreign currency exchange differences	(3,916)
At 30 June 2015	51,394
Carrying amount	
At 30 June 2015	47,275

On 5 May 2011 Heurston Group Plc and 2Up Holdings Pty Ltd signed an agreement to transfer the plant and equipment owned by 2Up Holdings Pty Ltd to Heurston Group Plc. The carrying value at this date was £21,224. The assets have however still been treated as owned by 2Up Holdings Pty Ltd by the group throughout the current and previous periods and therefore are not included in the company financial statements of Heurston Group Plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated group	
	2015	**2014**
	£	**£**
CURRENT		
Other receivables	31,544	11,088
Unpaid share capital *	200,000	200,000
Total current receivables	231,544	211,088
NON-CURRENT		
Other receivables	2,860	-
Prepaid investment (note 6)	-	2,150,408
Total non-current receivables	2,860	2,150,408

*Subsequent to the period end, the 2,000,000 £0.10 shares which remained unpaid at the period end have been cancelled for non-payment (note 16b).

Credit risk

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The unpaid share capital is not considered to represent credit risk as non-payment results in a return of the shares. Likewise the prepaid investment as at 30 June 2014 was not considered to carry credit risk on the basis that had the acquisition not been successfully completed, the share capital issued would have been recalled and cancelled.

All receivables are classified as loans and receivables.

At 30 June 2015 and 2014, other than the unpaid share capital which was due for payment on issue of the shares, no receivables were considered past due or impaired.

	Company	
	2015	**2014**
	£	**£**
CURRENT		
Unpaid share capital	200,000	200,000
	200,000	200,000
NON-CURRENT		
Prepaid investment	-	2,150,408
	-	2,150,408

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 12: CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2015	**2014**
Subsidiaries of Heurston Group Plc:			
2Up Holdings Pty Ltd	Australia	100%	100%
2Up Gaming Services Pty Ltd	Australia	100%	100%
Kingfisher Limited	Vanuatu	100%(1)	100%(1)
Streamark Limited	United Kingdom	100%(2)	-
Streamark Srl	Romania	100%(3)	-

* *Percentage of voting power in proportion to ownership*

(1) Heurston Group Plc directly holds 50% of the shares in Kingfisher Limited, the remaining 50% are held in trust, the beneficiary of which is Heurston Group Plc.
(2) At 30 June 2015 Heurston Group Plc held 100% of the shares in Streamark Limited. However, on 19 January 2015 an agreement was signed with an investor group for them to acquire a 30% holding in Streamark. The sale of this 30% holding will be completed in the 2016 financial year.
(3) Streamark Srl is 100% owned by Streamark Limited and therefore will be impacted by the 30% sale of that company as per note 2.

NOTE 13: CASH AND CASH EQUIVALENTS

	Consolidated group	
	2015	**2014**
	£	**£**
CURRENT		
Cash at bank and in hand	71,066	3,967
	71,066	3,967
Reconciliation of cash		
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	71,084	3,967
Bank overdrafts	(18)	-
	71,066	3,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated group	
	2015	**2014**
	£	**£**
CURRENT		
Prepaid consideration	251,480	-
Sundry payables and accrued expenses	348,600	466,243
Employee benefit taxes and other liabilities	143,943	87,518
	744,023	553,761

	Company	
	2015	**2014**
	£	**£**
CURRENT		
Prepaid consideration	251,480	-
Sundry payables and accrued expenses	284,813	398,238
	536,293	398,238

All trade and other payables are classified as financial liabilities at amortised cost.

Prepaid consideration relates to consideration received in respect of the part disposal of Streamark Limited subsequent to the reporting date (note 6).

NOTE 15: BORROWINGS

	Consolidated group	
	2015	**2014**
	£	**£**
CURRENT		
Related party loan (note 22)	1,718,128	-
NON-CURRENT		
Related party loan (note 22)	-	1,064,514

The related party loan of £1,718,128 carries interest at 7% per annum on the total facility available, which at 30 June 2015 was A$3,250,000. The loan was repayable on 30 November 2015. Subsequent to 30 June 2015, the Board and the lender have agreed to convert the note to 17,181,277 new shares as per the terms of the note. This will be done during the 2016 FY (note 21).

The total value of current and non-current liabilities which were secured over assets of the group at the 30 June 2015 and 30 June 2014 was £nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 16: ISSUED SHARE CAPITAL

	Consolidated group	
	2015	**2014**
	£	**£**
280,161,774 (2014: 272,887,830) fully paid ordinary shares of £0.10 each	28,016,177	27,288,783
a. **Ordinary Shares**		
At the beginning of the reporting period	272,887,830	272,287,830
Shares issued during the period	7,273,944	600,000
At the end of the reporting period	280,161,774	272,887,830

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Authorised share capital is 400,000,000 ordinary £0.10 shares.

b. **Share transactions in the period**

During November 2014, a number of convertible loan notes totaling £272,565 (AUD$500,000) were issued to Agora Asset Management Pty Ltd and Healthybook Living Pty Ltd atf Healthy Living Trust. The notes were convertible into 2,725,650 ordinary £0.10 shares. The loan notes were agreed to be converted within the period and 1,362,825 new shares were issued at par to each of the parties above on 5 March 2015.

On 15 September 2014, 3,000,000 ordinary £0.10 shares were issued to the shareholders of Streamark Plc to complete the purchase of that company. The total share premium in resepct of the acquisition was £1,380,000.

On 5 March 2015, a further 1,548,294 ordinary £0.10 shares were issued to various shareholders as part of the group's normal investment raisings. These shares were issued for a total share premium of £28,963.

As advised in the previous period, the company issued 2,000,000 ordinary £0.10 shares in the company, payment for which was still outstanding as at 30 June 2015. The nominal value of the 2,000,000 shares issued, in the amount of £200,000, is included as unpaid share capital in accounts receivable as at 30 June 2015. The issue of shares without receiving any consideration is in breach of United Kingdom company law. During the 2014 financial year the company issued a call notice demanding payment and subsequent to the period end completed all processes required for these shares to be cancelled for non-payment. The shares are still included in the share total for 30 June 2015 but the shares were cancelled on 3 February 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 17: COMMITMENTS

	Consolidated group	
	2015	**2014**
	£	**£**
a. **Operating Lease Commitments**		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	-	9,370
– between 12 months and five years	-	-
– later than five years	-	-
	-	9,370

The company does not have any relevant operating leases as at the date of this report.

b. **Capital Commitments**

The group had no contracts placed for capital expenditure that were not provided for in the financial statements in the current period.

NOTE 18: CASH FLOW INFORMATION

	Consolidated group	
	2015	**2014**
	£	**£**
a. **Reconciliation of cash flow from operations with loss before income tax**		
Loss before income tax	(3,277,167)	(1,768,388)
Adjustments for:		
– Depreciation and amortisation	136,414	156,998
– Finance costs	152,363	4,160
– (Increase)/decrease in trade and other receivables	(23,316)	81,549
– Increase in trade and other payables	190,262	423,231
– Charge for share options	2,132,667	426,533
Effect of foreign currency translation on cashflows	(26,283)	49,938
Net cash used in operating activities	(715,060)	(625,979)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 19: SHARE BASED PAYMENTS

As described in the 2014 report, the Annual General Meeting held on 1 May 2014 granted Directors M Sussich and P Lombardo share options for 20,000,000 and 8,000,000 shares respectively. The options were subject to a number of conditions and became exercisable for a 60 day period commencing on 1 May 2016.

Details of the share options were as follows;

Date of Grant	1 May 2014
Exercise Price	£0.105 per share
Transferable	No
Consideration payable on grant	Nil
Vesting and holding conditions	Options will vest subject to:

- The approval of the 2Up Board based on satisfactory performance
- The grantee remains a director with 2Up (or a 2Up subsidiary company) from 1 May 2014 for 12 months to 1 May 2015 (vesting period)

Upon vesting, the grantee will be unable to exercise the options for a further 12 month period to 1 May 2016 (holding period).

The grantee will then have 60 days following the holding period in which to exercise their options. Upon exercise, the options will automatically be settled into the equivalent number of shares on the basis of one ordinary share per vested option.

Unless an earlier lapsing date applies, the options will expire 60 days after the holding period conditions have been met.

Options will lapse unless the board determines otherwise where:

- In the unanimous opinion of the board, a grantee has acted fraudulently, dishonestly or wilfully breached their duties
- Options have not been vested at the relevant vesting date
- On early cessation of directorship by a grantee

In the event of a change of control of 2Up occurring, and unless the board determines otherwise, all options will be taken to have met the vesting period and holding period conditions. A change of control occurs where a person or company becomes the legal or beneficial owner of 50% or more of the issued capital of 2Up or becomes entitled to acquire, hold or has an equitable interest in more than 50% of the issued share capital of 2up.

Fair value of share options :

The share options have been valued using the Black Scholes model with the following inputs:

- Risk free rate 5%
- Spot Price £0.16 per share
- Strike price £0.105 per share
- Time (days) 790 (from grant date to expiry date)
- Expected volatility 75% (based on adjusted historical volatility)
- Dividends Nil

Resultant values used in this financial report:

- Value per share option £0.0914
- Total value, 28M shares £2,559,200
- Share option charge in the period £2,132,667

At the Annual General Meeting held on 2 July 2015, these share options were replaced with new options of similar value and additional options were granted to other directors. However, based on legal advice that the share options were not clear, the Board took the view that all share options should be cancelled. At the board meetings of 31 August 2015 and 18 October 2015, all share options were subsequently annulled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 19: SHARE BASED PAYMENTS (CONT'D)

3,000,000 shares were also granted in the year in connection with the completion of the Streamark Plc acquisition (note 6).

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

Besides the ongoing development and marketing activities, particularly those relating to Streamark as described in the Review of Operations, there have been a number of further important developments since the end of the financial year as described hereunder.

Firstly, late in the period GXG Markets announced they would be ceasing operation of their markets and subsequently did cease operation on 18 August 2015. This of course has had a significant impact on the ability of shareholders to trade shares since that date. Immediately upon the announcement the board of Heurston commenced the planning of a move to another, more appropriate share market. Our aim is to complete such a move during the 2016 calendar year.

Fund raising activities have also continued since the end of the period. As follows:

- £171,539 was raised by 31 December 2015 through the sale of 1,715,393 new shares issued.
- The board resolved to convert the Cres convertible note outstanding loan of £1,718,128 as at 30 June 2015 to shares and issued Cres 17,181,277 new shares.
- The above two share issues increased the shares on issue from 280,161,774 to 299,058,444.
- Final payment was received for the sale of 30% of Streamark limited.
- The Board also agreed to issue a new convertible note to Cres for an additional £750,000 to cover additional loans made or expected to be made to the company since 30 June 2015. As at 31 December 2015 Cres has loaned the company an additional £64,853 (A$127,539) since 30 June 2015.

Additional fund raising activities are continuing until the end of the March 2016 quarter to ensure sufficient funding for general operations and, particularly, for Streamark sales, marketing and infrastructure rollout requirements. By the start of the June quarter, initial revenues are expected to be generated from the sales of Streamark technologies.

Kingfisher Limited, the group's subsidiary in Vanautu, was established to hold the gaming licence originally required by the group. As our international partnerships have developed it has become clear that this licence is no longer required and therefore it has been allowed to lapse. As a consequence, Kingfisher Limited was also no longer required and was deregistered on 29 February 2016.

All activities with Midoil USA LLC relating to the USA market were ceased during the 2014 financial year. Subsequently, Midoil have claimed that Heurston owes Midoil outstanding money for non-payment of claimed expenses and for lost profits from not proceeding further with the arrangements. On 9 December 2014 Midoil issued a Statutory Demand to Heurston for payment of these claimed monies.

Heurston strongly disputes all aspects of Midoil's claims and, via its UK legal representatives, advised Midoil accordingly. Midoil unconditionally withdrew the Statutory Demand on 12 December 2014.

Whilst discussions have been held between Heurston and Midoil, there is a possibility that Midoil will pursue further legal action. Should Midoil do so, Heurston will continue to strongly dispute Midoil's claims and will initiate counter claims against Midoil. No provision for such a claim has been made in the accounts.
Other than the items described above, the Directors are not aware of any significant events since the end of the reporting period.

The group has also received a claim from an ex director in respect of amounts he claims are due to him for services provided to the group. The dispute is still under negotiation however any settlement is not expected to impact the financial position of the group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 21: RELATED PARTY TRANSACTIONS

Related Parties

The group's main related parties are as follows:

a. **Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel. Key management personnel are the Directors of the consolidated group.

For details of disclosures relating to key management personnel, refer to Note 7: Directors remuneration.

b. **Entities subject to significant influence by the group**

An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

Cres Pty Ltd is a related party which is a private Australian company wholly owned and managed by Marino Sussich. Marino Sussich is also the Chairman and Managing Director of Heurston Group Plc and, through his companies, the largest shareholder in Heurston Group Plc. At 1 July 2014 the balance payable to Cres Pty Ltd was £1,064,514. During the period the balance payable to Cres Pty Ltd increased by £653,614 to £1,718,128 at 30 June 2015. This facility was restructured by the issue of a new replacement convertible loan note to Cres Pty Ltd on 1 December 2014, the total facility being for AUD $3,250,000 at 7% interest per annum and eligible for conversion on 30 November 2015. Subsequent to 30 June 2015, the Board and the lender have agreed to convert the note to 17,181,277 new shares as per the terms of the note. This will be done during the 2016 FY and a new convertible note issued to Cres for an additional £750,000 to cover additional loans made to the company since 30 June 2015. Interest of £120,808 has been charged in the year.

c. **Ultimate Controlling Party**

There is no ultimate controlling party of Heurston Group Plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 22: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of accounts receivable and payable and loans from related parties.

The group's financial instruments at 30 June 2015 were classified as follows:

	Note	Consolidated group	
		2015	2014
		£	£
Financial assets			
Cash and cash equivalents	13	71,084	3,967
Trade and other receivables	11	234,404	2,361,496
Total financial assets		305,488	2,365,463
Financial liabilities			
Trade and other payables	14	744,041	553,761
Borrowings	15	1,718,128	1,064,514
Total financial liabilities		2,462,169	1,618,275

Fair values versus carrying amounts

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. There is not considered to be a material difference between the fair value and the carrying value of long term borrowings.

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for group operations. The group does not have any derivative instruments at 30 June 2015.

Specific Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to foreign exchange rates.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group.

Credit risk exposures

The group has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in note 11.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT'D)

b. **Liquidity risk**

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources such as convertible loan notes

c. **Market risk**

i. *Interest rate risk*

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates. The related party loan facility with Cres Pty Ltd carries interest at 7% per annum.

If interest rates were to fluctuate by 1%, the impact on the result for the year would be £17,868 (2014: £11,048). Sensitivity is higher this year as the loan facility with Cres Pty Ltd has increased.

ii. *Foreign Exchange Risk*

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling and Australian dollar. Foreign exchange transaction risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group seeks to mitigate its foreign exchange risk by the purchase of goods, commodities and services in the respective functional currencies, and intends to match wherever possible foreign currency revenues and expenses.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The effects of currency fluctuations on the translation of net asset values into sterling are reflected in the group's consolidated equity position.

As at 30 June 2015, if Sterling had strengthened/weakened by 5% against the Australian dollar with all other variables held constant, comprehensive income for the period and retained losses would have been £32,491 lower/higher, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar denominated cash and cash equivalents and trade receivables, net of trade payables and Australian dollar denominated related party loans.

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Total equity is considered to exclude the merger reserve. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT'D)

The strategy adopted by management to manage the capital of the group is to ensure that the group's gearing ratio remains low during this pre-operational period and stays between zero and 15% once operations are fully established. The gearing ratio for the period ended 30 June 2015 is as follows:

	Consolidated group	
	2015	**2014**
	£	**£**
Total borrowings	1,718,128	1,064,514
Trade and other payables	744,023	553,761
Bank overdraft	-	-
Less cash and cash equivalents	(71,066)	(3,967)
Net debt	2,391,085	1,614,308
Total equity	25,362,745	24,404,196
Total capital	27,753,830	26,018,504
Gearing ratio	8.6%	6.2%

NOTE 23: CONTINGENT LIABILITIES

All activities with Midoil USA LLC relating to the USA market were ceased during the 2014 financial year. Subsequently, Midoil have claimed that Heurston owes Midoil outstanding money for non-payment of claimed expenses and for lost profits from not proceeding further with the arrangements. On 9 December 2014 Midoil issued a Statutory Demand to Heurston for payment of these claimed monies.

Heurston strongly disputes all aspects of Midoil's claims and, via its UK legal representatives, advised Midoil accordingly. Midoil unconditionally withdrew the Statutory Demand on 12 December 2014.

Whilst discussions have been held between Heurston and Midoil, there is a possibility that Midoil will pursue further legal action. Should Midoil do so, Heurston will continue to strongly dispute Midoil's claims and will initiate counter claims against Midoil. No provision for such a claim has been made in the accounts.

The group has also received a claim from an ex director in respect of amounts he claims are due to him for services provided to the group. The dispute is still under negotiation however any settlement is not expected to impact the financial position of the group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

NOTE 24: COMPANY DETAILS

The registered office of the company is 6 New Street Square, London, England, EC4A 3LX. The principal place of business of the group is Level 27, 101 Collins Street, Melbourne, VIC 3000.