Heurston Group Plc

UK Company Number 07501485

Report and Financial Statements for the Period 1 July 2016 to 30 June 2017

STRATEGIC REPORT

The Directors present their Strategic report on the consolidated group ("Heurston") for the financial period 1 July 2016 to 30 June 2017.

Principal Activities and Review of Operations

The Board reviewed the strategies underlying the direction of Heurston Group plc 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 development focus, complimented by international partnerships and reinforced by 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 the complimentary synergies within the group.

The principal activities of the group are to continue to build a strong international presence, supported by in-house IT development capabilities through Heurston, and its subsidiary Streamark Limited, creating a unique and highly commercial video streaming capabilities.

Streamark, an IT development company, develops applications based on streaming video, tracking and communications technologies for mobile operators, TV networks, cable operators and hardware manufacturers. It's unique live video streaming technology can be used across a wide range of Internet enabled devices such as Apple, Android, Symbian or Blackberry, running on mobile bandwidths GPRS, EDGE and up. Also available on Windows, Linux or MacOS platforms, smart TVs, STBs, game consoles etc.

During this period, Streamark's platform infrastructure has been reinforced so that it is more robust, secure and provides a superior user experience. This has included an extensive development of the platform backend including full analytics, complete management and payment systems.

The fully-developed Streamark Online Streaming Platform has to date been made available through non-exclusive licenses utilising a Platform-As-A-Service (PAAS) business model. In doing so, Streamark enabled Telcos and internet service providers (ISPs) more efficient use of their existing bandwidth which is of considerable appeal in emerging markets such as China, India and South-East Asia. It also offered record breaking ready-for-market deployments, as low as 7 days from step one to deploy.

Streamark's business model is to derive income from licensing the Platform for a fixed subscriber per-month license fee on a non-exclusive basis license in an agreed territory, a license fee from active subscribers (as a fraction of subscription price) and revenue share for VOD.

It is, however, becoming apparent that superior delivery does not compensate for the security of owning and controlling one's own streaming technology. Disputes are common as well as delivery failures as a consequence of imposed dependence on third party CDNs. This has been a significant reason that Streamark has failed to get traction with major networks or telcos.

Streamark is adjusting its commercialisation strategy to include an equity position in its own media platform, ArkIndi, ArkTVlive and ArkCine and self-manage its own subscriptions. This is being rolled out by entering into direct partnerships (JV's). This would enable Streamark to participate directly by being the technology provider only with no capital outlay required for content, marketing and advertising etc, which is to be provided by the other JV partner.

It is also focusing on offering the value proposition to institutions and governments so that Streamark's CDN has no reliance on third party suppliers, being as secure as it can be within a closed loop.

Milestones achieved during this period include:

CONAX

Heurston felt that the Streamark platform could be promoted in a more effective manner. To this end it opened dialogue with other entities to find better alternatives to market. As a result of this in June 2017 Streamark has signed an agreement with Conax AS Norway (Conax). Conax is a leading global specialist in Digital Rights Management (DRM). DRM provides copyright protection for digital media. The purpose of DRM is to prevent unauthorised redistribution of media and restrict the ways consumers can copy or redistribute content they've purchased. The agreement provides Streamark access to the Conax DRM, Contego™. This allows Streamark to provide a "studio proof" offering which addresses one of its key customer requirements, the security and management of their content from encoding to delivery. The arrangement provides Streamark with an opportunity to be introduced to Conax's large global customer base, which enables us to get access to penetrate their extensive customer base.

ARKINDI

The ZeeTV Convergence platform has not achieved any traction with Indian customers worldwide because of a lack of marketing and advertising provided and also the comparative value for money of the offering. The Streamark platform currently holds over 1 million videos and over 70 live tv stations. Streamark therefore feel it is in their interest to tackle this market with their own platform and cease the existing relationship. Streamark aims to launch its own App, called ArkIndi, and to target expatriate Indians. It has engaged a senior executive (ex-Ditto TV CEO) to head up the division. Appropriate content is being sourced at the moment. The ArkIndi platform has been written and is being beta tested. The Company has a list of approximately three million highly qualified users (expatriate Indian nationals) from its existing operations and intends contacting these to advise them of the service which will give it quicker traction. Deep knowledge of these users' viewing preferences and behaviour allows for a very efficiently optimised an highly attractive offering.

MUSIC CONTENT PROVIDER

Heurston has signed a contract with a music content provider who will provide content under their own brand. Heurston will source content to supplement their existing offering and provide management services. The contract has minimum subscription guarantees. Heurston intends to sublicense the Streamark technology to the music content provider.

After the construction of the white-label live streaming platform it will have to undergo an extensive testing process. It is anticipated that the product will be operational by April 2018 subject to contractual obligations on the part of the Music Content Provider being met.

ArkTVLive

Streamark has launched its ArkTVLive App in the US, Canada and Europe with minimal uptake to date. They offer their Romanian content services to Romanian expats. There is no advertising support at this stage but there is potential to generate significant income from this venture. This will be the Company's first project in collaboration with Conax and the hope is that it will help drive the relationship. It is expected that Conax will also be promoting the Streamark product to its clients directly.

Discussions are underway to increase the existing offering to make it more appealing to potential subscribers. It was launched in January 2017. This platform has further proven that the technology works seamlessly under real time conditions, and at minimal running costs.

Development of potential new market opportunities include:

- JV Negotiations have just commenced with an existing operator who uses satellites for transmission of content and want to upgrade their technology,
- Streamark's applications in the Forex area,
- Live streaming cricket in India,
- Discussions with Telco and ISP's (including those with which we have had relationships in the past).

Since the end of the reporting period:

- Heurston continues its discussions with a party to form a JV with the BCCI,
- Discussions are progressing with several Telco's and ISP's. The Heurston IT and marketing division continues to work on the above opportunities.

Heurston believes that its existing operations and its existing opportunities will result in revenue growth in the upcoming period.

Principal Risks and Uncertainties Facing the Group

Future Funding

The group believes that Streamark's ArkIndi, ArkTVLive and ArkChina will provide growth in the next period. This will generate income however it will be reinvested to support the growth of the opportunity. 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 IT based companies around the world, there is uncertainty regarding which jurisdiction has the right to regulate or legislate the industry in different markets. Legislation regarding the various IT products that cross borders freely 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 Principal Risks and Uncertainties Facing the Group 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. Defense 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 than 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 of Heurston or partnership network system will be able to support the demands placed by the continued growth of the internet, the overall ecommerce 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.

The internet based services now offered by Heurston 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 Limited – levels of sales achieved and market acceptance of Streamark products and services. This is particularly important over the next twelve months as contract leads are converted to sales to 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 and JV 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;
- Continual technology improvements and enhancements leading to higher customer satisfaction and ability to offer additional products and services.

Regulatory – the group's planned activities may be 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 unforeseen regulatory issues have a significant adverse impact on the rollout of services.

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 no significant developments since the end of the financial year.

Additional fund-raising activities are continuing until the end of the December 2018 to ensure sufficient funding for general operations and, particularly, for Streamark sales, marketing and infrastructure rollout requirements. Whilst a small revenue stream has commenced, it is far from sufficient to fund the current operations. Within the next 18 months more substantial revenues are expected to be generated from the sales of Streamark technologies.

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 : 20th April 2018

DIRECTORS' REPORT

The Directors present their Directors' report on the consolidated group ("Heurston") for the financial period 1 July 2016 to 30 June 2017.

Directors

The names of the Directors in office at the date of this report are:

- Marino Sussich
- Peter Lombardo
- Sorin Pigulea
- Harry Hatch (appointed 23 June 2017)

The Directors have been in office since the start of the financial period to the date of this report, unless otherwise stated. The change in Directorships is indicated above.

There were no changes to the company secretary position.

Dividends

No dividends were paid or declared since the start of the financial period (2016: nil).

Shares Issued by the Company

In June 2017, in recompense for the provision of Mr Lombardo as Director of Heurston for the period of 5 years to 30 June 2016, it was resolved to issue 6,000,000 ordinary £0.10 shares (£600,000) in full and final settlement of any claims for remuneration in respect of the services of Mr Lombardo. This represented an equivalent value of services of £120,000 per annum. The shares were issued under the authority given by Resolution Number 5 of 2014 AGM.

During the year 17,498,000 ordinary £0.10 shares were issued in the course of normal Fund-raising activities. The share issues noted above increased the shares on issue from 317,401,261 to 334,899,261.

Research and Development

The Heurston group's research and development focus during the period to 30 June 2017 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 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 2017. 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 or interest bearing liabilities as at the end of the current year. 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 commenced earning a small amount of revenue however those funds are retained in the local currency and offset against local costs and expenses. Once trading on a large scale, the group 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 2018 financial year will focus on:

- The achievement of significant sales of Streamark video streaming services
- Completion of negotiations aimed at the Asian and European markets, followed by the launch of services to those markets.
- A stronger focus on the commercial expansion of B2C live streaming Streamark platforms

Achieving 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 streaming technologies.

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 new directions and possible uses for streaming technologies and related products. During 2018 a further focus will be exploration of other international markets.

A level of evaluation and development will therefore need to be maintained for the foreseeable future and potential further acquisitions and partnerships examined. Fund raising to support the level of programmes envisaged are continuing and included in negotiations currently underway.

DIRECTORS' REPORT

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' 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 : 20th April 2018

Independent Auditor's Report to the Members of Heurston Group Plc

Disclosure of opinion

We were engaged to audit the financial statements of Heurston Group PLC (“the Company”) and related subsidiaries (altogether “the Group”), which comprise the Group and Company statement of financial position as at 30 June 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. 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.

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

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. During the period the Investment in Subsidiary has been impaired, consequently we have been unable to obtain sufficient appropriate audit evidence regarding the extraordinary expense of £24,004,337.

In addition, on 12 March 2015 the group acquired the entire share capital of Streamark Limited 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.

In addition during the previous period, the group disposed of 30% of the share capital of Streamark Limited in exchange for cash. We have been unable to obtain sufficient appropriate audit evidence regarding the value of the assets and liabilities disposed of.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an In our opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or the directors' report.

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 received all the information and explanations we require for our audit, or
- adequate accounting records have not 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; or
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Mark Ayres, *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 2016 TO 30 JUNE 2017

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
Income		8,726	160
Marketing expense		25,620	7,563
Occupancy expense		206,405	188,673
Depreciation and amortisation expense		69,432	40,914
Employee benefit expense	4	414,267	(1,137,670)
Other expenses		905,869	1,304,329
Total operating expenses		1,621,593	403,809
Finance costs		4,158	7,790
Total expenses	3	**1,625,751**	**411,599**
Total operating loss		**(1,617,025)**	**(411,439)**
Extraordinary expenses	5	24,004,337	-
Income tax expense	6a	-	7,368
Loss for the period		**(25,621,362)**	**(418,807)**
Other comprehensive income:			
Unrealised foreign exchange gain/(loss) on consolidation		17,330	(35,648)
Other comprehensive income/(loss) for the period, net of tax		17,330	(35,648)
Total comprehensive loss for the period		(25,604,032)	(454,455)
Loss attributable to:			
Members of the parent entity		(25,440,556)	(377,542)
Non controlling interest		(163,476)	(76,914)
Total comprehensive loss for the period		(25,604,032)	(454,456)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated group 2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	3,972,099	3,987,762
Property, plant and equipment	10	36,076	40,996
Other financial assets	11	-	3,325
TOTAL NON-CURRENT ASSETS		**4,008,175**	**4,032,083**
CURRENT ASSETS			
Cash and cash equivalents	13	18,326	23,844
Trade and other receivables	11	2,028	13,671
Other assets		20,745	-
TOTAL CURRENT ASSETS		41,099	37,515
TOTAL ASSETS		**4,049,274**	**4,069,598**
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	13	-	802
Trade and other payables	14	221,385	599,841
Short term debt	15	516,932	27,444
Other liabilities	15	138,230	-
TOTAL CURRENT LIABILITIES		**876,547**	**628,087**
NON-CURRENT LIABILITIES			
Long term debt	15	-	2,168
TOTAL NON-CURRENT LIABILITIES		-	2,168
TOTAL LIABILITIES		**876,547**	**630,255**
NET ASSETS		**3,172,727**	**3,439,343**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (CONTINUED)

	Note	Consolidated group 2017 £	Consolidated group 2016 £
EQUITY			
Issued capital	16	33,489,926	31,740,125
Share premium account		2,154,520	2,154,520
Merger reserve		-	(23,474,321)
Other reserves		(563)	(33,097)
Share options reserve		-	426,533
Accumulated losses		(33,036,073)	(8,254,782)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**2,607,810**	**2,558,978**
Non-controlling interest		564,917	880,365
TOTAL EQUITY AND RESERVES		**3,172,727**	**3,439,343**

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

Marino Sussich - Director

PARENT COMPANY - STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017

	Note	Parent Company 2017 £	Parent Company 2016 £
Income		13,231	24,599
Marketing expense		23,033	-
Occupancy expense		76,692	93
Depreciation and amortisation expense		41,820	-
Employee benefit expense		(425,825)	(2,132,667)
Unrealised foreign exchange gain/(loss)		25,662	-
Other expenses		1,066,178	1,544,450
Total operating expenses		**807,560**	**(588,124)**
Finance costs		1,455	279
Total expenses		**809,015**	**(587,845)**
Total operating (loss)/profit		**(795,784)**	**612,444**
Extraordinary Expenses	5	27,107,188	-
(Loss)/Profit before income tax		**(27,902,972)**	**612,444**
Income tax expense		-	-
(Loss)/Profit for the period		**(27,902,972)**	**612,444**
Other comprehensive income:			
Other		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive (loss)/profit for the period		(27,902,972)	612,444

The comparatives for the parent entity for the 2016 Financial Year have been re-stated to match to the expanded format used in the 2017 Financial Year. The marketing and occupancy expenses for 2016 Financial Year were paid by a subsidiary company.

PARENT COMPANY - STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Parent Company 2017	2016
		£	£
ASSETS			
NON-CURRENT ASSETS			
Investment in subsidiaries	2	4,921,025	27,032,651
Intangible assets		16,197	-
TOTAL NON-CURRENT ASSETS		**4,937,222**	**27,032,651**
CURRENT ASSETS			
Cash and cash equivalents	13	1,482	20,607
Amount due from Subsidiaries		426,855	4,672,979
TOTAL CURRENT ASSETS		428,337	4,693,586
TOTAL ASSETS		5,365,559	31,726,237
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	98,552	514,882
Legal liabilities		118,424	-
Related Party loans		516,932	-
TOTAL LIABILITIES		733,908	514,882
NET ASSETS		**4,631,651**	**31,211,355**
EQUITY			
Issued capital	16	33,489,926	31,740,125
Share premium account		2,154,520	2,154,520
Share options reserve		-	426,533
Accumulated losses		(31,012,795)	(3,109,823)
TOTAL EQUITY AND RESERVES		**4,631,651**	**31,211,355**

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 2015 TO 30 JUNE 2016

	Note	Ordinary Share Capital	Share Premium Reserve	Merger Reserve	Share Options Reserve	Exchange Translation Reserve	Accumulated Losses	Non Controlling Interest	Total
		£	£	£	£	£	£	£	£
Balance at 1 July 2015		28,016,177	2,154,520	(23,474,321)	2,559,200	2,551	(7,369,704)	-	1,888,423
Comprehensive income									
Loss for the period		-	-	-	-	-	(341,893)	(76,914)	(418,807)
Other comprehensive expense for the period		-	-	-	-	(35,648)	-	-	(35,648)
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**	**-**	**(35,648)**	**(341,893)**	**(76,914)**	**(454,455)**
Transactions with owners, in their capacity as owners and other transfers									
Part disposal of subsidiary		-	-	-	-	-	(543,185)	957,279	414,094
Shares issued during the year	16	3,723,948	-	-	-	-	-	-	3,723,948
Share options cancelled		-	-	-	(2,132,667)	-	-	-	(2,132,667)
Total transactions with owners and other transfers		**3,723,948**	**-**	**-**	**(2,132,667)**	**-**	**(543,185)**	**957,279**	**2,005,375**
Balance at 30 June 2016		**31,740,125**	**2,154,520**	**(23,474,321)**	**426,533**	**(33,097)**	**(8,254,782)**	**880,365**	**3,439,343**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017

	Note	Ordinary Share Capital	Share Premium Reserve	Merger Reserve	Share Options Reserve	Exchange Translation Reserve	Accumulated Losses	Non Controlling Interest	Total
		£	£	£	£	£	£	£	£
Balance at 1 July 2016		31,740,125	2,154,520	(23,474,321)	426,533	(33,097)	(8,254,782)	880,365	3,439,343
Comprehensive income									
Loss for the period		-	-	-	-	-	(25,457,886)	(163,476)	(25,621,362)
Other comprehensive expense for the period		-	-	-	-	17,330	-	-	17,330
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**	**-**	**17,330**	**(25,457,886)**	**(163,476)**	**(25,604,032)**
Transactions with owners, in their capacity as owners and other transfers									
Shares issued during the year	16	1,749,801							1,749,801
Increase in ownership of subsidiary		-	-	-	-	15,204	676,595	(151,972)	539,827
Subsidiary values written down during the period		-	-	23,474,321	-	-	-	-	23,474,321
Share options cancelled		-	-	-	(426,533)	-	-	-	(426,533)
Total transactions with owners and other transfers		**1,749,801**	**-**	**23,474,321**	**(426,533)**	**15,204**	**676,595**	**(151,972)**	**25,337,416**
Balance at 30 June 2017		**33,489,926**	**2,154,520**	**-**	**-**	**(563)**	**(33,036,073)**	**564,917**	**3,172,727**

PARENT ENTITY - STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2015 TO 30 JUNE 2016

	Note	Ordinary Share Capital	Share Premium Reserve	Share Options Reserve	Accumulated Losses	Total
		£	£	£	£	£
Balance at 1 July 2015		28,016,177	2,154,520	2,559,200	(3,722,268)	29,007,629
Comprehensive income						
Profit/(Loss) for the period		-	-	-	612,445	612,445
Other comprehensive expense for the period		-	-	-	-	-
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**	**612,445**	**612,445**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the year	16	3,723,948	-	-	-	3,723,948
Share options cancelled		-	-	(2,132,667)	-	(2,132,667)
Total transactions with owners and other transfers		**3,723,948**	**-**	**(2,132,667)**	**-**	**1,591,281**
Balance at 30 June 2016		**31,740,125**	**2,154,520**	**426,533**	**(3,109,823)**	**31,211,355**

PARENT ENTITY - STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017

	Note	Ordinary Share Capital	Share Premium Reserve	Share Options Reserve	Accumulated Losses	Total
		£	£	£	£	£
Balance at 1 July 2016		31,740,125	2,154,520	426,533	(3,109,823)	31,211,355
Comprehensive income						
Profit/(Loss) for the period		-	-	-	(27,902,972)	(27,902,972)
Other comprehensive expense for the period		-	-	-	-	-
Total comprehensive loss for the period attributable to members of the parent entity		**-**	**-**	**-**	**(27,902,972)**	**(27,902,972)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the year	16	1,749,801	-	-	-	1,749,801
Share options cancelled		-	-	(426,533)	-	(426,533)
Total transactions with owners and other transfers		**1,749,801**	**-**	**(426,533)**	**-**	**1,323,268**
Balance at 30 June 2017		**33,489,926**	**2,154,520**	**-**	**(31,012,795)**	**4,631,651**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017

		Consolidated group	
	Note	2017	2016
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities	19	(1,619,783)	(2,068,305)
Finance costs		(4,158)	(7,790)
Taxation paid		-	(7,368)
Net cash used in operating activities		(1,623,941)	(2,083,463)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(11,836)	(11,919)
Purchase of Intangibles & other assets		(33,609)	-
Net cash used in investing activities		(45,445)	(11,919)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		864,109	1,605,820
Cash flow injection from non-controlling interest		-	414,094
Proceeds from related party borrowings		783,344	27,444
Proceeds from borrowings		17,217	-
Net cash provided by financing activities		1,664,670	2,047,358
Net decrease in cash held		(4,716)	(48,024)
Cash and cash equivalents at the beginning of the financial period		23,042	71,066
Cash and cash equivalents at end of financial period	13	18,326	23,042

PARENT ENTITY - STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017

	Note	Parent Entity 2017 £	Parent Entity 2016 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities	19	(533,133)	(1,996,733)
Finance costs		(1,455)	-
Net cash used in operating activities		(534,588)	(1,996,733)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from sale of shares in Streamark Ltd		-	414,094
Cash outflow for establishment of Streamark Asia Ltd		-	(2,574)
Cash outflow to acquire film library		(16,194)	-
Net cash used in investing activities		(16,194)	411,520
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		864,109	1,605,820
Repayment of related party borrowings		(332,452)	-
Proceeds from related party borrowings		-	-
Net cash provided by financing activities		531,657	1,605,820
Net (decrease)/increase in cash held		(19,125)	20,607
Cash and cash equivalents at the beginning of the financial period		20,607	-
Cash and cash equivalents at end of financial period	13	1,482	20,607

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 2016 to 30 June 2017 in line with the group's reporting requirements. Comparative figures are for the previous reporting period 1 July 2015 to 30 June 2016.

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 2017, the group had a working capital deficiency of £835,448 (2016: £590,572). The 2017 loss includes an amount of £426,533 (2016: £2,132,667) included as a reversal of Employee Benefits expenses for the share options granted to M Sussich and P Lombardo. These options were originally issued in the 2014 financial year. These share options were cancelled in the 2015 financial year but not reversed until this year. The group incurred a loss for the period of £25,604,032 (2016: £418,807). This loss included the write down of subsidiaries £24,004,337 (2016: nil). The Australian subsidiaries previously held assets relating to prior development for Gaming Apps and software. This is no longer a path the group wishes to follow and hence the subsidiaries and assets no longer have any value. The group reported a net cash outflow from operating activities of £1,619,783 (2016: £2,083,463) and net assets of £3,172,727 (2016: £3,439,343).

Additional fund raising activities are continuing until the end of Decmber 2018 to ensure sufficient funding for general operations and, particularly, for Streamark sales, marketing and infrastructure rollout requirements. Initial revenues have begun to flow, albeit very slowly, however during the 2018 financial year significant contracts are expected to be executed.

A significant shareholder continues to provide support in accordance with his undertaking, until June 2018. In the meantime, several other interested parties have commenced support to ensure future funding until significant revenues are flowing.

Although future funding is reliant on a number of shareholders and the future sales of Streamark software and this holds some uncertainty, 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.

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

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 11 to the financial statements.

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.

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

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.

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.

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

d. **Financial Instruments (cont.)**

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.

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.

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

e. **Impairment of Assets (cont.)**

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.

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.

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

g. **Foreign Currency Transactions and Balances (cont.)**

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 as average 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.

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.

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

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.

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 estimates affecting the group are considered to be the carrying value of intangible assets.

Impairment of intangible assets

The group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Should this asset be significantly impaired the going concern status of the group will be in doubt.

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

q. **Operating Segments**

Operating segments have been identified based on the information provided to the chief operating decision maker.

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 adopt the changes early. A discussion of those future requirements and their impact on the group is as follows:

In July 2014, the IASB issued the following new and revised standard:

— IFRS 9: repalces IAS 39, Financial Instrumnets: Recognition and Measurement. The Standard includes reuirements for recognition and measurement, impairment, dercognition and general hedging accounting. The standard is to be introduced in phases, the first of which is mandatory for accounting periods commencing after 1 January 2018.

The standard is not expected to impact the group financial statements based on activity to date but may impact the financial statements of future periods.

Various other accounting standard changes, guidance notes and improvement projects have been released. However no other changes are expected to have an impact on the group's financial statements.

NOTE 2: PARENT INFORMATION

Investment In subsidiaries

	Note	Parent 2017 £	Parent 2016 £
The company owns the following wholly owned subsidiaries:			
2Up Holdings Pty Ltd		-	23,488,283
2Up Gaming Services Pty Ltd		-	-
Streamark Ltd		4,918,450	3,541,794
Streamark Asia Ltd		2,574	2,574
		4,921,024	**27,032,651**

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 or share exchange. The subsidiaries have been consolidated using the pooling of interest method on the basis the the entities being combined are ultimately being controlled by the the same parties, both before and after the combination.

Using this method, the assets and 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 the profit and loss.

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 initial value attributed to these subsidiaries related to the research and development of products similar to those to be developed by the parent entity and so the value was recognised on acquisition. The parent entity, has since moved onto the development of a different product and the previous research and development no longer holds any value. As such, the Directors have elected to write down the value of these subsidiaries to their net asset value in the current year. The write down of these subsidiaries has been recognised in the profit and loss.

During the year, Streamark Ltd made a Rights Issue to each of its shareholders as a capital raising exercise. The purpose for the Rights Issue was to raise sufficient capital to repay its debt to Heurston Group plc and have funds for future development. The rights Issue was only accepted by Heurston Group Plc, the other shareholders declining to take up the offer. As such Heurston Group Plc increased their shareholding to 140 shares of 170 shares issued. This represented an 82.35% stake in Steamark Limited. In accordance with the Rights Issue, Heurston Group Plc then had the option of taking up some or all of the remaining shares on offer. The option was taken up and Heurston Group Plc were able to acquire another 16 shares, taking them to 156 shares, an 83.87% of the 186 shares issued. This is reflected in the increased value of the Investment in Streamark Ltd.

NOTE 3: EXPENSES BY NATURE

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
Group loss before income tax from continuing operations is arrived at after charging:			
Finance Costs		4,158	7,790
Marketing expenses		25,620	7,563
Employee benefit expense	4	414,267	(1,137,670)
Depreciation and amortisation		69,432	40,914
Other expenses:			
- Professional fees		558,747	417,595
- Administration expenses		52,357	619,961
- Operating expenses		294,765	201,124
- Bad Debts		-	65,649
Occupancy expense:			
- Lease Payments		193,406	89,060
- Light and power		10,094	7,009
- Office expenses		2,905	13,390
- Other expenses		-	79,214
		1,625,751	**411,599**

NOTE 4: EMPLOYEES REMUNERATION

The average number of persons employed by the group during the period was 17 (2016: 15).

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
The aggregate payroll costs of these persons were as follows:			
Wages and Salaries		840,800	983,482
Contributions to defined contribution pension schemes		-	11,515
Share option expense		(426,533)	(2,132,667)
		414,267	**(1,137,670)**

NOTE 5: EXTRAORDINARY EXPENSES

	Consolidated group	
	2017	**2016**
	£	**£**
Holding Value of Subsidiaries	23,262,120	-
Deferred tax asset - not receivable	742,217	-
	24,004,337	**-**

During the year, the Directors reviewed the valuation previously attributed to the Subsidiaries - 2Up Holdings Pty Ltd and 2Up Gaming Services Pty Ltd. The initial value attributed to these subsidiaries related to the research and development of products similar to those to be developed by the parent entity and so the value was recognised on acquisition. The parent entity, has since moved onto the development of a different product and the previous research and development no longer holds any value. As such, the Directors have elected to write down the value of these subsidiaries to their net asset value in the current year. This included the write down of entirety of loans as not recoverable and the Deferred Tax Asset as no longer receivable. The write down of these subsidiaries has been recognised in the profit and loss as an Extraordinary Expense.

	Parent Entity	
	2017	**2016**
	£	**£**
Investment in Subsidiaries	27,107,188	-
	27,107,188	**-**

NOTE 6: INCOME TAX EXPENSE

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
a. The components of tax expense comprise:			
Current tax		-	7,368
		-	**7,368**
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 19.75% (2016: 20%)			
- Consolidated group		(321,086)	(82,288)
Add:			
- group taxable losses carried forward		321,086	82,288
- foreign taxes		-	7,368
Current tax charge		**-**	**7,368**

A taxation rate of 19.75% is considered to be applicable as this is the corporate taxation rate effective in the United Kingdom where the group operates.

NOTE 6: INCOME TAX EXPENSE (cont.)

c. Future years charges:

No deferred tax asset has been accounted for in respect of group taxable losses carried forward of £10,038,744 (2016: £8,439,050) on the grounds that recoverability is currently uncertain as to timing.

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 £46,147 (2016: £50,195).

Director, Sorin Pigulea received remuneration of £103,035 (2016: £93,962), however this was entirely remuneration for his Streamark executive management role, not for his director role.

Past Director, Jacqueline Gurr received remuneration of £19,898 (2016: £nil) in arrears for her role as a director in the previous year.

The following transaction occurred during the period with Director Peter Lombardo:

During the year, 6,000,000 shares were issued in recompense for 5 years as a Director. The issue was in full and final settlement of any claims for remuneration in respect of the services of Mr Lombardo. The shares were issued under the authority given by Resolution Number 5 of the 2014 AGM.

No remuneration was provided to any other Director of the group in return for services rendered during the period. 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.

NOTE 8: AUDITORS REMUNERATION

	Note	Consolidated group 2017	2016
		£	**£**
Remuneration of the auditor of the parent entity for:			
- auditing or reviewing the financial statements		50,954	31,661
Remuneration of other auditors of subsidiaries for:			
- auditing or reviewing the financial statements of subsidiaries		23,489	4,365
		74,443	**36,026**

NOTE 9: INTANGIBLE FIXED ASSETS

Consolidated group	**Gaming License**	**Patents & Trademarks**	**Website Design (Internally generated)**	**Game Design & Construction (Internally generated)**	**Film Library**	**Streamark Software**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Costs:							
At 1 July 2015	55,149	51,955	4,074	423,454	-	3,957,712	4,492,344
Written off	(55,149)	-	-	-	-	(1,740)	(56,889)
Additions	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	8,274	409	42,553	-	-	51,236
At 30 June 2016	**-**	**60,229**	**4,483**	**466,007**	**-**	**3,955,972**	**4,486,691**
Accumulated amortisation:							
At 1 July 2015	55,149	17,170	4,074	418,122	-	-	494,515
Written off	(55,149)	-	-	-	-	-	(55,149)
Amortisation expense	-	3,380	-	5,867	-	-	9,247
Effect of foreign currency exchange differences	-	7,889	409	42,018	-	-	50,316
At 30 June 2016	**-**	**28,439**	**4,483**	**466,007**	**-**	**-**	**498,929**
Carrying amount:							
At 30 June 2016	**-**	**31,790**	**-**	**-**	**-**	**3,955,972**	**3,987,762**
Costs:							
At 1 July 2016	-	60,229	4,483	466,007	-	3,955,972	4,486,691
Written off	-	(46,805)	(4,483)	(466,007)	-	-	(517,295)
Additions	-	-	-	-	16,194	-	16,194
Effect of foreign currency exchange differences	-	(32)	-	-	-	(84)	(116)
At 30 June 2017	**-**	**13,392**	**-**	**-**	**16,194**	**3,955,888**	**3,985,474**
Accumulated amortisation:							
At 1 July 2016	-	28,439	4,483	466,007	-	-	498,929
Written off	-	(46,805)	(4,483)	(466,007)	-	-	(517,295)
Amortisation expense	-	33,628	-	-	-	-	33,628
Effect of foreign currency exchange differences	-	(1,887)	-	-	-	-	(1,887)
At 30 June 2017	**-**	**13,375**	**-**	**-**	**-**	**-**	**13,375**
Carrying amount:							
At 30 June 2017	**-**	**17**	**-**	**-**	**16,194**	**3,955,888**	**3,972,099**

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated group	
		2017	**2016**
		£	**£**
Costs:			
At 1 July		124,007	98,669
Additions		11,836	11,919
Items written off		(56,742)	-
Effect of foreign currency exchange differences		3,469	13,419
At 30 June		**82,570**	**124,007**
Accumulated amortisation:			
At 1 July		83,011	51,394
Items written off		(56,742)	-
Amortisation expense		35,804	31,667
Effect of foreign currency exchange differences		(15,579)	(50)
At 30 June		**46,494**	**83,011**
Carrying amount:			
At 30 June		**36,076**	**40,996**

On 5 May 2011 Heurston Group Plc and 2Up Holdings Ptty Ltd signed an agreement to transfer the plant & equipment owned by 2 Up 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.

NOTE 11: TRADE AND OTHER RECEIVABLES

	Note	Consolidated group	
		2017	**2016**
		£	**£**
CURRENT:			
Other receivables		2,028	13,671
Total current receivables		**2,028**	**13,671**
NON-CURRENT:			
Other receivables		-	3,325
Total non-current receivables		**-**	**3,325**

NOTE 11: TRADE AND OTHER RECEIVABLES (cont.)

The group has no significant concentration of credit risk with respect of any single counterparty or group of counterparties.

The following table details the group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with aging analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the group.

The balance of receivables that remain within trade terms (as detailed in the table) are considered to be of high credit quality.

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
a. Financial assets classified as loans and receivables			
Trade and other receivables:			
- total current		2,028	13,671
- total non-current		-	3,325
Financial assets	22	**2,028**	**16,996**

b. Collateral pledged

No collateral is held over trade and other receivables.

NOTE 12: CONTROLLED ENTITIES

Controlled Entities Consolidated	**Country of Incorporation**	**Percentage Owned (%)***	
		2017	**2016**
Subsidiaries of Heurston Group Plc:			
2Up Holdings Pty Ltd	Australia	100%	100%
2Up Gaming Services Pty Ltd	Australia	100%	100%
Streamark Ltd	United Kingdom	84%(1)	70%(1)
Streamark Asia Ltd (2)	Labuan	100%	100%

* Percentage of voting power in proportion to ownership

(1) At 30 June 2016, Heurston Group Plc held 70% of the shares in Streamark Ltd following the sale of 30% to an investor group which was completed in the 2016 financial year. During the 2017 financial year, a Rights Issue was offered to all shareholders on a one for one basis to raise capital to continue funding the Streamark development. Heurston Group Plc accepted the offer however the minority group declined the offer. Heurston Group Plc then took advantage of the offer of the remaining shares and accepted another 16 shares. At the conclusion of the offer, Heurston Group Plc held 156 of 186 shares issued, 83.87%.

(2) Streamark Asia Ltd was incorporated during the 2016 financial year and has not yet commenced trading.

NOTE 13: CASH AND CASH EQUIVALENTS

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
CURRENT:			
Cash at bank and on hand		18,326	23,844
At 30 June		**18,326**	**23,844**

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		18,326	23,844
Bank overdrafts		-	(802)
		18,326	**23,042**

NOTE 13: CASH AND CASH EQUIVALENTS (cont.)

		Parent entity	
	Note	**2017**	**2016**
		£	**£**
CURRENT:			
Cash at bank and on hand		1,482	20,607
At 30 June		**1,482**	**20,607**

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		1,482	20,607
Bank overdrafts		-	-
		1,482	**20,607**

NOTE 14: TRADE AND OTHER PAYABLES

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
CURRENT:			
Sundry payables and accrued expenses		179,090	331,802
Employees benefits taxes and other liabilities		42,295	268,039
		221,385	**599,841**

		Parent entity	
	Note	**2017**	**2016**
		£	**£**
CURRENT:			
Sundry payables and accrued expenses		98,551	264,882
Employees benefits taxes and other liabilities		-	250,000
		98,551	**514,882**

NOTE 15: SHORT TERM DEBT AND OTHER LIABILITIES

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
CURRENT:			
Related party loans	21	516,932	-
Other liabilities		138,230	27,444
		655,162	**27,444**
NON-CURRENT:			
Long term borrowings		-	2,168
		-	**2,168**
Total borrowings		**655,162**	**29,612**

The total value of current and non-current liabilities which were secured over assets of the group at the 30 June 2017 was £nil (2016: £nil).

NOTE 16: ISSUED SHARE CAPITAL

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
334,899,261 (2016: 317,401,261) fully paid ordinary shares of £0.10 each		33,489,926	31,740,125
a. Ordinary Shares		No.	No,
At the beginning of the reporting period		317,401,261	280,161,774
Shares issued during the period	17b	17,498,000	39,239,487
Shares cancelled during the period	17b	-	(2,000,000)
At the end of the reporting period		**334,899,261**	**317,401,261**

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

In May 2017,the board approved the issue of 6,000,000 new shares of the Company to Peter Lombardo as full and final remuneration for unpaid services since July 1st 2012. The board referred to the independent report on comparative remunerations prepared by Dr David Randerson of Acuity Technology Management.

During the year, 11,498,000 ordinary £0.10 shares were issued in the course of normal fund raising activities. All of these shares were issued to sophisticated investors.

NOTE 17: COMMITMENTS

	Note	Consolidated group 2017 £	Consolidated group 2016 £
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		128,215	128,215
- between 12 months and five years		74,792	203,007
- later than five years		-	-
		203,007	**331,222**

The company has a 3 year lease commencing February 2016 for the offices at 9/30 Prohasky Street, Port Melbourne.

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: OPERATING SEGMENTS

Identification of reportable segments

The group has identified its operating/reportable segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Types of products and services

The group only have one operating segment: Video streaming technologies. Operating segment disclosure is therefore consistent with the results reported in the financial statements.

Major customers

The group is currently in the process of developing their product and at 30 June 2017 does not have any major customers. The group has generated a very small amount of revenue from testing and sampling of the product in various markets.

Geographical information

Whilst the group has entities in the UK and Asia, these entities have minimal transactions. The group operates in one principal geographical location, namely Australia.

NOTE 19: CASH FLOW INFORMATION

	Note	Consolidated group 2017 £	Consolidated group 2016 £
Reconciliation of cash flow from operations with total operating loss			
Operating loss		(1,617,025)	(411,439)
Adjustments for:			
- Depreciation and amortisation		69,432	40,914
- Intangible assets written off		-	1,740
- Finance costs		4,158	7,790
- Decrease in trade and other receivables		11,643	17,409
- Increase/(decrease) in trade and other payables		(377,435)	(142,014)
- Increase/(decrease) in employee benefits		(68,692)	-
- Share options (cancelled)/issued during the year		(426,533)	(2,132,667)
- Directors remuneration settled in shares		600,000	600,000
Shares issued other than cash		152,201	-
- Effect of foreign currency translation on cashflows		32,468	(50,038)
Net cash used in operating activities		**(1,619,783)**	**(2,068,305)**

	Note	Parent entity 2017 £	Parent entity 2016 £
Reconciliation of cash flow from operations with total operating loss			
Operating (Loss)/Profit		(795,784)	612,444
Adjustments for:			
- Finance costs		1,455	-
- (Increase)/decrease in trade and other receivables		-	(1,055,100)
- Increase/(decrease) in trade and other payables		(106,292)	(21,410)
- Share options (cancelled)/issued during the year		(426,533)	(2,132,667)
- Directors remuneration settled in shares		600,000	600,000
- Share issued other than cash		152,201	-
- Depreciation		41,820	-
Net cash used in operating activities		**(533,133)**	**(1,996,733)**

NOTE 20: SHARE BASED PAYMENTS

Shares granted as share-based payments are as follows:

Grant Date	Number of Shares	Recipient
16 May 2017	6,000,000	Peter Lombardo

NOTE 21: 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 no significant developments since the end of the financial year.

Additional fund raising activities are continuing until the end of December 2018 to ensure sufficient funding for general operations as well as markeing and infrastructure rollout to facilitate Streamark sales. During the year we have seen a small revenue stream from the testing and sampling of the Streamark technologies.

During the period a shareholder who had taken legal action against Hurston Group Plc for recovery of a convertible note that had not been repaid. The company defended the action but the shareholder succcessfully had judgement passed in his favour on 20 September 2017. Heurston Group Plc was ordered to repay the debt along with interest and costs, the total coming to AUD$240,510 (£165,672) as at balance date. When it appeared that the defence may not be successful a provision of £118 ,424 has been made in the accounts. A further £47,250 will be required on settlement.

NOTE 22: 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. During the 2016 Financial year, the balance of £1,718,128 payable to Cres Pty Ltd was converted to Shares under the terms of the convertible note on issue. During the 2017 financial year, Cres Pty Ltd contributed up to £129,879 of loans funds to Heurston Group Plc.

Mr Harry Hatch who was appointed a Director of Heurston Group plc during June 2017 has contributed loan funds. His contribution as at the date of the Statement of Financial Position was £387,052. Mr Hatch makes regular contributions in accordance with his commitment to support the group through the research and development phase. These loans will be converted to shares at regular intervals.

Mr Nigel Harrison who was appointed as the Company Secretary of Heurston Group Plc in 2015 is also the Director of the Harrison Family Trust. The Harrison Family Trust acquired shares in Heurston Group plc during the 2017 Financial Year. Mr Harrison received £82,347 as fees through his Company Harrison & Associates Pty Ltd for his role as Company Secretary and for provision of Management Consultancy Services. Mr Harrison does not receive any other benefits from the company.

NOTE 22: RELATED PARTY TRANSACTIONS (cont.)

c. Ultimate Controlling Party

There is no ultimate controlling party of Heurston Group Plc.

NOTE 23: FINANCIAL RISK MANAGEMENT

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

The group's financial instruments at 30 June 2017 were classified as follows:

		Consolidated group	
	Note	**2017**	**2016**
		£	**£**
Financial Assets			
Cash and cash equivalents	13	18,326	23,844
Trade and other receivables	11	2,028	16,996
Total Financial Assets		**20,354**	**40,840**
Financial Liabilities			
Trade and other payables	14	221,384	637,057
Short Term Debt and Other Liabilities	15	655,160	27,444
Bank Overdraft		-	802
Total Financial Liabilities		**876,544**	**665,303**

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 2017.

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.

NOTE 23: FINANCIAL RISK MANAGEMENT (cont.)

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 10.

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 and liabilities, the group's income, expenses and operating cash flows are substantially independent of changes in market interest rates.

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 2017, 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 £nil (2016: £51,050) lower/higher, as a result of the exposure to the Australian Dollar being eliminated during the year.

NOTE 24: CONTINGENT LIABILITIES

During the year, a claim has been made against the company regarding claims for unpaid commissions and other amounts owing that occurred more than 7 years ago. There is no record of the original claims or amounts owing. The company denies the amounts are owing and there is no provision in the financial statements for the claim.

NOTE 25: COMPANY DETAILS

The registered office of the company is:

Heurston Group Plc

5 Fleet Place, London, England, EC4M 7RD

The principal place of business of the group is:

Unit 9, 30 Prohasky Street, Port Melbourne, VIC 3207