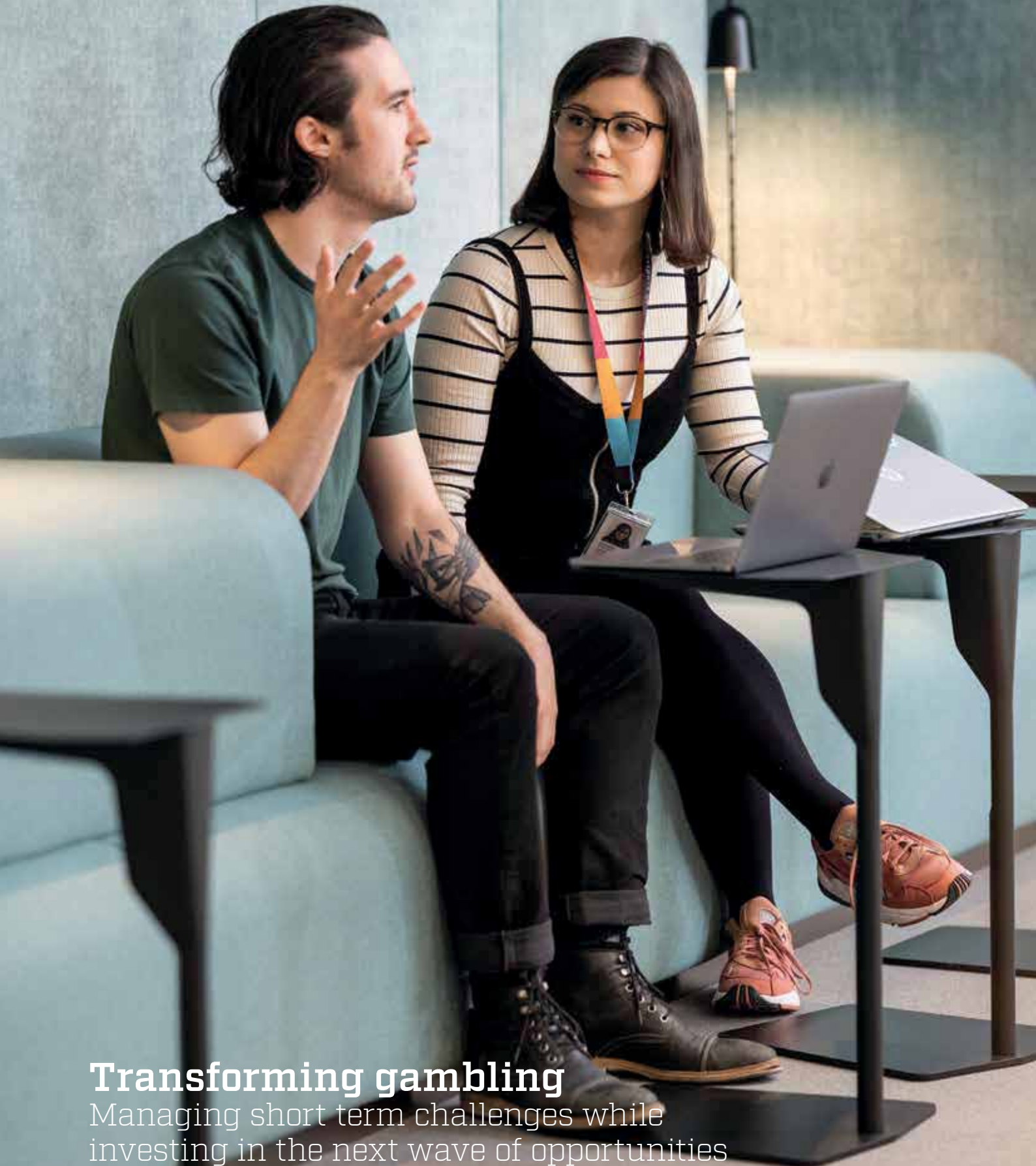


Kindred Group plc
Annual Report and Accounts 2019



Transforming gambling
Managing short term challenges while
investing in the next wave of opportunities

Transforming gambling

Our future goal is simple – to be the number one operator across our markets. To get there, we will manage short term challenges while investing in the next wave of opportunities.

Strategic report

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Highlights

Kindred is one of the largest online gambling operators in the European market with over 27 million customers worldwide.

Strategic highlights

- > Successfully went live under new local licence in Sweden on 1 January 2019.
- > Launched sportsbook and casino in New Jersey and Pennsylvania.
- > Developed a single, globally geo-distributed platform based on multi-active datacentres.

Financial summary

- > Continued financial pressures and significant investments for the future have impacted the EBITDA and Earnings per share in 2019.

Operational highlights

- > For the full year 2019, 59 per cent of Gross winnings revenue came from locally regulated markets.
- > For every GBP 1 proposed in dividend, Kindred paid GBP 5.7 in tax (betting duties, VAT, employment tax and corporate tax) to the relevant authorities and supported sports through GBP 0.8 of direct sponsorship costs.

Responsible business highlights

- > Awarded the ISO 27001 certification for information security management in June 2019.
- > Achieved 17 audit certifications across all licensed activities, as required by the licence terms, with no failures in compliance noted.
- > Signed a partnership with European Football Development Network, a network of professional football clubs leagues and associations, to promote football as a tool for social development.

Responsible gambling highlights

- > Set the ambition that zero percent of our revenue is derived from harmful gambling by 2023.
- > Grown to a team of 116 people focused on player sustainability.

Gross winnings revenue
(GBP)

912.8m
+1%

Marketing expenditure
(GBP)

259.7m
+9%

Profit before tax
(GBP)

67.1m
-55%

Free cash flow per share^{1,2}
(GBP)

0.219
-68%

Betting duties
(GBP)

204.3m
+29%

EBITDA¹
(GBP)

128.1m
-37%

Earnings per share
(GBP)

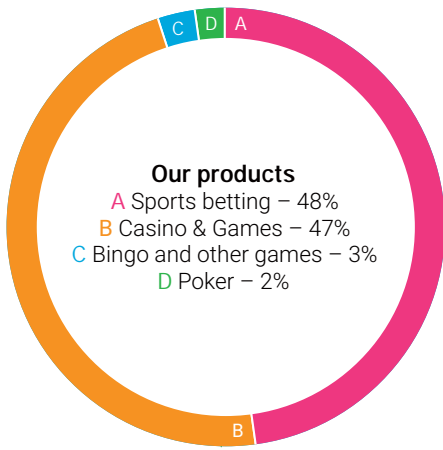
0.250
-57%

¹ Refer to Note 29 on pages 94 and 95 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

² The 2018 free cash flow used in calculating this metric has been restated. See Note 1B on page 70 for more information on this restatement.

Kindred at a glance

The Kindred Group offers sports betting, casino & games, bingo and poker through our distinctive brands.



Kindred Group is one of the world’s leading online gambling operators with business across Europe, Australia, and now also the USA, offering over 27 million customers a great form of entertainment in a safe, fair and sustainable environment across 11 brands.

Kindred employs 1,666 people, is listed on Nasdaq Stockholm Large Cap and is a founding member of the European Gaming and Betting Association (EGBA) and ESSA (Sports Betting Integrity).

Kindred is audited and certified by eCOGRA for compliance with the 2014 EU Recommendation on Consumer Protection and Responsible Gambling (2014/478/EU).

A scalable business model

The industry landscape in Kindred’s main markets has undergone rapid change since 2010, largely as a result of emerging local regulation in many countries. Superficially, this looks like a negative development for the industry, since regulation typically introduces new taxes, additional costs and challenges in complying with complex local regulations.

Over this period however, Kindred’s track record demonstrates that, when managed right, the opportunity presented by local regulation is such that the opportunity outweighs the costs. Kindred operates in locally regulated markets through its licences in Australia, Belgium, Denmark, Estonia, France, Germany (Schleswig-Holstein), Ireland, Italy, Romania, Sweden, the UK and New Jersey and Pennsylvania in the USA, as well as other markets internationally through its gambling licences in Malta and Gibraltar.

All licensed activity is monitored through local gambling authorities. Kindred pays betting duties in all markets in accordance with applicable local laws. In 2019, 59 per cent of our Gross winnings revenue is derived from locally regulated markets and this number is growing.

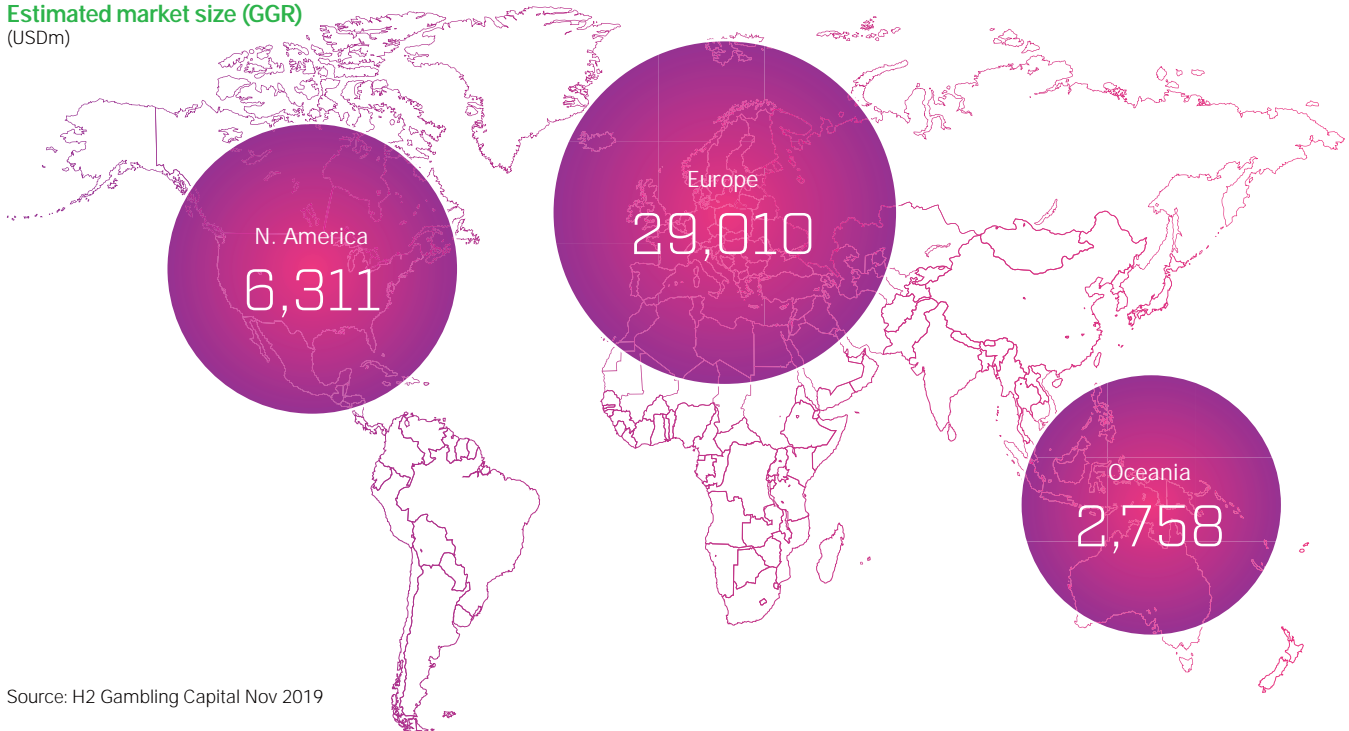
14%

EBITDA margin

1,666

employees at year end

Estimated market size (GGR) (USDm)



A sustainable business model

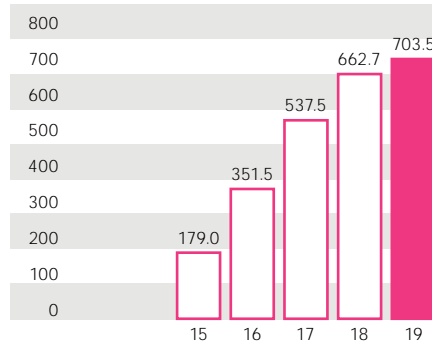
Our business model is based on expanding our business by taking market share from the competition and thereby growing our number of active customers. We do this by being data driven and by knowing what drives the customer experience and what improves our business.

We want to retain our customers over a long period of time and build sustainable relationships with them. This means that our average revenue per user (ARPU) is relatively stable over time, while we continue to grow the number of active users. We believe that this is sustainable and responsible growth.

Our business strategy supports our objective of long-term growth through a focus on winning and retaining customers, having a digital DNA and operating a sustainable business. Only by performing strongly in all of these areas will we be able to create long-term value and continued healthy growth.

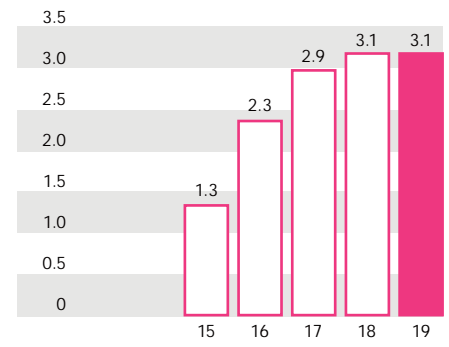
703.5m

Gross winnings revenue from mobile (GBPm)



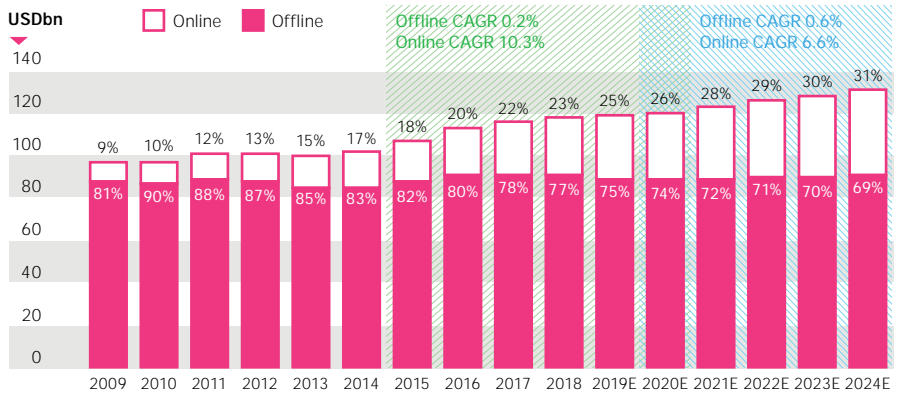
3.1m

yearly active customers (Millions)

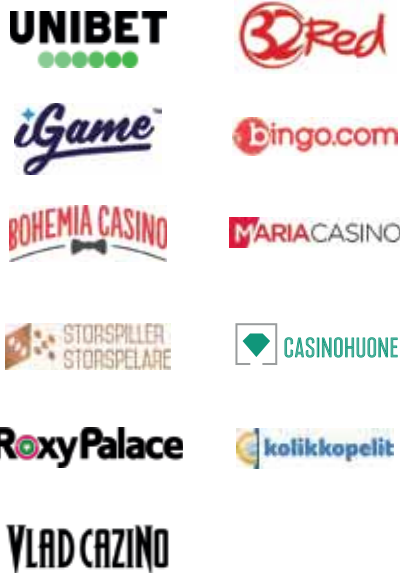


The shift from offline to online gaming is accelerating

Total European gaming market, including lotteries

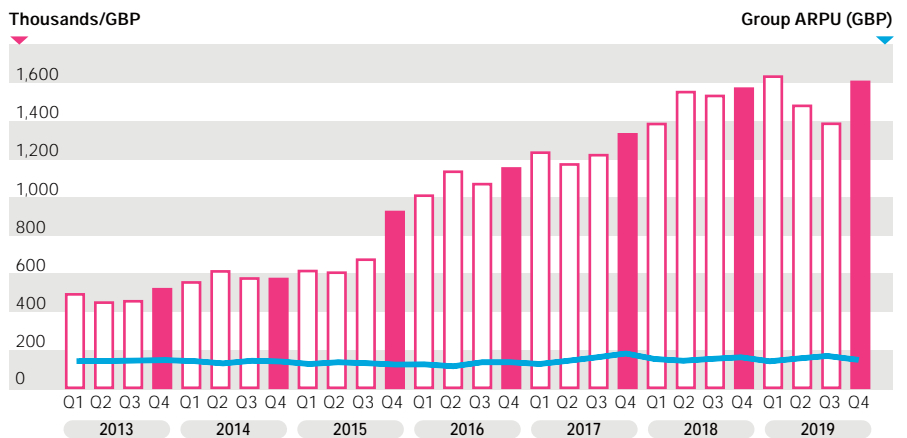


Source: H2 Gambling Capital January 2020



Sustainable growth

Quarterly active customers and Group ARPU



A sustainable business can only exist if there is sustainable consumption based upon the channelling of digital consumer demand to the regulated framework.

To enable this channelling, operators must be able to provide their customers with a value adding offering, including premium user experience and financial value. If taxes are too high and consumer experience is not aligned to digital market reality, channelling will be undermined and consumer policy objectives will be unachieved.

Chairman's statement

Kindred is not just a company; it is also an enterprise, which throughout its journey of more than two decades has radically altered and improved the gambling industry.



Benefitting all our stakeholders

In many of our markets, we are more than simply the most respected player; several of our brands, Unibet being the obvious example, have also transformed into the foremost term of reference used to describe the whole sector.

These tremendous and, in the true meaning of the word, revolutionising steps towards the creation of an online gambling industry, of which we have been the forerunner, would not have been possible without our committed owners and dedicated investors, who have supported Kindred during its endeavours and who continue to do so. In this context, it is also self-evident to underline the importance of all our colleagues in Kindred and of our partners, whose devoted work and vital contributions have been the most important source of strength for the Company.

Today, Kindred is able to channelise online gambling as part of a much larger entertainment industry, in ways that are advantageous for society; by secure and sustainable betting for all of our customers, by responsible gambling within the gaming community, by generating tax revenues for governments and by large and active sponsorships of different sports in many countries. However, of course, our main focus and commitment has always been and continues to be, to increase our financial value for the benefit of our shareholders.

We have achieved a state of affairs where luckily society monitors legal and legitimate gambling, rather than illicit gambling influencing society or even controlling parts of it. However, it is of the utmost importance that the public regulation is

conducted with an understanding that upholds and enhances the traits I have mentioned, in order to protect, preserve and further develop our accomplishments.

Looking back on the road we have travelled, I can happily ascertain that we have shaped and formed the online gambling industry according to our early visions and forecasts. Thus, Kindred should naturally also be one of the leading and most successful performers in that arena. I see it as my first and foremost assignment as the founder, as an owner and as the Chairman of the Board to do my part in capturing that position for Kindred for the benefit of all our shareholders and stakeholders.

Anders Ström
Founder & Chairman of the Board
 Kindred Group plc

CEO's review

For Kindred, a successful business is about future-proofing operations to generate long-term value for shareholders and society.



Future-proofing our operations

Looking back at over two decades of impressive growth for the online gambling industry, I can conclude that 2019 is the start of a new beginning. We have seen a new market reality take shape and an industry needing to adapt, and so also Kindred needs to adapt. However, despite short-term challenges, I see great opportunities for operators who manage to set up their business model to cater for all stakeholders today and tomorrow.

New market realities have put pressure on our operations

For Kindred, it has been a year when we stepped foot into the US market for the first time, and it has also been the year when the Swedish market opened for a modern gambling license model. A year ago, we entered 2019 full of enthusiasm for what was to come with continued re-regulation and an expectation for

strong growth. With the year's results in hand, it is evident that the growth has not been as strong as expected. Our Gross winnings revenue reached GBP 912.8 million, on par with the year before, however our EBITDA reached GBP 128.1 million, which is not satisfactory. Increased betting duties, challenging market growth and investments into new markets are all contributing to this, and we are adjusting our operations to manage these changes. Despite these current headwinds, I want to highlight that we increased our active customers in the fourth quarter to an almost new all time high for the group, a sign that we continue to offer a great experience for our customers. It is also a good platform to build on as we enter a new big sports year.

A digital marketplace set out new rules with a wide range of challenges in 2019

I expected the Swedish market to develop in a more positive direction than it has. Kindred has worked hard for many years to educate regulators and policy formers on the benefits of a modern license system, and why the old system was not fit for purpose in a digital world. High channelisation with a professional and honest relationship between the industry and the regulator is the best way forward. The change is a symbol of the continued transition from .com to .country, bringing improved market access and predictability, reduced competition over time, and significantly higher contribution to society through betting duties and community engagement.

It also reflects the other key driver, the shift from offline gambling to online gambling. A shift that virtually every industry has gone through as they adapt to the digital dynamic of today's modern world. We know that regulators and policy formers struggle to keep up with these shifts, which is why we have stressed the need for sustainable regulations benefitting all stakeholders.

Channelisation the only objective that matters

Re-regulation occurs not to please gambling operators. It occurs to ensure a high level of consumer protection. We share this objective and we work with authorities in markets where we are present as we believe that collaboration is the way to succeed in creating a robust and fair market for everyone. To achieve this, channelisation must be the key priority because if channelisation fails, so will all other objectives. This is the reality in a digital world where the customer is in charge. As we all know, the internet knows no borders.

CEO's review continued

A challenging year has put focus on cost control

The Swedish market has not been growing as expected due to declining channelisation, Norway is desperately trying to defend its politically sensitive monopoly, the Dutch market is preparing for re-regulation, and we have entered new markets. With this new reality we must adapt, and are. We have taken steps to further control our costs, for example we have put processes in place to limit headcount growth, we have reduced spend on travel and telecom by reverting more meetings to video conferencing, we are adjusting our marketing mix to optimise ROI and we are reviewing both our brand portfolio and geographic footprint.

A game changer in the US

These are all small steps towards better profitability, however I know that we need to grow our business to absorb new regulations, which is why in 2019 we entered into the US market following the repeal of the PASPA legislation in 2018. The US market represents the largest opportunity for future regulated growth which is why we decided in 2018 to enter the market. In the second half of 2019 we went live in New Jersey and Pennsylvania and I am excited about the initial results we are seeing from this investment.

We are entering the US market through selective growth and complete focus on what we do best. We will take on this

potentially huge market one state at a time and ensure we gain a stable market share in each state. Since establishing a presence in the US in 2019 we have grown a dedicated local team of 35 experts from our European operations and local talent, remaining at neutral headcount for the group, making use of our expertise in data to ensure we give our customers what they desire.

Stepping into the future

Access to real time data is the foundation for sustainable growth. It allows us to learn about our customers and provide them with a better experience than ever before. Our technological proficiency, which you can read more about on page 12 and 13, our data expertise and our proprietary platform enables us to understand what customers want and how they want it. We have set up an ambition to reach zero revenue from harmful gambling by 2023, which we believe we can achieve through the technological revolution taking place right now. By 2023 I am convinced the use of artificial intelligence, computing capacity, access to data and the introduction of 5G infrastructure across the world will enable us to see harmful gambling, money-laundering, fraud, match-fixing and other destructive behaviours being a thing of the past on digital gambling platforms. In our Sustainability Report 2019 we give a detailed description of our framework and report on progress against our commitments.

We have left 2019 behind us and look forward to a progressive and exciting 2020 with a number of seasonal events across our sports and markets including the UEFA Euro 2020 and the Olympics in Tokyo.

Our great team is firmly committed to giving customers an unbelievable experience and I am convinced they will deliver above and beyond to achieve the tough targets we have set. It has been a tough year for everyone, and I would like to thank the entire Kindred team for pushing ahead. Our culture has taken us through tough times before. This time is no different.



Henrik Tjärnström
CEO
Malta, 6 March 2020



I am convinced we will see local regulation continue to put pressure on operators, but I am equally convinced Kindred is fit for growth in this new market reality. A big part of our business is delighting customers who enjoy placing a bet on sports, and 2020 is a great sports year.

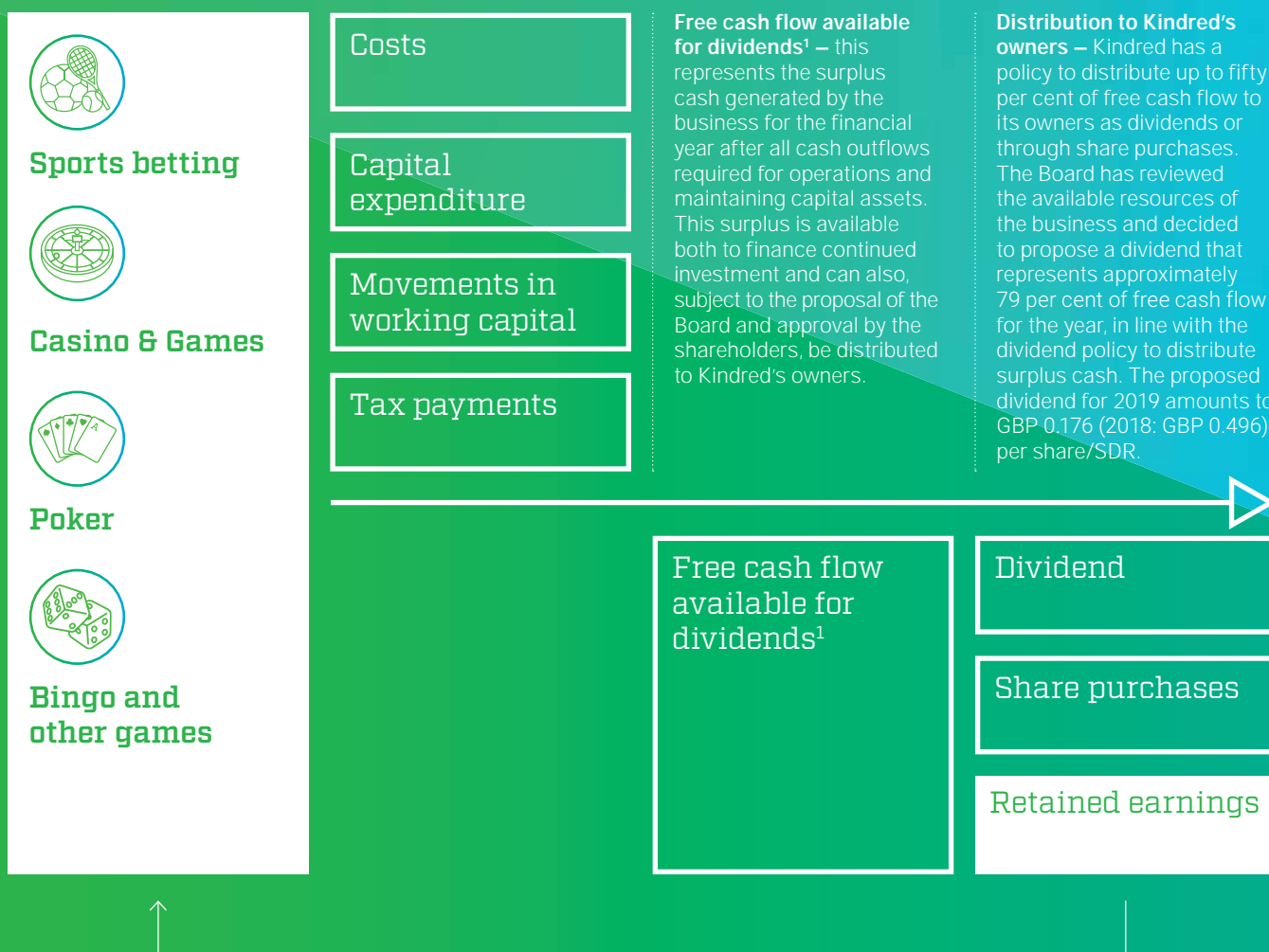






Revenue model

The model shows how Gross winnings revenue, adjusted for costs, capital investments, movements in working capital and tax payments, flows through to free cash flow¹ that is available to distribute to shareholders as a cash dividend and/or share purchase.

Gross winnings revenue – generated from across all of Kindred’s brands, products and markets. Across all products, Kindred’s margin was approximately 5.1 per cent in 2019 (meaning that the average pay-back ratio to our customers was 94.9 per cent).

Costs and other adjustments – these include all of Kindred’s operating expenses including betting duties and other taxes paid in our various territories, marketing and administrative expenses as well as capital investments in new technology.



-  **Sports betting**
-  **Casino & Games**
-  **Poker**
-  **Bingo and other games**

- Costs**
- Capital expenditure**
- Movements in working capital**
- Tax payments**

Free cash flow available for dividends¹ – this represents the surplus cash generated by the business for the financial year after all cash outflows required for operations and maintaining capital assets. This surplus is available both to finance continued investment and can also, subject to the proposal of the Board and approval by the shareholders, be distributed to Kindred’s owners.

Distribution to Kindred’s owners – Kindred has a policy to distribute up to fifty per cent of free cash flow to its owners as dividends or through share purchases. The Board has reviewed the available resources of the business and decided to propose a dividend that represents approximately 79 per cent of free cash flow for the year, in line with the dividend policy to distribute surplus cash. The proposed dividend for 2019 amounts to GBP 0.176 (2018: GBP 0.496) per share/SDR.

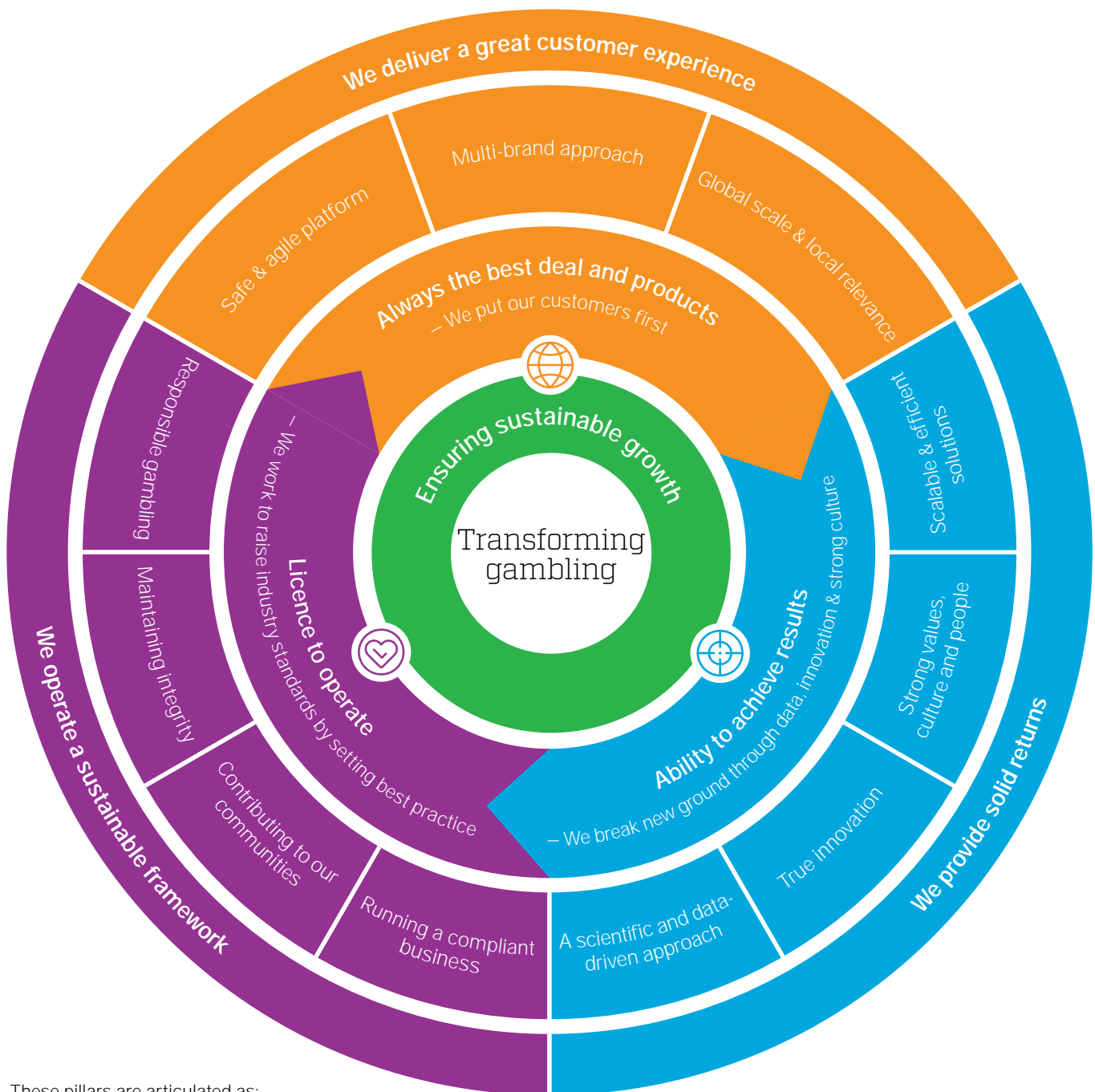
- Free cash flow available for dividends¹**
- Dividend**
- Share purchases**
- Retained earnings**

Retained earnings, after approval and distribution of the annual dividend, represent the increase in the Group’s reserves that can be used to continue to invest in delivering future growth.

¹ Refer to Note 29 on pages 94 and 95 for the reconciliation of the Group’s alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

Business model

Kindred's strategic direction and business rests on a defined purpose to transform gambling and ensure sustainable growth across all our markets. This is achieved through three strategic pillars on which we base our business.



These pillars are articulated as:

Always the best deal and products

Ability to achieve results

Licence to operate

The pillars are broken down into 11 focus areas, allowing us to operate a scalable, successful and sustainable business. The three strategic pillars are described opposite.



Always the best deal and products

Since our very foundation, we have put our customers at the heart of what we do. The notion of constantly improving the experience we offer our customers is apparent in every corner of our business. We know that by giving our customers the best deal and products, we ensure they will continue to enjoy gambling with us.

Safe & agile platform

Our proprietary platform allows us to adapt to customer needs and local regulation and provide a safe and stable environment all year round. We handle our customers' money and we do so with the most advanced technology available to ensure complete security and compliance with rules and regulations.

Multi-brand approach

We operate a truly multi-brand business where we delight our customers through a portfolio consisting of global brands, local brands and hyper-local brands. This gives us the flexibility to tweak our product offering in each market.

Global scale & local relevance

As a global operator with a fully-scalable platform, we can adapt our offering and presence in markets around the world with very limited effort. In other words, we can quickly be where we want to be.



Ability to achieve results

We have managed to achieve great results by constantly breaking new ground and finding a better way to offer our customers what they desire. To succeed, we have invested in innovation, technology, culture and our people. It has served us well in the past, and it will serve us well in the future.

A scientific and data-driven approach

We do not base our decisions on hunches or gut feelings. We base our decisions on facts and insights. We use the data we have to delight our customers by giving them new choices, a safer environment and better offerings. It allows us to open new doors for them.

True innovation

Through our Kindred Futures team, we explore tomorrow's ideas and test how they can be applied to real-life products. We constantly seek to innovate and find new ways forward as only then can we develop what is not yet here.

Strong values, culture and people

Since the very start, our company has rested on clear values and a strong culture. As we grow we must protect this culture and ensure it encompasses the entire company. The ability to nurture our culture has allowed us to attract and, above all else retain, the best talent in a truly diverse team.

Scalable and efficient solutions

We have great ambitions and will continue to grow. Our ability to scale our business model and develop efficient solutions to challenges, has allowed us to maintain our growth without compromising in any area. This allows us to act where other companies fail.



Licence to operate

We operate in an industry that is often criticised or mistrusted. Sometimes it has been deserved. What we know is that a responsible and sustainable business is a successful business and any operator who wishes to have a place in tomorrow's society must integrate this into their business model today. Kindred did this several years ago and we continue to strive towards setting best practice.

Responsible gambling

Any customer who does not enjoy gambling should stop. It is our duty as a gambling operator to help our customers who need to take a break to do so. We take this role seriously, as we only see sustainable value in happy customers who gamble for fun.

Maintaining integrity

Our business builds on trust. If our customers do not trust us with their money or do not trust the products we offer, we will not have a business for long. We operate with the highest security standards and together with partners help maintain the integrity across all areas of our industry.

Contributing to our communities

Through our employees in our offices, our local operations and our numerous partnerships across the world, we contribute to the communities we are part of. We depend on these communities and they, to a degree, depend on us. Sustainable growth is about being part of our local community.

Running a compliant business

Gambling is an industry that operates under a licence. Ensuring we can open our doors to customers tomorrow requires that we comply with local regulations in every market. We take great pride in running a compliant business every day. After all; no licence = no business.

Promoting responsible gambling

116

Kindred people responsible for player sustainability

DNA

Responsible gambling is embedded in our DNA

Kindred exists to offer players entertainment on a platform that is safe and secure. Our success is built on long-term sustainable relationships with our players. Our aim is for customers to have more fun for a longer time; that way they remain loyal to us for longer.

A new model of sponsorship – communities, places and people

Over the past 12 months, Kindred Group has driven forward an ambitious project to change the way organisations like ours sponsor sport with sponsors having unique links to communities, places and people. This new model of sponsorship, which benefits both sporting organisations and communities is continuing to grow.



Focus on people improved our service

One of our biggest challenges in Customer Service was that our people were leaving us too quickly to work for other companies. This had a big impact on the quality level of the service we could offer our customers, since we then never saw the actual return on the investments put into onboarding training and knowledge development.

We therefore had a clear strategy around making Customer Service a career path and a better place to work, with focus on building a culture around our core Kindred values. A lot of changes were made in structure, empowerment, repurposing roles and a Customer Service career path programme was launched. The attrition rate reduced and went from 56 per cent in 2017 to 30 per cent at the end of 2019 and the Customer Satisfaction score has increased since then as a result of our best people staying longer at Kindred.

Through our tools, we can provide expertise and guidance on how to adopt and integrate different measures that make gambling less harmful and more enjoyable, making sure gambling stays a positive and safe experience for our players.



Taina Grech
Responsible Gaming Analyst

71%

of customers deposit less after having been detected in PS-EDS

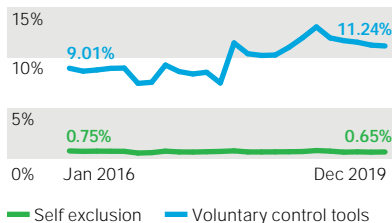
11.5%

of customers set up a non-mandatory gambling tool

Measuring effectiveness

We look at a number of KPIs and at usage of control tools, both in the total customer group and in the group of customers who are detected in our PS-EDS. Our aim is to de-risk as early as possible before any financial harm is even present. Customers who set a voluntary limit are more loyal in the long run.

Monthly % usage of Self-Exclusions (6+ months) compared to non-mandatory control tools
January 2016 – December 2019



Watch our detecting harmful gambling video:
www.kindredgroup.com/detect



We help our customers stay in control

As a digital company, we create a digital fingerprint of our customers' behaviour on our platform. This allows us to detect, monitor and follow-up on problematic gambling activities, which is a big part of building a safe gambling environment for our customers. We believe that looking at each customer individually rather than as part of a group is the most efficient way to prevent problematic gambling at an early stage.

Our customers all have different behaviours, incomes, social backgrounds and ages. To ensure consistency and efficiency we deploy tools at a customer account level and not at a product or transaction level. We believe that monitoring our customers over time is what makes the difference in ensuring customers stay in control of their gambling.

Kindred's award-winning Player Safety – Early Detection System (PS-EDS) is at the heart of our responsible gambling approach. This system is an automated, real time, scanning system that combines risk indicators based on empirical studies with a humanistic personalised approach.



Investing in new technology

99.95%

Uptime on average
across our sites

36

Integrated payment
methods across our
markets, including Swish,
Bancontact, MobilePay
and ApplePay

25+

Sports & Gaming
provider integrations
on our Kindred platform

We explore tomorrow's ideas and test how they can be applied into real life products. We constantly seek to innovate and find new ways forward as only then can we develop what is not yet here.



Persuasive design

Persuasive design opens up a huge opportunity for brands to deliver more than just a product or service that is usable. It helps provide a first-class experience by putting users in the centre of everything. The future is about going beyond usability and using persuasion to make the experience emotionally engaging for our users. Persuasive design applies psychological principles into users' experience by making things easy, relevant and trustworthy to help customers in decision-making. It is a valuable addition to our customer and user experience, paving the way for our business to gain competitive advantage and growth.

Compliance and responsibilities

Kindred uses sophisticated data analytics tools to monitor customer activity. This customer intelligence gives us a competitive edge and also helps in early detection of player safety risks.

Our platform also provides the capability to generate the wide range of reports needed both for internal control processes and to satisfy our regulatory reporting requirements.

Player safety & responsible gambling are at the heart of Kindred and we have built dedicated teams focusing on providing the right tools for our players to be in control of their gambling activity.

Prathiba Sadagopan
Line lead Platform development



43m
Transactions processed during peak days

9,300
Releases during 2019

It's all about automation

Deploying the Kindred Core Infrastructure is a crucial step when establishing our technological platform in a new data centre. Having automated processes for this comes with a lot of benefits. It scales easier and it reduces the human errors in the processes, which in turn reduces potential incidents. This leads to a better stability in the deployed system. But most notably, it is incredibly faster!

Watch video:
www.kindredgroup.com/futures



Kindred platform

Our proprietary technology platform is like a city of micro-services divided into experience-districts, yet connected with each other, all serving their own purpose in delivering the holistic experience of visiting. Kindred works closely with our product suppliers to ensure that we provide an engaging and relevant experience to our customers, tailored to their local market and specific to each brand.

Kindred also works with multiple payment suppliers to ensure we provide our customers in each market with a full range of payment solutions fitted to the territory.



The challenge of providing a seamless experience to our customers grows every year, as we add new products, features and channels. During peak days in 2019 we processed over 43 million transactions per day. On top of that we make sure that the ever-changing requirements of regulators in many different markets are satisfied at all times, across all our brands.

We naturally place top priority on ensuring our sites are available to customers 24/7/365. This means not only mitigating unwanted interruptions, but also ensuring availability when making changes and implementing new releases.

During 2019, we have made 9,300 releases with no interruption in service to our customers.

The digital world continues to evolve at a rapid pace. At Kindred, we continuously monitor developments in the wider tech universe, so that we can be ready to provide new experiences to our customers as soon as new platforms and technologies come to market.

Bringing exciting products to new markets

USD
13.6bn

US online sportsbetting market by 2023 according to Eilers & Krejcik Gaming

From the data we collect we can get a 360° view of our customers: where they click, what devices they use, and more. This allows us to tailor our products to each local area.

Unibet is live in New Jersey and Pennsylvania

During the year, we launched casino and sportsbook in New Jersey and Pennsylvania and the Unibet Sportsbook Lounge in the Mohegan Sun Pocono casino.

A unique and differentiated product offering is only growing in importance. During the year we have expanded the capabilities of our proprietary horseracing product and enabled it in more markets with great success. We have also improved the sportsbetting experience by delivering several unique front-end components. In Casino, the main focus has been on expanding our local and exclusive game offering. We have also taken important steps by rolling out our award-winning poker product in France as well as breaking out the popular game HexaPro as a stand-alone product.



Working within the Kindred Group, in our very competitive industry, is very intense, demanding and always challenging. Yet it is at the same time very rewarding to see what we are able to achieve working all together, with a strong ambition and fantastic team spirit, challenging our market and our competitors!



Mathieu Drida
General Manager France

95%

Payback of what our customers bet

GBP

531

Average total payout per customer in 2019

Real-time data for Euro 2020

For the 2020 European Championship in football, Kindred will give the customer the most exciting and relevant experience when interacting with our brands and product offerings.

We have built the next generation recommendation engines that supports the customer to easily find the most relevant product offering and to personalise the experience. A customer placing a live bet receives a personalised recommendation on a new bet based on the first one.

We have also taken the next steps in communicating with customers when it is most relevant, with the right content and in the right communication channel. For Euro 2020 this could mean communication in near real-time when a match is being played. Again, this is to be as relevant as possible to each customer's needs and way of interacting with the Kindred brands.

Using data smarter

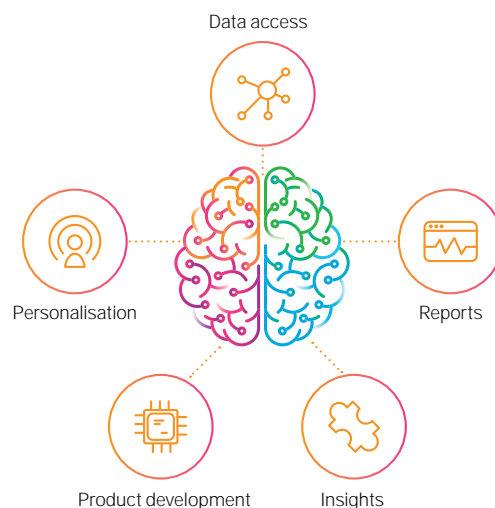
We collect data from multiple sources in real time. All data is stored and made available to the business to analyse and derive insights. From that insight we drive action. We also use measurement to optimise conversion across our site and apps and monitor the projected lifetime value of each acquisition channel, so we know where to focus our acquisitions. We break this down into individual campaigns and we use A/B testing (two version testing) to test different content, or journeys in order to improve conversion.

We focus on using existing machine learning techniques to deliver immediate value whilst also exploring more cutting-edge techniques such as deep learning that won't deliver immediate value, but in the future has the potential to solve complex problems and be transformational.

Today we have 20+ machine algorithms deployed. The idea of machine learning is that we give machines access to data and give them algorithms that let them learn for themselves.

This allows us to make smarter decisions and as we gain new insights this has also allowed us to start automating decision-making.

Some of our algorithms run in real time and support a range of business functions such as player safety, money laundering detection, fraud detection, but also in media buying, high value customer detection and lifetime value projection.



Talented people delivering success

GBP
0.489m

Invested in employee
training in 2019

85%

Customer Satisfaction Score

We use the data we collect to give the best experience to our customers. This cannot be done without our people having the knowledge to interpret the data we have.

We want to be the most data driven gambling company in the world.

Our real-time data allows us to observe customer behaviours, make the customer experience relevant and personal, identify potential problem users and to have relevant customer communication. Using this data, we are able to provide a fun and safe gambling experience. This has led to increased loyalty and retention among our customer base.

Tomas Hagelin
Head of Data

Personalisation and recommendations

We find patterns in data and use them to drive value. Predicting what a particular customer wants and what they're interested in.



Without diversity in our worldwide team, we would not have got to where we are today. Our employees work together to deliver the best and safest possible gambling experience for our customers every day.

Elen Barber
Chief Marketing Officer



Our values

One global team, united by five shared values, all having a part to play across each of our unique brands.



We are individuals united



We dare to challenge



We build on trust



We seek to innovate



We believe in friendship

Watch our employee video:
www.kindredgroup.com/careers



A strong, unified culture

Delivering a superior customer experience is central to Kindred's operating model. During 2019, Kindred implemented changes that will enable faster delivery of improvements to the customer experience across all brands and markets. Changes implemented will deliver short-term returns and support long-term sustainable growth.

Maintaining high employee engagement and investing in Kindred's employee experience also remained a core focus. The 2019 Great Place to Work (GPTW) employee survey scores showed significant increases in engagement across respect, fairness, pride and camaraderie. In the response 88 per cent of employees said that Kindred was a great place to work. Kindred also achieved a significant increase in employees who "feel good about the way we contribute to society" at 71 per cent – evidence that sustainability efforts are achieving improved impact.



Kindred is also proud to have been recognised in the following categories by GPTW for its commitment to delivering a great employee experience:

- > Great Place to Work 2019
- > UK's Best Workplaces in Tech 2019
- > Excellence in Wellbeing Award 2019

1,666

Employees

59

Nationalities represented

Key performance indicators

The Group assesses the performance of the business on a regular basis, to measure results and help deliver on its strategy and objectives.

912.8

Gross winnings revenue
(GBP million)

2019	912.8
2018	907.6
2017	751.4
2016	544.1

Definition

Gross winnings revenue (GWR) on Sports betting is defined as the net gain or loss from bets placed. Within Casino & Games, the Group defines GWR as the net gain from bets placed and Poker GWR reflects the net income ("rake") earned from poker games completed. GWR across all products is reported net of the cost of promotional bonuses.

Performance

Despite regulatory headwinds during the year, GWR growth in comparison to the prior year was still achieved, with the Group now poised to increase this growth in the coming year.

128.1

EBITDA¹
(GBP million)

2019	128.1
2018	202.8
2017	180.3
2016	120.7

Definition

Profit from operations before depreciation and amortisation charges.

Performance

Increased betting duties from regulated markets and significant investments, both to enter the US market and ensure we have a solid headcount to achieve future growth, have come at the same time as we are facing some headwinds in GWR. The Group is focused on cost efficiency measures to ensure we deliver improved performance, utilise the current cost base in the most effective way, and, as always, continue working to achieve a scalable business model in preparation for future industry changes.

0.250

Earnings per share¹
(GBP)

2019	0.250
2018	0.580
2017	0.516
2016	0.366

Definition

Profit after tax divided by the weighted average number of ordinary shares for the year.

Performance

The negative impact of those items that affected the EBITDA has flowed down the income statement to earnings. While still profit generating, the Group is concentrating its efforts on continuing to add shareholder value in future years.

0.176

Dividend per share
(GBP)

2019	0.176
2018	0.496
2017	0.551
2016	0.310

Definition

Amount proposed by the Board or paid out for the respective year, divided by the number of ordinary shares in issue.

Performance

The Board has reviewed the projected cash requirements for 2020 and has proposed to increase the 2019 dividend above the Group's policy of up to 50 per cent of free cash flow available for dividends, to 79 per cent. This is to be approved at the 2020 AGM and is broadly in line with the prior year distribution percentage.

1.017

Equity per share
(GBP)

2019	1.017
2018	1.269
2017	1.296
2016	1.058

Definition

Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.

Performance

In 2019, the equity per share decreased as a result of the high dividend paid to shareholders.

8

Operating margin¹
(%)

2019	8
2018	17
2017	18
2016	18

Definition

Profit from operations as a percentage of GWR.

Performance

With top line growth not reaching expected levels, and costs increasing as a result of new regulation in Sweden and other Group investments, as previously mentioned, the operating margin has reduced substantially during 2019. The Group is focused on the recovery of this margin by ensuring both marketing and operating expenditure are optimised in the coming year.

8

Other costs, share of GWR^{1,3}
(%)

2019	8
2018	8
2017	9
2016	8

Definition

Other costs as a percentage of GWR. Other costs are defined as operating costs, excluding salaries, depreciation and amortisation.

Performance

Excluding the impact of IFRS 16 this metric would have been 9 per cent. The increase from prior year reflects the significant investments in people and infrastructure in 2019. These investments leave the Group in a strong position and other costs are not expected to grow as significantly in future years. With higher GWR growth also expected, this should ensure we keep the percentage at a consistent level.

0.219

Free cash flow available for dividends per share^{2,3} (GBP)

2019	0.219
2018	0.686
2017	0.743
2016	0.423

Definition

Net cash generated from operations, adjusted for capital investments, lease payments, movement in customer balances and certain items affecting comparability (see Note 4 on page 79) divided by the number of ordinary shares at the balance sheet date.

Performance

The significant decrease from the prior year is primarily the impact of the reduction in profit from operations in the year.

41.4

Capital expenditure on intangible assets
(GBP million)

2019	41.4
2018	23.5
2017	20.4
2016	19.2

Definition

Capital expenditure on intangible assets (see Note 11 on page 82).

Performance

Capital expenditure was notably higher in 2019 due to the capitalisation of licence costs of GBP 14.9 million to enter the US market (predominantly Pennsylvania). The usual increase in investment regarding the development of the Group's platform, which enables the Group to deliver the best technology to our customers is also a factor.

1,603,903

Active customers in the last quarter of the year

2019	1,603,903
2018	1,568,574
2017	1,329,124
2016	1,150,027

Definition

An active customer is a customer who has placed at least one bet during the last quarter.

Performance

Despite a fall during 2019, growth of 2 per cent achieved compared with Q4 2018 supported by a focus on optimisation of marketing expenditure.

88%

Percentage of Kindred employees who say "Kindred is a Great Place to Work"

2019	88
2018	87
2017	82
2016	80

Definition

The result of this survey represents the degree to which employees believe that the Kindred Group has a good employee culture.

Performance

Creating a best-in-class employee experience continues to be a strategic focus across the Group. Achieving such a high score in 2019 is indicative of a strong culture in all locations, enabling high performance and continued business success.

Maintaining a strong culture ensures the Group attracts and retains the best talent. It also supports the continued successful integration of acquired companies. During 2019, strengthening the capability of our manager community has been a major focus.

- 2019 figures have been impacted by the adoption of IFRS 16, "Leases" and are therefore not directly comparable to comparative years. See Note 13 on page 85 for more information.
- The free cash flow comparatives used in calculating this metric have been restated. See Note 1B on page 70 for more information on this restatement.
- Refer to Note 29 on pages 94 and 95 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

Sustainability

Our ambitious sustainability strategy defines our sustainability priorities and sets our ambitions and commitments towards 2023 within our five priority areas: Responsible gambling, Maintaining integrity, Running a compliant business, Being Kindred and Contributing to our communities.

A successful business is a sustainable business

We believe a successful business is about future-proofing operations to generate profit and value for a long period of time. Sustainable business is about ensuring that profitability and sustainability exist in harmony. It means continual improvements and responsibility for our operations – and constantly striving for change for the better. We see great value in delivering sustainable growth and shared value for our customers, shareholders and the local communities around us. Our focus on driving a sustainable business ensures that we keep our legal and social licence to operate and maintain our customers' trust in a highly regulated and competitive industry. We are convinced that the lasting economic success of any company today is based on acting responsibly, engaging with communities and stakeholders and

ensuring high level of trust. Having healthy, long-lasting customer relationships and being a positive contributor to our surroundings offers a clear competitive advantage. By improving our competitive advantages and acting in a responsible way today, Kindred safeguards the ability to do good business tomorrow. We have set a high bar for our sustainability work, including long-term ambitions and a variety of activities over the coming years within our five priority areas: Responsible gambling, Maintaining integrity, Running a compliant business, Being Kindred and Contributing to our communities.

Sustainability is at the heart of Kindred's business operation and is embedded in our corporate strategy to become the number one operator across our markets. Our business is based on three pillars: "Always the best deal and product", "Licence to operate", and "Ability to

achieve results". These pillars are broken down into 11 focus areas. Kindred's sustainability strategy is focused on five priority areas where we know we can have an impact and create real value. These five priority areas are integrated into our business model.

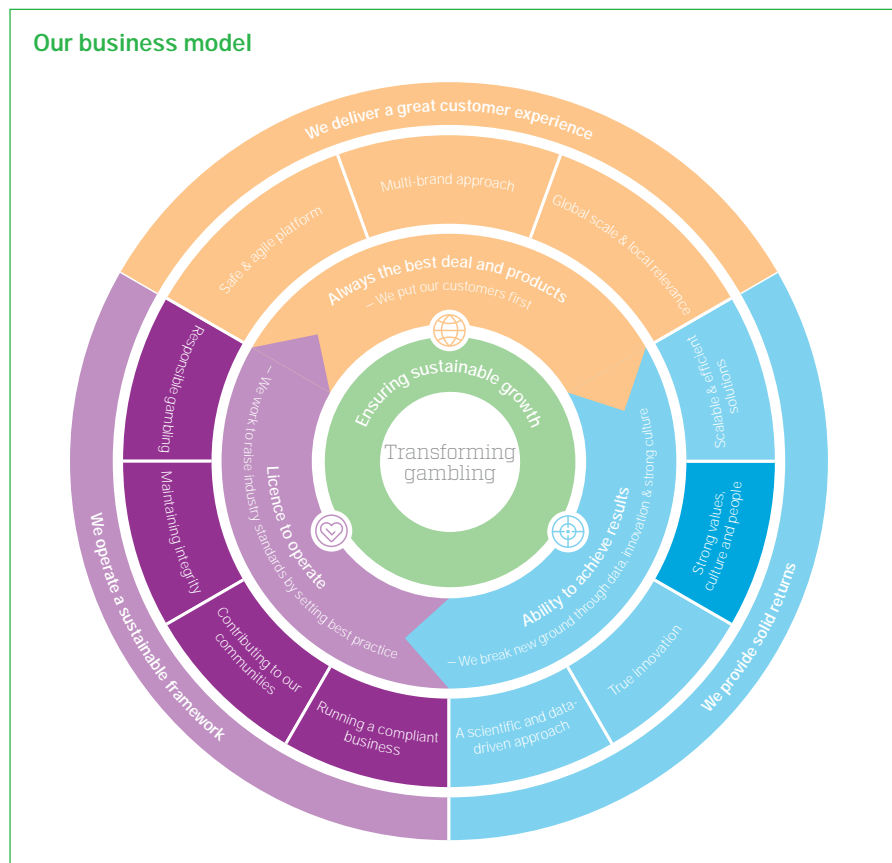
Collaboration between stakeholders to drive sustainable entertainment

We know we cannot reach our ambitions by working alone. We work with a wide range of stakeholders to deliver progress on our sustainability strategy, and we continue to seek partnerships and collaborate with experts. The ongoing dialogue with our stakeholders is vital to our success. Their opinions, requests and perspectives guide the choices we make in our effort to create a more sustainable business and industry.

In this Annual Report, we have provided an overview of sustainability in the Kindred Group. Separate to this report, the Kindred Group publishes a comprehensive 2019 Sustainability Report, copies of which are available on our corporate website, www.kindredgroup.com.



Our business model



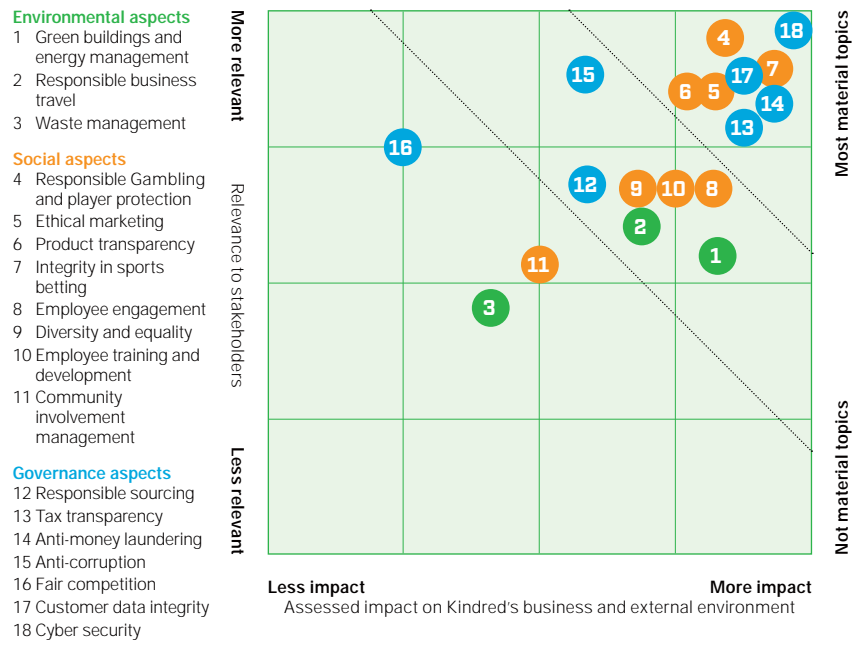
In 2017, we completed an extensive materiality assessment to help define and determine the business, social and environmental topics that matter the most to us and our key stakeholder groups. Below is an overview of the stakeholder groups that were engaged in the materiality assessment and the most material topics identified within each group.

In 2019, we continued to engage with our stakeholders to better understand their positions, explore how we can collaborate to improve our operations and get their views on how we can do more to create long-term value in a sustainable way. Our ongoing dialogue takes place in the shape of surveys, personal meetings, investor relations, social platforms, participations in industry seminars, through our customer support department and in online chat forums.

Our most material SDGs

The UN's Sustainable Development Goals (SDGs) are a collection of 17 global goals that form a blueprint for a better and more sustainable future by 2030. They call on governments, civil society, businesses and the general public to act to manage the challenges we face related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The goals are interconnected, and within each goal there are a number of targets and topics.

The matrix below charts the results of our evaluation of Kindred's sustainability impact, by assessing each factor in terms of both its importance to the various stakeholder groups and the impact of each factor on Kindred's business model and the external environment in which we operate.

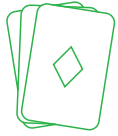


Three topics were considered as less material. While we still work on them, they are not covered in this report.

Priority areas					
Priority SDGs	3 GOOD HEALTH AND WELL-BEING	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8 DECENT WORK AND ECONOMIC GROWTH	3 GOOD HEALTH AND WELL-BEING
Supporting SDGs				4 QUALITY EDUCATION, 5 GENDER EQUALITY	1 NO POVERTY, 7 AFFORDABLE AND CLEAN ENERGY

Sustainability continued

Kindred's highlights and achievements in the year.



Responsible Gambling



11.5%

of our customers use non-mandatory control tools

76.8%

of our customers adopt healthier gambling behaviour after personalised Responsible Gambling messages

200

researchers, therapists, regulators, operators and other experts attended the Sustainable Gambling Conference

71%

of our customers deposit less after detection in PS-EDS

Read more on page 24



Maintaining integrity



95%

of our employees completed training on information security

92

vulnerabilities identified, resolved and remediated

20

sports betting events reported as suspicious



35 million

transactions on average per day

Read more on page 25



Running a compliant business

17

external audits with all open points closed



59%

gross winnings revenue is derived from locally regulated markets



13

local jurisdictions – all monitored through local authorities

Read more on page 25



Being Kindred



88%

of our employees feel that Kindred is a great place to work

1,666

employees

25,755

employee hours dedicated to training



59

nationalities represented in our employee group

Read more on page 26



Contributing to our communities



GBP 226m

total tax contribution

-11.4%

reduction in emissions per employee

100%

of our reported CO₂ emissions were offset

+85%

increase in employees using their extra paid leave for contributing to the local community

Read more on page 27

External accreditations:



MSCI AAA



Carbon Footprint

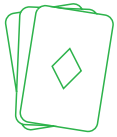


ESG Transparency Partner Nasdaq



CDP

Sustainability continued



Responsible Gambling

11.5%

of our customers use non-mandatory control tools

76.8%

of our customers adopt a healthier gambling behaviour after responsible gambling messages

200

researchers, therapists, regulators, operators, and other experts attended the Sustainable Gambling Conference

97%

of our employees completed training on responsible gambling

Gambling is entertainment. The clear majority of people enjoy our offering in sports betting, casino and games in the way it is intended.

Around 98 per cent of the people who gamble do so as a recreational activity. However, this means that we also have customers who do not use our products in the way they are intended to be used. For those customers, gambling is no longer entertainment and can cause harm to their physical, psychological, emotional and financial health, as well as to the people around them. We want customers to enjoy gambling as a form of entertainment. We have a responsibility as a gambling operator, and we are

committed to do all that we reasonably can to prevent and minimise harm caused by gambling and to help and support those who develop problematic and compulsive gambling behaviours. We believe that by working together, across gambling operators, regulators, treatment centres, reformed problem gamblers, researchers and other partners with responsible gambling ambitions, and by technological advancements we can make a difference and move towards an industry that offers customers true entertainment. Last year Kindred, as part of our vision to make gambling 100 per cent enjoyable, set an ambition to reach zero revenue derived from harmful gambling by 2023.





Maintaining Integrity

Kindred is dedicated to delivering a safe and secure platform where people can enjoy our gambling products.

We want our customers to experience a rewarding journey through our digital gambling platform and a crucial part of this is to provide the required levels of system and data security as well as a trustworthy gambling product. Maintaining integrity means ensuring that gambling is conducted fairly and openly, free from betting related corruption. The integrity of betting is important because of the significant risks that any compromise would pose to sport, its practitioners and fans, given its scale and popularity around the world. That is why our ambition is to always behave with integrity and fairness in everything we do, to ensure the trust of our customers, the regulators and society.

96%

of our employees completed training on GDPR

92

vulnerabilities identified, resolved and remediated

20

sports betting events reported as suspicious

11

employees appointed to be certified Privacy Champions



Running a compliant business

As a global Group operating in regulated markets, we need licences and appropriate authorisations to operate.

Kindred currently holds international gambling licences in Malta and Gibraltar and local licences in 13 jurisdictions, including Australia, Belgium, Denmark, Estonia, France, Germany (Schleswig-Holstein), Ireland, Italy, Romania, the UK, the USA (New Jersey and Pennsylvania) and Sweden, which are all monitored through local gambling authorities. In 2019, 59 per cent of our Gross winnings revenue was derived from locally regulated markets and the number is growing every year (2018: 43 per cent). Compliance is a prerequisite for our business, and we are subject to strict rules and provisions in the countries where we hold licences. With every local licence having its own specific legal, operational and commercial requirements, Kindred has invested heavily in compliance and governance functions over the years. We currently have 110 employees within our business working on this aspect of our operations. We govern our operations according to internationally recognised standards and our policies outline the way we conduct business in a responsible and transparent way. Our ambition is to ensure that in a highly regulated industry, our operations always continue to meet the highest professional, compliance and ethical work standards. During 2019, Kindred undertook 17 regulatory audits across all its licensed activities as required by the terms of its licences (2018: 21), with no failures in compliance noted.

17

external audits with all open points closed

59%

Gross winnings revenue is derived from locally regulated markets

337

suspected cases of money laundering raised by Kindred to authorities

Sustainability continued



Being Kindred

59
nationalities

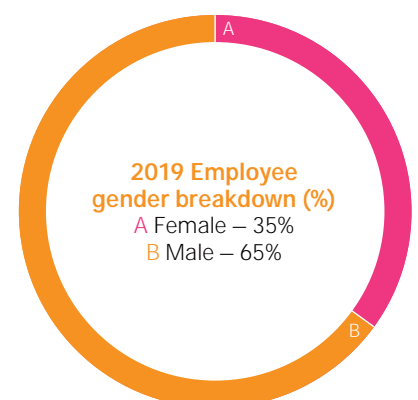
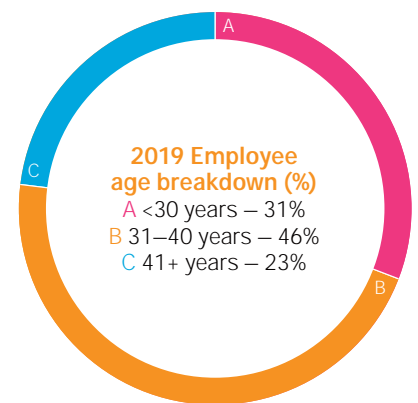
93%
of our employees feel they are treated fairly regardless of age, race, sexual orientation, disability, position or gender

980,657
share awards granted to our employees

Our people are our strongest assets and we rely on attracting and keeping top talent to deliver on Kindred's strategy for ensuring sustainable growth and profits.

A key element of this is to offer a best-in-class employee experience. We invest in building a great place to work through offering access to a great office environment, training and development of our employees, competitive benefits and great events for all employees. Kindred is a value-led community with a strong culture built on dedicated employees with diverse backgrounds. Our values play a leading role in creating the ground-breaking culture necessary for Kindred to be the number one operator across all markets.

Considering Kindred's significant growth, both in terms of people, products and geographical regions, we must always work actively to support and nourish our culture. We do that by helping employees feel and perform at their best at work. We regularly measure our employees' level of engagement and satisfaction to understand what supports our culture and what we should focus more on. Our long-term commitment is ambitious, but we have always strived for the best for our employees. Our ambition is to be one of the world's highest ranked companies within employee engagement.





Contributing to our communities

GBP

226m

generated to governments in tax (corporate taxes, VAT, betting duties).

-11.4%

reduction in emissions per employee

100%

of our reported CO₂ emissions were offset

+85%

increase in employees using their extra paid leave for contributing to the local community

Our long-term ambition is to equip our communities with the knowledge and resources to build a better future.

We do so by continuing to stimulate economic growth through innovation and by providing employment opportunities, by paying more taxes through further licensed jurisdictions, and by engaging in meaningful partnerships with local and global organisations. We are increasing our social engagement through additional partnerships and active sponsorships, as well as working towards securing 100 per cent of our purchased energy from renewable resources by 2023.

In Malta 32 employees used their company paid charity days to support the Richmond Foundation restore one of their facilities.

[Read more in our Sustainability Report](#)



Kindred Group CO₂ emissions

	Tonnes of CO ₂ e		
	2018/19	2017/18	2016/17 ¹
Scope 1 – Operation of site facilities (tonnes CO ₂ e)	36	38	51
Scope 2 – Grid electricity purchased (tonnes CO ₂ e)	2,521	2,428	2,481
Scope 3 – Indirect emissions including travel (tonnes CO ₂ e)	4,049	4,092	4,688
Total	6,606	6,558	7,220
CO ₂ e ratio (tonnes per employee)	3.97	4.48	5.38
CO ₂ e ratio (tonnes per GWR GBP million)	7.24	7.23	9.61

¹ Gibraltar (32Red) provided an updated electricity figure for 2016/17 since last year's appraisal, and this element was recalculated to account for the adjustment in the total figure.

Sports betting integrity at Kindred Group

Kindred sees match-fixing as a major threat to society.

Billions of people around the world enjoy participating in or consuming sport, and if the unpredictability of sporting events is taken away, this passion is in severe jeopardy. However, when betting-related match-fixing is introduced, it creates an increasing risk to our industry. If the honesty of a sporting event is lost, interest in our betting product is also lost, and eventually the whole sports entertainment chain may suffer.

Therefore, it is imperative for operators to show responsibility towards society and our industry and contribute to the fight against this problem. This can only be done by working closely together to promote regulated and healthy betting activities in order to combat match-fixing. Unattractive regulations increasingly channel betting activities outside a regulated system and thus increase the difficulty to combat match-fixing in an organised and efficient manner.

Kindred operates under the “See something, say something” approach. Suspicious betting activity will always be reported along three lines: to the relevant local authority, to the relevant sport governing body and to The International Betting Integrity Association (IBIA).

The IBIA, formerly known as ESSA, is the integrity body of the regulated betting industry and reports aggregated findings on suspicious betting events to regulators and sports governing bodies. The IBIA works closely with many of the world’s leading sport federations, such as the International Olympic Committee (IOC), FIFA and UEFA. Moreover, the IBIA has

signed Memoranda of Understanding with gaming regulators to make sure relevant intelligence is shared with the respective authorities as soon as possible. In 2019, 183 events were deemed to be suspicious and were reported to the authorities.

Together with the European Gaming and Betting Association (EGBA) and the Remote Gambling Association (RGA), the IBIA is in close cooperation with European Union (EU) Athletes, an independent athletes’ association representing over 25,000 professional athletes throughout Europe. A Code of Conduct and education programme co-financed by the European Commission has been established. Both initiatives help professional athletes and sports people understand and comply with the sports’ rules against match-fixing.

In September 2019, Kindred Group attended the annual IBIA Working Group, this time hosted by UEFA at their headquarters. In October 2019, Kindred Group was invited to the third edition of the International Forum for Sports Integrity, organised by the IOC.

In November 2019, Kindred Group hosted the quarterly meeting of the Sports Betting Integrity Forum, bringing together representatives from sports governing bodies, betting operators, sport and betting trade associations, law enforcement and gambling regulation, in order to co-ordinate the battle against match-fixing.

In December 2019, Kindred Group launched a partnership with the European Football for Development Network (EFDN), with the aim of promoting the power of

football as a tool for social development. As Community Partner, Kindred Group will work with EFDN on the Fair Sports 4 All project, which aims to educate professional football players on sports betting integrity in order to prevent match-fixing among the 70+ members of the EFDN community.

Monthly returns and tracking errors

The Group manages the risk of the Sportsbook by using in-house expert resources and its B2B provider Kambi Sports Solutions and maintaining a close working relationship with them. Kambi employs various risk management tools to assess and manage the risks. For example, to dynamically monitor the relative risk of the Sportsbook, it has risk tools and models normally used in the investment management industry.

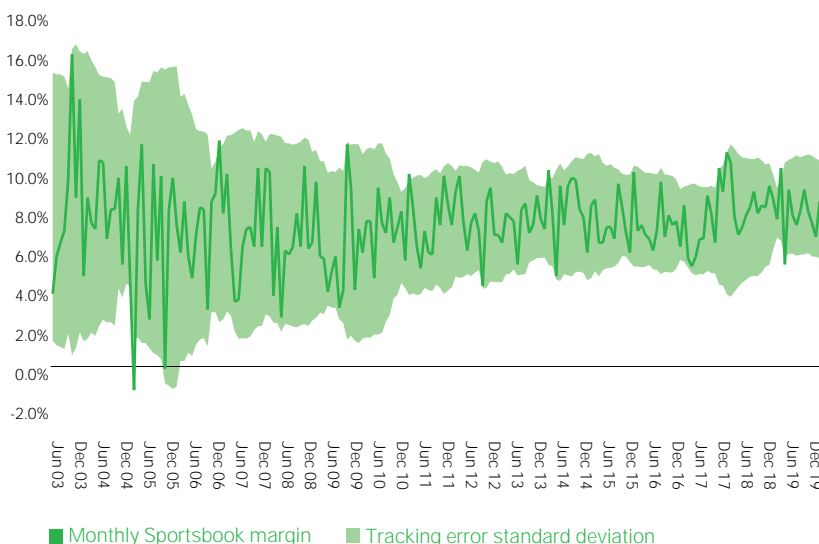
The chart on page 28 sets out the monthly return on the Sportsbook from mid-2003 to date (pre-game and live betting combined).

The two outside lines represent the upside and downside tracking error of this return, benchmarked against a long-term average return.

The tracking errors are measured by taking the standard deviation on the difference in return between the Sportsbook and the average return at a 95 per cent confidence interval. A 95 per cent confidence interval indicates that on average, for 19 months out of 20, the actual return should be between the two tracking error lines.

The chart below illustrates that over time the tracking error band has become narrower, indicating that the monthly margins have become more stable. One of the main contributors is the fact that the relative amount of live betting within the Sportsbook has increased, and live betting is more stable, although it has a lower margin.

Sportsbook monthly returns and tracking errors



■ Monthly Sportsbook margin ■ Tracking error standard deviation

Risk and risk management

As the industry is facing several uncertainties and challenges and as the Kindred Group has grown through the years in size and revenue, the importance of risk management is critical now more than ever. Uncertainty about future events is a natural feature of all business operations, and the Group has implemented a holistic risk management process to ensure that risk is managed proactively.

Risk governance

Kindred's Board of Directors has overall responsibility for the risk management process and risk governance. The Executive Management team, with the approval of the Board of Directors, is responsible for identifying, assessing and managing the risk within the Group.

The risk management oversight of risk is based on the following five principles:

Independence Responsible for assessing and monitoring risks across the Group, independently of the operating areas of the Group.

Prudential Management Responsibility covers all areas and assesses risk from a Group-wide perspective providing a consistent approach across all areas.

Business Activity Risk function should be consulted to review and assess risk.

Continuous Assessment Risk function reviews risk to account for changes in market circumstances and developments within the Group's operating areas.

Frequent Monitoring Risk function to monitor and liaise closely with 1st Line and 3rd Line Organisation.

The Risk Management and Internal Audit teams perform reviews of the effectiveness of the risk mitigation controls and report the results to the Audit Committee regularly.

The Kindred Group divides the principal risks into general risks and industry-specific risks.

General

- > Strategic
- > Operational
- > Financial (see Note 2C pages 75 and 76)
- > Compliance

Risk management process

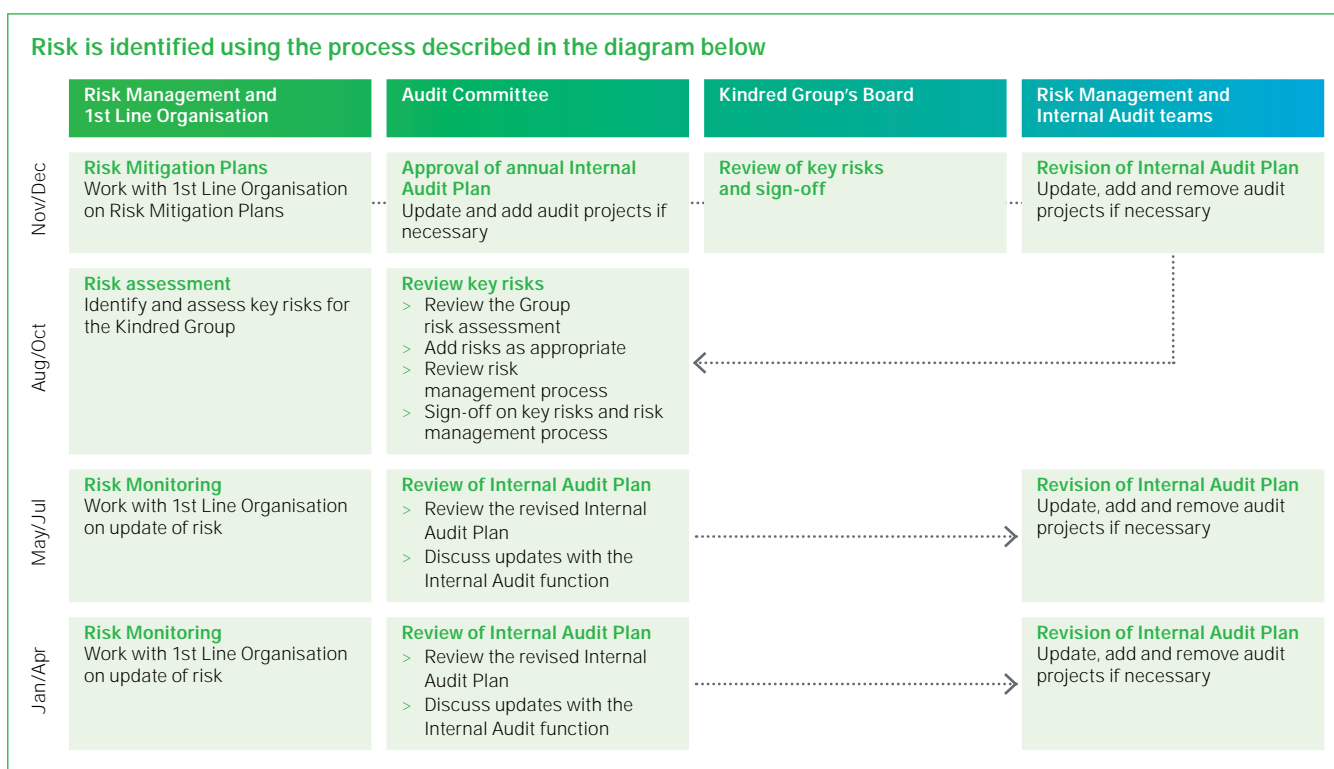
Kindred Group's risk management process stipulates that a risk assessment is conducted annually. During the second half of the year, the Risk Management function worked together with the business (1st Line and 3rd Line Organisation) to conduct a risk assessment across the Group and capture the relevant risks.

Several initiatives across the Group have been carried out to perform the risk assessment and to identify and assess the relevant risks. The data is captured and compiled into the risk report. The risk report is presented annually to the Audit Committee and the Board of Directors.

Each risk is assigned a 1st Line owner, and the owner has the responsibility to implement the mitigation strategy and to monitor the risk with assistance of the Risk Management function.

This enables the Group to:

- > Map and anticipate identifiable risks and regularly update assessments
- > Prioritise them against Group strategy and risk appetite
- > Allocate risk ownership
- > Develop and implement policies and mitigation plans
- > Communicate and embed key control objectives to 1st Line Organisation
- > Provide training and support, and regularly check the effectiveness of the process



Principal risks and uncertainties

The tables below presents some of the risks that could have implications for the Group's future development. The risks are not arranged by order of importance or potential financial impact on the Group's profit or financial position.

1. Strategic Risk

Risk	Mitigation
<p>Non-sustainable regulation If core, or new, markets establish a non-sustainable regulatory model with high taxes and/or significant product restrictions, it is hard to maintain a profitable business.</p>	<p>The Group maintains ongoing dialogue with regulators and policymakers in its core markets, providing input on new or updated regulation to help create a sustainable regulatory environment that is aligned to customer demand and the cross-border digital market reality. The Group's compliance with existing regulation is embedded in the wider organisation and tested regularly by external agencies.</p>
<p>Third party dependency Lack of control over availability of external suppliers gives rise to risk of either business disruption or sub-optimisation. As the industry evolves there is a risk of supplier concentration; if key suppliers acquire dominant or monopoly positions, that creates a risk of uncontrolled price increases.</p>	<p>The risk is mitigated by reducing dependency on single suppliers where commercially viable and working with multiple third-party suppliers. This allows the Group to mitigate the risks of suppliers failing to operate effectively.</p>

2. Operational Risk

Risk	Mitigation
<p>External security intrusion attempts Either as a result of a cyber-attack or internal security weakness, the Group's customer data, including sensitive data such as passwords and/or banking details, could leak into the public domain.</p>	<p>The Group in 2019 became ISO 27001 certificate compliant and will continue to improve its policies and procedures with technology advancements.</p> <p>The Group is committed to training and educating all employees as required.</p>
<p>Failure in recruiting or retaining key staff Failure to recruit or retain existing key staff will lead to difficulties in achieving the Group's objectives.</p>	<p>The Group identifies and monitors key staff and works hard to be an attractive employer to encourage key staff to stay. Succession planning is also performed for all key staff and functions.</p>
<p>Marketing restrictions The increase in marketing restrictions across channels in a number of jurisdictions makes it more difficult for the Group to promote its brands and product offerings.</p>	<p>While this relies on external factors and the Group is committed to being compliant, the Group has also taken the initiative to focus part of its marketing towards Responsible Gambling to raise awareness.</p>

<p>3. Financial Risk</p>	<p>Risk</p> <p>Foreign exchange The Group operates internationally and in addition to GBP, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona, Norwegian krone, Danish krone and Australian dollar. Certain events may have an effect on foreign exchange rates.</p> <p>Foreign exchange risk can arise through the Group's daily operations, as well as in respect of significant assets and liabilities including its credit facility when it draws down in currencies other than GBP.</p> <p>Odds/trade The risk that the Group will lose money on its business due to unfavourable outcomes on the events where the Group offers odds.</p>	<p>Mitigation</p> <p>The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.</p> <p>The Group also monitors key balances such as cash, customer balances and borrowings held in foreign currencies with the aim that this will provide a natural hedge against some foreign exchange risk. It also continuously forecasts its future cash flows and will aim to draw down in currencies where it believes that the potential translation gains and losses arising may be offset by future operational cash flows in the same currency.</p> <p>The Group has, via its in-house expert resources and its Sportsbook supplier Kambi, adopted specific risk management policies that control the maximum risk exposure for each sport or event on which the Group offers odds. The results of the most popular teams in the major football leagues comprise the predominant market risk. Through diversification, which is a key element of the Group's business, the risk is spread across a large number of events and sports.</p>
<p>4. Compliance Risk</p>	<p>Risk</p> <p>Corporate tax The Group operates in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different tax authorities towards transfer pricing for cross-border businesses.</p> <p>Regulatory compliance Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on the Group's results and additional costs may be incurred in order to comply with any new laws or regulations.</p>	<p>Mitigation</p> <p>Supervision of tax compliance across the Group is imperative. Engagement with tax advisers, industry peers and associations to be informed about new legislation and planning for mitigating risk deriving from such changes.</p> <p>The Group is fully committed towards compliance and implementing any changes as required on time. The Group also does mandatory training for all employees as part of our training and awareness campaign.</p>
<p>5. Industry-specific Risk</p>	<p>Risk</p> <p>Negative public perception Constant negative media attention towards the industry drives adverse policy decisions with stricter rules and/or increased enforcement.</p>	<p>Mitigation</p> <p>The Group continues its commitment towards open dialogue with regulators and its focus towards player safety and responsible gambling. More information can be found in the Group's Sustainability report.</p>

Financial review

Strong growth in Gross winnings revenue from regulated markets, while experiencing short-term pressures on EBITDA from regulatory headwinds and significant investments for the future.

Financial statements presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the Maltese Companies Act (Cap 386).

The new and amended standards and interpretations adopted by the Group during the year ended 31 December 2019 have not resulted in a material impact to the financial statements, except for IFRS 16 (adopted from 1 January 2019). For more information on the adoption of IFRS 16, see Note 13 on page 85.

The accounting policies as adopted in the published results for the year ended 31 December 2019 have been consistently applied, except where otherwise stated. Where relevant, certain additional information has been presented in compliance with the Nasdaq Stockholm requirements.

Overall Group performance

The Group's performance in the year is summarised in the table below. In 2019, EBITDA was down by GBP 74.7 million (-37 per cent) from the prior year to GBP 128.1 million and earnings per share was down by 57 per cent to GBP 0.250.

With continuing financial pressures from changes in the regulatory environment, including the introduction of Swedish regulation in 2019 and increasing restrictions in other markets (such as Norway and the Netherlands), the Group has experienced headwinds during the year which have impacted the overall results. Compared to 2018, the EBITDA from Sweden was down by GBP 45.4 million.

On top of this, the Group has invested significantly in the past year in both its employees (headcount increase of 14 per cent) and its infrastructure (new office locations opened during 2018 and 2019). There has also been significant investment to enter the US market, with a negative EBITDA from the US market of GBP 9.7 million for 2019, of which GBP 6.3 million related to marketing.

The negative impact from the US is as expected when launching into new markets and the Group is confident that in 2020, as the US business grows, the impact will reduce. While still focusing on building a scalable business model, the Group has also already started to implement several operational efficiency initiatives to ensure that the Group can deliver growth in both revenues and EBITDA in 2020 when compared to 2019.

As the Group operates in a range of currencies and reports in GBP, it is affected by changes in foreign exchange rates. During the year these changes resulted in a negative impact on Gross winnings revenue of GBP 12.0 million and a positive impact on EBITDA of GBP 3.0 million.

Gross winnings revenue

Total Gross winnings revenue in 2019 increased to GBP 912.8 (2018: GBP 907.6) million. Gross winnings revenue from Sports betting amounted to GBP 435.5 (2018: GBP 435.6) million for the full year 2019. Other products (Casino & Games, Poker and Other) saw Gross winnings revenue amounting to GBP 477.3 (2018: GBP 472.0) million for the full year 2019.

Gross margin on Sports betting and all products

The gross margin for total Sports betting in 2019 before Free Bets was 9.9 (2018: 10.1) per cent, and after Free Bets was 8.4 (2018: 8.6) per cent.

In recent years the typical average Sports betting margin for the Group has increased. This is generally because the French sports business has grown faster than the average growth for other markets and, like all operators, Kindred is required to cap pay-out to customers at 85 per cent. Sports betting gross margins can vary quite significantly from one period to the next, depending on the outcome of sporting events. However, it is expected that over time these margins will even out.

The gross margin for all products in 2019 before free bets was 5.1 (2018: 5.0) per cent. This can be seen in the graph on the next page.

GBP m	31 December 2019					31 December 2018				
	Nordics	Western Europe	Central, Eastern and Southern Europe	Other	Total	Nordics	Western Europe	Central, Eastern and Southern Europe	Other	Total
Sports betting	86.7	299.9	36.9	12.0	435.5	111.9	280.7	34.1	8.9	435.6
Other products – Casino & Games, Poker and Other	171.9	255.6	42.1	7.7	477.3	194.6	235.6	34.1	7.7	472.0
Gross winnings revenue	258.6	555.5	79.0	19.7	912.8	306.5	516.3	68.2	16.6	907.6
Betting duties	-23.6	-165.9	-10.1	-4.7	-204.3	-9.2	-138.7	-7.4	-3.4	-158.7
Marketing revenue share	-13.8	-27.3	-5.5	-2.2	-48.8	-17.4	-25.6	-5.5	-1.5	-50.0
Other cost of sales	-53.9	-77.8	-15.4	-4.0	-151.1	-60.7	-68.9	-15.0	-2.1	-146.7
Gross profit	167.3	284.5	48.0	8.8	508.6	219.2	283.1	40.3	9.6	552.2
Marketing costs					-210.9					-189.0
Administrative expenses					-219.0					-189.1
Items affecting comparability					-7.8					-18.1
Profit from operations					70.9					156.0
Profit before tax					67.1					149.5
Profit after tax					56.6					131.6
Earnings per share (GBP)					0.250					0.580

Cost of sales

Cost of sales includes betting duties, marketing revenue share and other cost of sales.

Betting duties for the full year 2019 amounted to GBP 204.3 (2018: GBP 158.7) million, an increase of 29 per cent from prior year. The increase in betting duties is impacted by the introduction of the gambling regulation in Sweden from 1 January 2019, changes in regulation in certain markets (such as the UK) which have increased betting duty rates during the year, as well as growth in turnover in markets (such as France) where betting duties are based on turnover and can thus be much more volatile in comparison to growth in Gross winnings revenue. This increase is supported by the increase in the percentage of Gross winnings revenue from locally-regulated markets from 43 per cent in 2018 to 59 per cent in 2019.

Marketing costs

During 2019, marketing costs were GBP 210.9 (2018: GBP 189.0) million. The growth in marketing costs during 2019 was in line with business expectations, driven by new costs in the year associated with the launch in the United States of GBP 6.3 million and continued scaled investment in our growing markets (such as the UK).

Administrative expenses

During 2019, total administrative expenses were GBP 219.0 (2018: GBP 189.1) million. This total includes:

- > GBP 96.1 (2018: GBP 83.4) million of employee costs. These costs have increased, as expected, from the prior year predominantly as a result of increasing staff numbers (from 1,465 employees at the end of 2018 to 1,666 employees at the end of 2019). This trend in employee numbers is not expected to continue following the implementation of cost effectiveness strategies across the Group in 2019 and through into 2020.
- > GBP 25.0 (2018: GBP 13.0) million of depreciation, with the increase from prior year relating to the additional charge on right-of-use assets of GBP 10.1 million as a result of the adoption of IFRS 16.
- > GBP 24.3 (2018: GBP 17.8) million of amortisation (excluding amortisation on acquired assets defined below in items affecting comparability). This primarily represents amortisation of capitalised development costs (representing salary costs for those working on the development and enhancement of the platform). The charge has increased from the prior year due to increased platform investment supported by increased headcount in the Groups' Tech teams.
- > GBP 73.6 (2018: GBP 74.3) million of other operating expenses. This comprises research and development expenditure, that is not capitalised, and other facilities' costs across the various Group locations. These costs have generally increased during the year due to increased employee numbers and the impact of office relocations during the previous and current year. Overall

the total has remained consistent because in 2018 this included GBP 9.3 million of rental costs which are no longer recognised in the income statement in 2019 as a result of the adoption of IFRS 16.

Note 4 in the financial statements on page 79 provides more analysis of administrative expenses, as well as items affecting comparability detailed below.

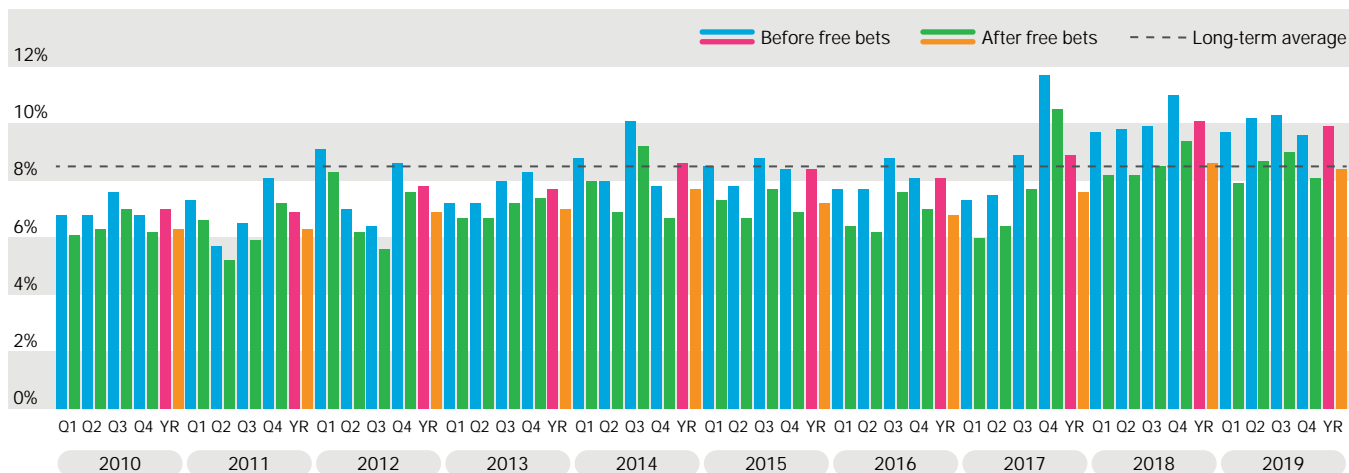
Items affecting comparability

The Group defines items affecting comparability as those items which, by their size or nature in relation to the Group, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparison of the Group's results between years. In 2019, items affecting comparability included:

- > management incentive costs of GBP 0.2 (2018: GBP 0.9) million relating to previous Group acquisitions;
- > personnel restructuring costs of GBP 1.7 (2018: GBP nil) million as a result of the Group implementing measures to improve cost efficiencies;
- > GBP 2.0 million, being the impairment of Betchoice goodwill, following the Group's assessment of the recoverable amount of the Betchoice cash generating unit (CGU) as being lower than its previous carrying value. This is a non-cash charge taken by the Group and has no impact on free cash flow available for dividends. For more information see Note 11 on page 82;
- > amortisation of acquired intangible assets of GBP 5.9 (2018: GBP 11.3) million, which is the charge on "IFRS 3 Business combinations" acquired assets over the useful economic life of the asset, included as part of the

Sports betting gross margin

2010-2019



Total margin all products

	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2019 FY	2018 FY	2017 FY	2016 FY
Total margin all products* (before free bets)	5.1%	5.1%	5.1%	5.0%	5.1%	5.0%	4.8%	4.7%

* Includes Sports betting and Casino & Games, but excludes Poker rakes and Other revenues.

Financial review continued

Group's total amortisation charge shown in Note 11; and

- > a foreign currency gain on operating items of GBP 2.0 (2018: loss of GBP 1.2) million.

Items affecting year-on-year comparison in 2018 were also affected by a non-cash amortisation charge of GBP 4.7 million as a result of the rationalisation of the Group's brands and the migration of acquired brands to the Group's platform.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2019 were GBP 128.1 (2018: GBP 202.8) million, a decrease of 37 per cent from the prior year. Profit from operations for the full year 2019 was GBP 70.9 (2018: GBP 156.0) million, a decrease of 55 per cent. The result was impacted by a number of items, as explained in the summary of the overall Group performance.

Net finance costs/income and foreign currency loss/gain on borrowings

Net finance costs (consisting of finance costs offset by finance income) amounted to GBP 6.6 (2018: GBP 4.2) million for 2019. This primarily comprises interest and fees on borrowings which amounted to GBP 5.4 (2018: GBP 4.6) million for 2019. For 2019, this also includes a new interest cost arising on the lease liabilities recognised as a result of the adoption of IFRS 16 of GBP 1.2 (2018: GBP nil) million.

The foreign currency gains and losses on borrowings relate to the revaluation of the Group's multicurrency facilities. For the full year 2019 this amounted to a gain of GBP 2.9 (2018: loss of GBP 2.0) million.

Profit after tax

Profit after tax for the full year 2019 was GBP 56.6 (2018: GBP 131.6) million, a decrease of 57 per cent.

Development and acquisition costs of intangible assets

Intangible assets comprise development costs, computer software and licences. In 2019, intangible assets of GBP 41.4 (2018: GBP 23.5) million have been capitalised.

The increase in 2019 results from the capitalisation of licence costs for entering the US market (New Jersey and Pennsylvania) amounting to GBP 14.9 (2018: GBP nil) million.

Capitalised development costs primarily represent capitalised salary costs for those working on the development and enhancement of the platform. In 2019, development expenditure of GBP 25.0 (2018: GBP 20.9) million was capitalised. During 2019, this development is driving

economic benefit through adapting to local licensing requirements, customer experience improvements, data analytics and information mining.

Balance sheet

The Group's strong balance sheet reflects both the Group's growth and its ability to manage working capital.

The most significant non-current assets on the Group's balance sheet are goodwill and intangible assets. Intangible assets comprise assets acquired as a result of business combinations (such as brands, customer databases and domain names) as well as capitalised development costs, computer software and long-term gaming licences. For further information on the movements in goodwill and intangible assets, see Note 11 on page 82.

For the first time, in 2019, right-of-use assets have been recognised on the balance sheet as a result of the adoption of IFRS 16, with assets of GBP 75.6 million recognised on initial adoption. During the year further additions of GBP 0.9 million were recognised in relation to new leases though overall the asset reduced as a result of the corresponding depreciation charge.

Following significant increases in 2018, property, plant and equipment has remained consistent with the prior year in 2019. This is due to the completion of office moves across many of the Group's locations in the previous year which had resulted in significant investment.

Aside from cash, the current assets on the balance sheet relate to other receivables, prepayments and taxation.

During 2019, amounts held in trust in respect of customers have been reclassified from trade and other receivables to restricted cash within cash and cash equivalents to better reflect the nature of these funds. This change means that the relevant balance sheet and cash flow comparatives have been restated. Comparative references below to these items have also been restated. For more information, see Note 1B on page 70.

Significant liabilities on the balance sheet include borrowings, lease liabilities, trade and other payables and customer balances.

During the year the Group entered into a new facility agreement with several Nordic banks. At 31 December 2019, GBP 225.4 (2018: GBP 194.3) million of the term and revolving facilities was utilised out of a total of GBP 280.0 (2018: GBP 224.2) million. See Note 19 on page 89 for more information. For more information on the movements in borrowings in the year, see the cash flow section below.

Lease liabilities have been recognised for the first time in 2019, following the adoption of IFRS 16. GBP 75.6 million was recognised on initial adoption, with the balance at the year end standing at GBP 65.0 million (primarily as a consequence of interest and principal repayments).

Trade and other payables amount to GBP 138.4 (2018: GBP 131.0) million at 31 December 2019, whilst customer balances amount to GBP 67.4 (2018: GBP 62.3) million (see Note 18 on page 88).

Cash flow

GBP 120.3 (2018: GBP 206.4) million in cash was generated from operating activities during 2019. The decrease is predominantly due to the decrease in profit from operations year-on-year by GBP 85.1 million.

Net cash used in investing activities amounted to GBP 64.4 (2018: GBP 54.8) million. As well as the new interest charge on the adoption of IFRS 16 of GBP 1.2 million, the levels of capitalisation of intangible assets and property, plant and equipment discussed above played a part in this increase.

Other significant cash movements in the year were:

- > A significant dividend of GBP 112.5 (2018: GBP 125.6) million paid to shareholders
- > Additional borrowings of GBP 130.0 (2018: GBP 112.0) million, and repayment of GBP 92.8 (2018: GBP 115.5) million of borrowings.

The Group's ability to generate strong operating cash flows, together with the option to utilise the facilities, gives flexibility for the Group to continue to consider a range of strategic opportunities.

Sensitivity analysis

The Group considers movements in the following factors to have the most impact on profit before tax (PBT).

Factor	% change	PBT impact GBPm
Gross winnings revenue	+/- 1	+/- 9.128
Administrative expenses	+/- 1	+/- 2.190
Marketing expenditure	+/- 1	+/- 2.597

Introduction to governance

The Group has three decision-making bodies in a hierarchical relationship to one another: the Shareholders' meeting, the Board of Directors and the Chief Executive Officer.

Shareholders' meeting and Annual General Meeting

The Shareholders' meeting is the Group's highest decision-making body and a forum for shareholders to exercise influence. The Shareholders' meeting can decide on any Group issue which does not expressly fall within the exclusive competence of another corporate body. In other words, the Shareholders' meeting has a sovereign role over the Board of Directors and the Chief Executive Officer.

According to the Swedish Corporate Governance Code, the control body is the statutory auditor, which is appointed by the Shareholders' meeting.

Each shareholder has the right to participate in the Shareholders' meeting and to vote according to the number of shares owned. Shareholders who are not able to attend in person can exercise their rights by proxy.

For more information about the 2020 AGM, see page 96.

Nomination Committee

The principal tasks of the Nomination Committee are to propose decisions to the Shareholders' meeting on election and remuneration issues of the Board of Directors and procedural issues for the appointment of the following year's Nomination Committee.

Regardless of how they are appointed, members of the Nomination Committee are to promote the interests of all shareholders. Members are not to reveal the content and details of nominations discussions.

Regular and systematic evaluation forms the basis for assessment of the performance of the Board and the Chief Executive Officer and for the continuous development of their work.

The Nomination Committee report can be found on page 44. The Nomination Committee's Motivated Opinions can be found on the Group's website www.kindredgroup.com.

Board of Directors

Kindred Group plc is incorporated and registered in Malta but listed on Nasdaq Stockholm and therefore has decided to apply the principles of the Swedish Corporate Governance Code. This states that a majority of the members of the Board are to be independent of the Group, its management and the Group's major shareholders. The Kindred Group's Board of Directors is composed entirely of Non-executive Directors, of whom the majority are independent. The Board is responsible for the Group's overall strategy and direction.

Remuneration Committee

The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board.

The Remuneration Committee report can be found on pages 51 to 56.

Audit Committee

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management and the appointment of statutory auditors. The role of the Committee is set out in its written Terms of Reference.

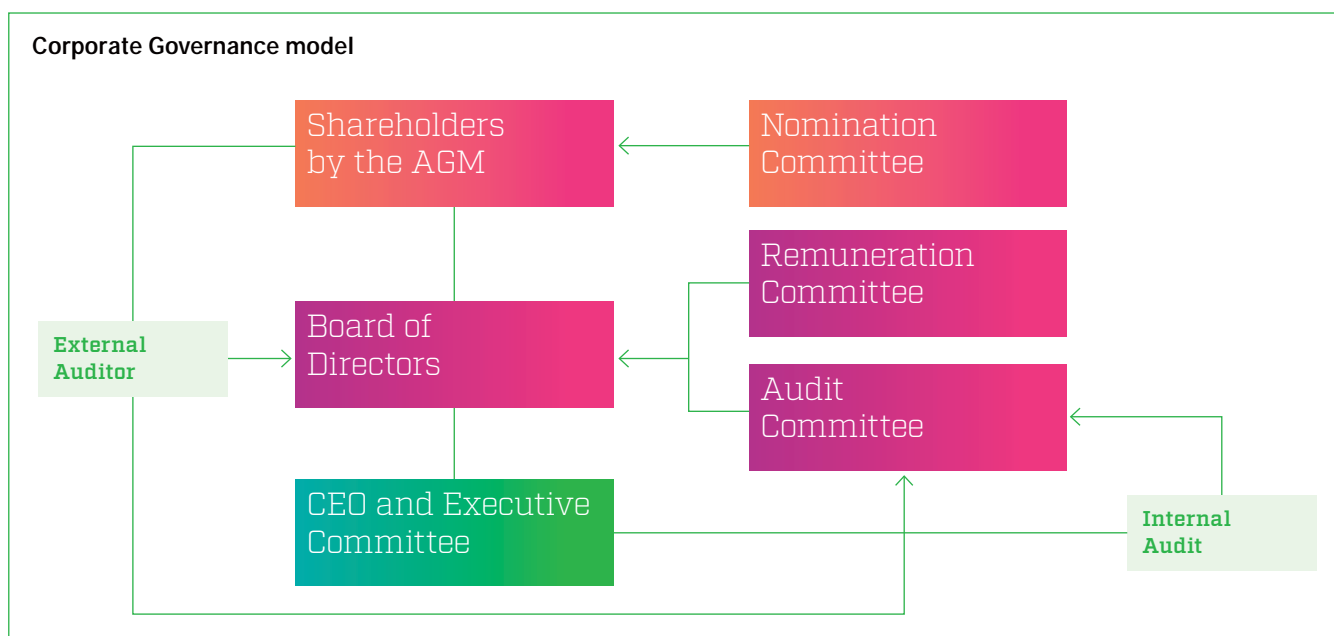
The Audit Committee report can be found on page 43.

Chief Executive Officer and Executive Committee

The Chief Executive Officer is responsible for the Group's day-to-day management together with the Executive Committee. The Executive Committee consists of the CEO and eight senior officers, of whom two are women.

Statutory auditor

The Group's statutory auditor is appointed by the Shareholders' meeting to examine the Group's annual accounts and accounting practices. The statutory auditor presents their annual audit report to the Audit Committee and the Board, as well as to the owners at the Annual General Meeting.



Board of Directors

An experienced team, committed to high standards of corporate governance.

The Kindred Group Board of Directors comprises an experienced team, committed to high standards of corporate governance in its management of the Group and its accountability to shareholders.

The mentioned Swedish Depository Receipt (SDR) holdings include personal holdings, family holdings and holdings through companies in which Directors have an interest, and are as at 28 February 2020.

All members, except Anders Ström, are independent of the Group, its management and major shareholders of the Group.



Anders Ström
Chairman of the Board

Swedish citizen. Born 1970. Founder of Kindred Group in 1997 and Board member since incorporation. Mathematics, Statistics and Economics studies at Karlstad University.

Current assignments

Board member of Veralda AB, co-founder of Kambi Sports Solutions in 2010 and Board member of Kambi.

Previous assignments

Head of Business Development at Unibet Group from 1999-2006 and CEO of Unibet Group from 1997-1999.

Holdings

6,214,200 Kindred Group plc SDRs (through company).



Hélène Barnekow
Board member

Swedish citizen. Born 1964. Board member since 2018. Independent.

Current assignments

Board Member of GN Store Nord A/S and CEO of Microsoft Sweden AB since 2018.

Previous assignments

CEO of Telia Sweden from 2015-2018 and CCO of Telia Company from 2014-2015. SVP Global Field & Partner Marketing of EMC from 2009-2014. Various positions with Sony Ericsson Mobile Communications from 2001-2009.

Holdings

4,500 Kindred Group plc SDRs.



Peter Boggs
Board member,
member of the
Remuneration Committee

US citizen. Born 1948. Board member since 2002. Independent. BA in American Studies from Washington College, Maryland, USA.

Current assignments

Board member of Ulpian Systems Ltd and Cantraybridge Trust.

Previous assignments

President and CEO of Grey Direct Worldwide from 1991-2002. Director of Ogilvy & Mather Direct Plc from 1985-1991. Managing Director of Brown Direct Inc from 1981-1985 and President and CEO of NDMS Inc from 1975-1981.

Holdings

138,990 Kindred Group plc SDRs.



Gunnel Duveblad
Board member,
Chairwoman of the
Audit Committee

Swedish citizen. Born 1955.
Board member since 2018.
Independent.

Current assignments

Chairman of the Board for HiQ International AB, Team Olivia Group AB, Global Scanning A/S and Ruter dam. Board member of Sweco AB and Dustin AB.

Previous assignments

President of EDS (North Europe) from 2002-2006 and various roles at IBM from 1977-2002.

Holdings

8,000 Kindred Group plc SDRs.



Erik Forsberg
Board member,
member of the
Audit Committee

Swedish citizen. Born 1971.
Board member since 2019.
Independent.

Current assignments

Independent adviser and Director of Stillfront Group (publ).

Previous assignments

CFO of Intrum (publ) from 2011-2018, CFO of Cision (publ) from 2008-2011 and Business Area CFO and Group Treasurer at EF Education Group from 2001-2008.

Holdings

5,000 Kindred Group plc SDRs.



Stefan Lundborg
Board member,
Chairman of the
Remuneration Committee

Swedish citizen. Born 1965.
Board member since 2010.
Independent.

Current assignments

Board member of G5 Entertainment AB (Publ), Safirab AB and LOX Container Technology AB. Chairman of the Board at Enklare Ekonomi Sverige AB and Note Design Studio.

Holdings

537,600 Kindred Group plc SDRs.



Carl-Magnus Månsson
Board member,
member of the
Remuneration Committee

Swedish citizen. Born 1966.
Board member since 2019.
Independent.

Current assignments

President and CEO of Acando AB since 2009.

Previous assignments

A number of global roles within Ericsson AB and Board member at Asiakastiето Group plc.

Holdings

10,000 Kindred Group plc SDRs.

Executive Committee

Kindred Group's Executive Committee consists of the CEO and eight senior officers; six male and two female.



The Chief Executive Officer is responsible for the Group's day-to-day management, together with the Executive Committee.

1. Henrik Tjärnström CEO

Swedish citizen. Born 1970. MSc in Industrial Engineering and Management from the Institute of Technology, Linköping University, Sweden.

Senior Financial Manager at Skanska Infrastructure Development AB 2001-2008. Member of the Kindred Group Board of Directors 2003-2008. CFO of Kindred Group 2008-2010. CEO since 2010.

Holding: 1,749,036 Kindred Group plc SDR and 147,240 Performance Share Rights.

2. Albin de Beauregard Chief Financial Officer

French citizen. Born 1978. Master's degree in Finance and Accounting from Ecole Supérieure de Commerce et de Management, a French 'Grande Ecole'.

After various positions in finance in the Bouygues Group, Albin joined Eurosportbet as CFO in 2009 and, when the Kindred Group acquired Eurosportbet in 2011, he was appointed CFO in France for the Group until 2014 when he moved to London to take the role as Strategic Finance Projects Manager and subsequently Head of Internal Audit. Albin was appointed CFO of the Kindred Group in 2016 and, following his resignation, left the Group in February 2020.

Other assignment: Non-executive Director, Relax Gaming Ltd.

Holding: 7,041 Kindred Group plc SDR and 76,157 Performance Share Rights.

3. Britt Boeskov Chief Experience Officer

Danish citizen. Born 1978. Master's degree in Management from Copenhagen Business School.

Britt joined Kindred Group as a management trainee in 2005, and has served on the Executive Management team since 2008. Since 1 January 2019 she has led Kindred Group's customer centric efforts as Chief Experience Officer. Previously, she managed Kindred Group's online and mobile gambling products, and led strategic and transformational change for the Group.

Holding: 24,163 Kindred Group plc SDR and 76,157 Performance Share Rights.

4. Marcus Smedman Chief Technology Officer

Swedish citizen. Born 1969. Studied Electronics and Computer Science at Uppsala University.

Marcus has been a part of the Kindred Group since 2011. Since then he has held various roles as Team Leader, Head of Development Australia and Head of Development Global. In January 2015, Marcus was appointed CTO responsible for Kindred's Tech strategy and operations globally. Marcus has worked in the IT industry since the mid-1990s, working as a Java developer, team lead, development manager and more.

Holding: 11,875 Kindred Group plc SDR and 76,157 Performance Share Rights.

5. Rhodri Darch Chief Commercial Officer Region 2

British citizen. Born 1978. BSc from the University of Birmingham.

Rhodri has worked in the online gambling industry since 2006 and has been a part of the Kindred Group since 2009 when he joined as Head of Payments. Rhodri was appointed Chief Programme Officer in 2010 and Chief Strategy Officer in 2014. Since 1 January 2019 he has been Chief Commercial Officer for Region 2. He has extensive experience with web and mobile product development, innovation research and delivery, customer experience, customer intelligence and corporate strategy. Before entering the gambling industry, Rhodri was a Captain in the British Army for six years.

Other assignment: Non-executive Director, Qlk. to Ltd.

Holding: 22,665 Kindred Group plc SDR and 78,039 Performance Share Rights.

6. Fredrik Kjell Chief Product Officer

Swedish citizen. Born 1981. BSc in Software Engineering & Technology and MSc in Intellectual Capital Management at Chalmers University of Technology, Sweden.

Fredrik has 11 years' experience in the online gambling industry, with eight years spent on the B2B side, before joining Kindred Group in January 2016. Fredrik's previous roles include Head of Poker at Ogame, Director of Product at Amaya (now The Stars Group), and Commercial Manager at NYX Gaming Group. Within Kindred Group, Fredrik held the position of Head of Gaming before being appointed Chief Product Officer.

Other assignment: Non-executive Director, Relax Gaming Ltd.

Holding: 1,948 Kindred Group plc SDR and 56,982 Performance

7. Gavin Hayward Chief HR Officer

British citizen. Born 1964. Higher National Diploma in Business and Finance, and a Post Graduate Diploma in HR Management from Manchester University.

Gavin has over 30 years of HR experience gained in a variety of sectors. Gavin was appointed CHRO of the Kindred Group in 2012. Before joining the Kindred Group, Gavin was part of Siemens plc over a period of 10 years. He has worked at board level within multisite and multinational organisations and has worked with HR management at both strategic and operational level. Gavin is a Fellow of the Chartered Institute of Personnel and Development.

Holding: 17,288 Kindred Group plc SDR and 76,157 Performance Share Rights.

8. Anne-Jaap Snijders Chief Commercial Officer Region 1

Dutch citizen. Born 1971. Master of Science in Economics, specialisation Marketing.

Anne-Jaap has worked over 20 years in sports, media and online gambling. In 2008, he joined Kindred Group to work as Marketing Manager for Western Europe. Furthermore he has been General Manager for Belgium, Germany, Romania and Australia. Anne-Jaap is based in Malta.

Holding: 7,490 Kindred Group plc SDR and 61,806 Performance Share Rights.

9. Elena Barber Chief Marketing Officer

Russian and British citizen. Born 1983. Degree in Marketing and Advertising from the International Academy of Business and Management in Moscow.

Elena has worked in the online gambling industry for over 14 years. Having held a number of key marketing positions, she now leads Kindred's Global Marketing Services team. Elena joined Kindred Group in 2010, and prior to her appointment as Chief Marketing Officer she led Kindred's Central Brand Marketing function.

Holding: 360 Kindred Group plc SDR and 35,589 Performance Share Rights.

The mentioned Swedish Depositary Receipt (SDR) holdings include personal holdings and family holdings as at 28 February 2020

Corporate governance statement

Kindred Group plc is the parent company of the Group, incorporated and registered in Malta and listed on Nasdaq Stockholm through Swedish Depositary Receipts (SDRs) issued by Skandinaviska Enskilda Banken AB (publ).

Foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden are required to apply either the Swedish Code of Corporate Governance or the corporate governance code in force in the country in which the company has its registered office.

If the Group (including the Company) does not apply the Swedish Code, it must include a statement describing in which important aspects the Group's conduct deviates from the Swedish Code.

The Kindred Group's Board of Directors decided from the first listing date at the Nasdaq Stockholm, as far as is practical, to apply the principles of the Swedish Code.

The following statement on pages 40 to 44 has not been audited.

The Board of Directors

The Board of Directors and the management of the Kindred Group are structured in accordance with the European two-tier system, with a Chief Executive Officer (CEO) who is subordinate to the Board of Directors, which is in turn elected at the Annual General Meeting (AGM).

The following Directors elected at the AGM on 14 May 2019 served during the year and subsequently, unless otherwise stated:

Anders Ström
Chairman

Hélène Barnekow
Non-executive

Peter Boggs
Non-executive

Gunnel Duveblad
Non-executive

Erik Forsberg
Non-executive

Stefan Lundborg
Non-executive

Carl-Magnus Månsson
Non-executive

The emoluments and interests of the Directors are shown on pages 54 and 56.

The Kindred Group's Board of Directors is collectively responsible for the success of the Group and for its corporate governance and aims to provide entrepreneurial leadership of the Group within a framework of prudent and effective financial controls that enable risk to be assessed and managed.

As outlined on pages 36 and 37, the Board comprises the Chairman and six Directors. The Swedish Code identifies the fundamental importance of independent Non-executive Directors in ensuring the objective balance of a Board, and sets out criteria to be considered in determining the independence of Non-executive Directors. In accordance with Provision 4.4 of the Code, the Board considers the Non-executive Directors Hélène Barnekow, Peter Boggs, Gunnel Duveblad, Erik Forsberg, Stefan Lundborg and Carl-Magnus Månsson to be independent of the Group, its management and the Group's major shareholders. Anders Ström is Chairman of the Board and is also a member of the Board of Kambi Group plc. Brief résumés of the Board members can be found on pages 36 and 37.

To ensure effectiveness, the Board's composition brings together a balance of skills and experience appropriate to the requirements of the business. The composition of the Board and recommendations for the appointment of Directors are dealt with by the Nomination Committee and its activities are set out on page 44.

The Board is responsible to the shareholders for the Group's overall strategy and direction.

The Chief Executive Officer is responsible for the Group's day-to-day management.

The working procedures of the Board of Directors

The Board has written Terms of Reference for its ways of working. A formal schedule sets out those matters specifically reserved for the Board and its Committees. Those matters include decisions on Group strategy and direction including budget, acquisitions, disposals and joint ventures, capital structure, material contracts, corporate governance and Group policies.

At least once a year, the Board reviews the relevance and appropriateness of the Terms of Reference and the reporting structure and instructions.

The Terms of Reference also address Board policies and procedures in relation to conflicts of interest that may arise in relation to any Director, including the timely disclosure to the other Directors of any potential conflict of interest. A Director who has an interest that may be in conflict with the interest of the Company may not participate in the Board's handling of the matter, meaning that they may not participate in the voting, nor be present at the meeting during such agenda item or participate in the Board's deliberations. Such Director shall be considered absent when determining whether the Board is quorate.

The Board also has a process for approval of related parties' transactions in accordance with the new EU Shareholders Rights Directive "SRD II".

The Board has a standard agenda, including receiving and considering reports from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) and from the Audit and Remuneration Committees. Where appropriate, matters are delegated to the Audit and Remuneration Committees and reports on their activities are included within this corporate governance statement.

Chairman's responsibilities

The Chairman is responsible for: the leadership of the Board; setting its agenda and taking full account of the issues and concerns of Board members; ensuring effective communication with shareholders; taking the lead on Director induction and development; encouraging active engagement by all Directors; and ensuring that the performance of individuals and of the Board as a whole, and its Committees, is evaluated regularly – usually once a year.

The Chairman ensures that the Board is supplied with accurate, timely and clear information. Directors are encouraged to update their knowledge and familiarity with the Group through meetings with senior management. There is an induction process for new Directors.

The Company Secretary together with the Head of Investor Relations is also responsible for advising the Board, through the Chairman, on all corporate governance matters. Directors are encouraged to seek independent advice or training at the Group's expense where this will add to their understanding of the Group and in the furtherance of their duties.

At least once a year, the Board of Directors will review the strategy and visit some of the Group's office locations. The Board has a short meeting without the CEO or CFO at each Board meeting.

The Board of Directors has adopted written instructions for the CEO. The roles of the Chairman and the CEO have been established in writing to ensure the clear division of responsibilities and this has been agreed by the Board.

At least once a year the Board reviews the relevance and appropriateness of the instructions to the CEO.

The Board's work during 2019

The Board and its Committees usually meet every second month throughout the year. The number of Board and Committee meetings attended by each of the Directors during the year can be seen in the table below.

At all meetings, the CEO reports on the business developments within the operations. The General Counsel reports on legal trends in the gaming market and the Group Head of Risk reports annually on the risk aspects of the business. Annually, the Head of Internal Audit reports to the Board concerning key findings and recommendations developed in the year. Members of the Executive Committee and other senior managers attend meetings to update the Board on their areas of responsibility and to discuss future plans.

The key points at the Board meetings in 2019 were matters related to innovation, information technology, product management, strategy and business plan, budgets, forecasts, key policies and the new regulations in Sweden, the Netherlands and in the USA. To more closely monitor the development in the USA, the Board has appointed Peter Boggs and Gunnel Duveblad to its US Committee.

Sustainability perspective

The Board of Directors has established relevant guidelines for the Group's sustainability, with the aim of ensuring its long-term capacity for value creation. Sustainability for the Kindred Group has a number of different aspects:

- > Responsible Gambling
- > Maintaining integrity
- > Running a compliant business
- > Being Kindred
- > Contributing to our communities

Corporate policies in each area have been approved by the Board.

On the Executive Committee, the Chief HR Officer has executive responsibility for sustainability. Sustainability is a regular agenda item for the Audit Committee, allowing both for potential changes in policy or relevant regulation to be reviewed along with specific projects and initiatives.

The Board receives regular updates through the Audit Committee reports to the Board, together with an annual review of policies.

For more information about how the Kindred Group considers sustainability, please refer to pages 20 to 27 and the separate Sustainability Report for 2019.

Evaluation of the Board of Directors

In accordance with Provision 8.1 of the Code, the Board has a process to formally evaluate its own performance and that of its Committees. The performance of the Board and its Committees has been the subject of Board discussion, led by the Chairman, to consider effectiveness against performance criteria and potential risks to performance. The evaluation is conducted in co-operation with the Nomination Committee, which holds individual interviews with Board members.

The performance evaluations of the Board have been structured in such a way to ensure a balanced and objective review of Directors' performance. Following this performance review, the Chairman is responsible for ensuring that the appropriate actions such as training are taken.

This evaluation has been reported to the Nomination Committee and also helped them in identifying Board performance, competence, industry and international experience, diversity and expertise.

The Board monitors potential conflicts of interest very closely and has implemented controls and policies to avoid conflicts of interest involving any of the Group's Directors. These controls ensure that any Director with a potential conflict of interest does not participate or vote in key decisions impacting the Group. Read more under the heading "The working procedures of the Board of Directors" on the previous page.

Remuneration and Directors' and Officers' liability insurance

The Annual General Meeting establishes the principles and the maximum amount of the Board of Directors' fees. A Director can, during a short period of time, supply consultancy services, but only if this is more cost-effective and better than any external alternative. Any such consultancy fee is disclosed in the Remuneration Committee report on page 54. None of the Board of Directors hold share awards issued by the Group. The Kindred Group has taken out Directors' and Officers' liability insurance for the full year covering the risk of personal liability for their services to the Group. Cover is in place for an indemnity level of GBP 5 million in aggregate.

	Board ¹	Audit Committee	Remuneration Committee
Number of meetings held during the year	20	6	4
Name			
Anders Ström, Chairman	20 / 20	–	–
Kristofer Arwin ²	5 / 8	2 / 2	–
Hélène Barnekow ³	13 / 20	3 / 5	–
Peter Boggs	17 / 20	–	4 / 4
Gunnel Duveblad	20 / 20	6 / 6	–
Peter Friis ²	2 / 8	–	–
Erik Forsberg ⁴	12 / 12	4 / 4	–
Stefan Lundborg	19 / 20	–	4 / 4
Carl-Magnus Månsson ⁴	10 / 12	–	2 / 2

1 The Board meetings tabled above consist of physical Board meetings and meetings held via conference call. The Board holds quarterly calls to review and approve the results of the Group and receive reports from the Audit Committee.

2 Kristofer Arwin and Peter Friis resigned from the Board of Directors at the 2019 AGM in May.

3 Hélène Barnekow left the Audit Committee on 30 October 2019 due to other commitments.

4 Erik Forsberg and Carl-Magnus Månsson were appointed to the Board of Directors at the 2019 AGM in May.

Corporate governance statement continued

Communication with owners and investors

In the interests of developing a mutual understanding of objectives, the Head of Investor Relations has met regularly with owners and institutional investors to discuss the publicly disclosed performance of the Group and its future strategy. Institutional investors have also been able to meet the CEO, the CFO, line managers and other key persons of the Group.

The Board is kept informed of shareholder views and correspondence. Corporate and financial presentations are regularly made to fund managers, stockbrokers and the media, particularly at the announcement of interim and year end results. Links to webcast presentations are published on the Group's website. All shareholders are invited to attend the AGM, where they have the opportunity to put questions to the Directors, including the Chairpersons of Board Committees and to the CEO.

AGM procedures

At the AGM, separate resolutions are proposed for each substantially different issue to enable all of them to receive proper and due consideration. Each proposed Director is voted for individually and the Kindred Group has a proxy voting system enabling shareholders who are unable to attend the AGM in person to use their voting power. Notice of the AGM and related papers are posted on the Group's website between four and six weeks in advance of the meeting. Further information on the activities of the Group and other shareholder information is available via the Kindred Group's corporate website, www.kindredgroup.com.

AGM attendance

At the AGM held on 14 May 2019, the Chairman, all members of the Board, the CEO, all members of the Nomination committee and the statutory auditors were present.

The Board of Directors' report on internal control over financial reporting for the financial year 2019

Introduction

According to the Maltese Companies Act (Cap 386) and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been prepared according to the Swedish Code of Corporate Governance Provisions 7.4 and is accordingly limited to internal control over financial reporting. This report, which has not been reviewed by the auditors, is not part of the formal financial statements.

Description

a. Control environment

The Directors have ultimate responsibility for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

b. Risk assessment

The Executive Committee is responsible for reviewing risks, and for identifying, evaluating and managing the significant risks applicable to their respective areas of business. Risks are reviewed and assessed on a regular basis by the CEO, the CFO, the General Counsel, the Group Head of Risk, the Head of Internal Audit, the Audit Committee and the Board. The effectiveness of controls is considered in conjunction with the range of risks and their significance to the operating circumstances of individual areas of the business.

c. Control activities

The Board is responsible for all aspects of the Group's control activities.

The Audit Committee assists the Board in its review of the effectiveness of internal controls and is responsible for setting the strategy for the internal control review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within the Group, and the work of the General Counsel, the Group Head of Risk and the Head of Internal Audit.

Working throughout the Group, the role of the General Counsel, the Group Head of Risk and the Head of Internal Audit is to identify, monitor and report to the Board on the significant financial and operating risks faced by the Group to provide assurance that it meets the highest standards of corporate governance expected by its stakeholders.

d. Information and communication

The Board receives regular formal reports from the Executive Committee concerning the performance of the business, including explanations for material variations from expected performance and assessments of changes in the risk profile of the business that have implications for the system of internal control. In particular, the Board receives direct periodic reports from the General Counsel, the Group Head of Risk and the Head of Internal Audit.

The Board also takes account of the advice of the Audit Committee, reports received from the external auditors, and any other related factors that come to its attention.

e. Monitoring

Further information concerning the activities of the Audit Committee in relation to the monitoring of the Kindred Group's internal controls, including the review of the financial reports published quarterly and reports from the internal audit function, is contained in the Audit Committee report on the following page.

On behalf of the Board

Malta, 6 March 2020

Anders Ström

Chairman and Director

Gunnel Duveblad

Director

Statement of Compliance with the Swedish Corporate Governance Code

No separate auditors' report on the corporate governance is required under the Maltese regulations since the Corporate Governance statement is being prepared in line with the principles of the Swedish Code.

With the exception of the matters noted above, the Directors confirm that they are in compliance with the Swedish Code of Corporate Governance.

Audit Committee report

The Audit Committee (“the Committee”) advises and makes recommendations to the Board on matters including financial reporting, internal controls and risk management, and also advises the Nomination Committee on the appointment of auditors. The role of the Committee is set out in its written Terms of Reference.

The Committee met six times during the year and currently comprises two independent Non-executive Directors: Gunnel Duveblad and Erik Forsberg. Hélène Barnekow left the Committee on 30 October 2019. The Committee is chaired by Gunnel Duveblad who has extensive management and financial expertise from international businesses and as Chairwoman in other listed companies. Where appropriate, the Committee consulted with the Chairman of the Board, the CEO and the Chief Financial Officer (CFO) regarding their proposals. The statutory auditors, PricewaterhouseCoopers (PwC) attended three of the meetings.

Responsibilities include monitoring the integrity of the financial statements of the Group. During the year, the Committee reviewed the Group’s financial statements and formal announcements relating to the Group’s financial performance before their presentation to the Board. In doing so, it considered accounting policies, areas of judgement or estimation, reporting requirements, as well as matters brought to its attention by the external auditors. A formal risk management report is presented by the Group Head of Risk to the Audit Committee and is reviewed by the Board.

Accounting and key areas of judgement

The main areas considered by the Committee in relation to 2019 are set out below:

Impairment assessment of goodwill

As a result of previous acquisitions, the Group has significant goodwill and other intangible assets with indefinite lives which need to be reviewed annually for impairment.

Management’s assessment resulted in the decision to impair the carrying value of the goodwill arising on the acquisition of Betchoice by GBP 2.0 million. For the remaining cash-generating units no indicators of impairment were identified this year following the impairment assessment. The Committee considered the assessment performed

by management and the work done and the conclusions reached by the statutory auditor in this area as part of their audit. The Committee is comfortable with the position taken by management and the sensitivity analysis disclosed.

Tax

The Committee received regular updates from management on indirect tax and corporation tax as well as the judgements exercised in arriving at the effective corporation tax rate, recognition of corporation tax credits and the deferred tax recognised and disclosed. The Group operates in multiple jurisdictions and is subject to different national tax laws and regulations. The Committee discussed the key judgements in relation to the tax position taken and the basis on which deferred and current tax was recognised or disclosed. The Committee also considered the work done by management and assisted by external advisors and experts along with the conclusions reached by PwC in this area as part of their audit and is comfortable with the position taken by management.

Compliance with laws and regulations

Compliance with laws and regulations in the online gaming industry has become increasingly complex given that the regulatory, legislative and fiscal regimes are territory specific and continue to evolve.

The Committee evaluated the control environment and risk management processes in place to comply with licensing regulations, responsible gambling and anti-money laundering obligations. The Committee reviewed the Group’s reports on litigation matters provided by management and discussed with them the implications for the business and the financial impact. The Committee discussed with PwC its work in respect of this area and is comfortable with the position taken by management and the accounting treatment of these matters in the financial statements.

Internal control and internal audit

The Committee is responsible for reviewing the Group’s systems of internal control and risk management and its sustainability practices. It receives reports from the CFO, with whom the results are discussed on a regular basis. The Committee is also responsible for the Group’s whistle-blowing procedure, “Speak Up!”, which is a safe, independent and confidential website managed by a third party supplier.

The Internal Audit department resides within the Corporate Office but reports to the Audit Committee. The Head of Internal Audit has at all times direct access to the Audit Committee. The Internal Audit function acts as an independent function that intends to evaluate and improve the effectiveness of risk management, control and governance processes. Its work is performed in accordance with International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors. The Audit Committee agrees the scope of Internal Audit work and receives reports on completed reviews. During the year, the Internal Audit department provided assurance on operational, financial and compliance matters, on the roll-out of key systems across the business, monitored a Brexit readiness assessment and implemented a new whistle-blowing portal which was rolled out across the business in May 2019.

Senior management is responsible for addressing and remediating any recommendations suggested by the Internal Audit department. The Audit Committee also evaluates the performance of the Internal Audit function. The Committee remains satisfied that the controls in place, and the review process overseen by the CFO, the Group Risk function and the Head of Internal Audit, are effective in monitoring the established systems.

Statutory audit and other services

The Committee is responsible for making recommendations to the Nomination Committee in relation to the appointment of external auditors, monitoring their independence and objectivity, and for agreeing the level of remuneration and the extent of non-audit services.

During the year, PwC Malta and PwC LLP UK, reported to the Committee on their audit strategy and the scope of audit work. The Committee has reviewed the performance of the external auditors and the level of non-audit fees paid during the year. These are disclosed in Note 4 on page 79. The provision of non-audit services must be referred to the Committee where it is likely to exceed a pre-determined threshold. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

Corporate governance statement continued

Nomination Committee report

The main responsibility of the Nomination Committee is to submit proposals to the AGM on electoral and remuneration issues of the Board of Directors and, where applicable, procedural issues for the appointment of the following year's Nomination Committee.

The Nomination Committee, which is independent from the Board, reviews the structure, size and composition of the Board and is responsible for identifying and nominating candidates to fill Board vacancies as and when they arise. The Nomination Committee is guided by the Swedish Corporate Governance Code to lead the process for Board appointments and make recommendations to the AGM thereon and has written Terms of Reference to lead the process for Board appointments and make recommendations.

In its evaluation of the Board, the Committee holds individual interviews with the Board members. In 2019, the Nomination Committee also used an independent consultant to evaluate the Board as input for the review.

In its assessment of the Board's evaluation, it has given particular consideration to the requirements regarding breadth and versatility of the Board, as well as the requirement to strive for gender balance. The view of the Nomination Committee is that the composition of the Board should reflect the different backgrounds and areas of expertise that are required for the implementation of the Kindred Group's strategy in an international, highly complex and shifting legal environment with high demands on player safety and responsible gaming. The Nomination Committee is of the opinion that diversity is important in order to achieve a well-functioning composition of the Board of Directors and an extra effort has been put into finding a composition of the Board with more diversity, especially with respect to gender. In line with this intention to over time establish a gender balance and also to manage an appropriate rotation of the Board, the Nomination Committee is shortlisting appropriate, preferably female, candidates with sector experience for the coming year's Committee work.

The Nomination Committee met four times for the 2019 AGM. At the AGM on 14 May 2019, it was decided that the Nomination Committee for the 2020 AGM shall consist of not less than four and not more than five members, of which one should be the Chairman of the Board.

The Nomination Committee for the 2020 AGM consists of Evert Carlsson from Swedbank Robur Fonder (Chairman), Ossian Ekdahl from Första AP-fonden, Markus Iwar from Bodenholm, Cecilia Marlow from Nordea Fonder, and Anders Ström, Chairman of the Board of Directors. The Committee held three meetings in which minutes were taken for the 2020 AGM.

Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 51 and 56.

General legal environment

Regulatory headwinds and adverse policy developments structurally changing the course of the industry.

The year 2019 was a turning point for the online gambling sector: negative public perception towards the industry, often driven by integrity and consumer protection concerns, has triggered adverse policy changes and a multitude of additional regulatory restrictions in several European member states. New rules and requirements on advertising and bonuses, verification processes and customer profiling, in particular affordability checks, have been introduced in several markets and clearly underlined a common trend of regulatory maturation. It has become increasingly clear that operators are more than ever expected to develop, roll-out and consistently apply far-reaching sustainability strategies, putting the customer at the heart of their operations, across all levels of the organisation. Other European member states, including the Netherlands and Germany, have taken significant steps towards local regulation with the Senate approval of the Remote Gambling Bill and the ratification of the Third Amendment to the Interstate Treaty on Gambling respectively. It is clear that the European industry is entering an important decade which will further sculpt the sector landscape, its competitiveness and its drive for tech and innovation.

2019 was equally the year of new opportunities with several US states jumping on the post-PASPA wagon and introducing online sports betting and/or casino regulations. With the award of its licences in the states of New Jersey and Pennsylvania, Kindred entered the US market in support of its global long-term strategy to operate in locally-regulated markets.

Following the May 2019 elections, the new College of European Commissioners started its 5-year mandate on 1 November 2019. Key focus areas are digitalisation and ensuring that European rules are better implemented and enforced. The roll-out of a Digital Services Act (including binding rules for content moderation and enforcement to safeguard the protection of minors), a regulatory framework for Artificial Intelligence, a Financial Services cyber security act and digital tax will all be part of the European priorities and could have a significant impact on the online gambling industry.

Following the entry into force of the 5th EU Anti-Money Laundering (AML) Directive, the European Commission published its second supranational risk assessment for cross-border activities on 24 July 2019. The Commission maintained its risk assessment that online gambling should be qualified as level 3 (high-risk exposure to money laundering risks) but acknowledged the mitigating efforts undertaken by the online gambling industry to tackle money laundering. The 6th EU Anti-Money Laundering (AML) Directive, which removes obstacles to cross-border judicial and police co-operation, must be transposed by member states by 3 December 2020.

The OECD continued its review of the international tax system to address the tax challenges of the digitalisation of economy, working towards a global tax framework. Simultaneously, the European Commission stalled any unilateral EU action until the OECD reaches a consensus solution by the end of 2020. Several European Member States have introduced national Digital Services Tax for online advertising, search engines and multi-sided platforms.

The Netherlands

On 19 February 2019, the Senate adopted the primary bill on remote gambling, three years after the approval by Parliament, jointly with four non-binding political motions. One of the motions, the so-called motion "Postema", introduced a cooling-off period banning online operators from actively targeting Dutch customers during a two-year period prior to licensing. The Dutch regulator further interpreted the motion as continuous compliance with the existing prioritisation criteria for the provided period and is expected to integrate it into its wider policy in 2020. On 15 November 2019, the Minister in charge of gambling stated that the primary bill on remote gambling will enter into force on 1 January 2021. With the licensing process expected to take up to 6 months, the remote gambling market is thus expected to open on 1 July 2021. The Minister stated that a full marketing ban or additional restrictions are not part of the current agenda but will be evaluated after market opening. In order not to jeopardise the ability to obtain a remote gambling licence in 2021, all operators have had to implement

stringent age verification measures from 1 January 2020 before customers can gain access to their services. Kindred was the first operator to implement the Dutch banking verification solution, iDIN. Following the public consultation on the secondary regulations conducted in the summer of 2019, general Parliamentary debates were held on 27 November 2019 and 11 December 2019. Secondary legislation was adopted subject to a number of new motions, including an extension of the watershed for TV advertisement.

Similar to other major operators, Kindred was fined EUR 470,000 by the Dutch regulator on 2 August 2019 for violating the 1964 Gambling Act by having its services available to Dutch customers. Kindred has paid the fine in full.

Belgium

Following the partial annulment of the Gambling Act by the Constitutional Court due to a found discrimination between offline and online gambling linked to the cumul of online gambling licences on multi-product websites, the Council of State has annulled the online licences of various key operators in the Belgian market. These licences were ultimately re-awarded by the Belgian Gaming Commission to ensure continuity of the legal offer. Kindred's online games licence (B+) was annulled in March 2019 and its games offer was subsequently taken offline; a new licence application is currently pending. Kindred is closely monitoring the continuity of its remaining online licences to safeguard the channelisation success of the Belgian market and the related protection of Belgian customers.

After the publication of the Royal Decree introducing advertising restrictions and gameplay limits for online gambling and betting on 25 October 2018, Kindred has amended its advertising campaigns and operations to comply with the new rules. In the meantime, some of the rules have been annulled by the Council of State, or are expected to be further clarified and finetuned in 2020.

General legal environment continued

Sweden

Following the adoption of the Swedish gambling bill in June 2018, the Swedish Gambling Act came into force on 1 January 2019 following which Kindred launched five branded websites under its Swedish commercial online casino and sports betting licences. Overall, 69 entities have been granted online licences by the Swedish regulator. Kindred successfully completed the mandatory technical audit on 28 June 2019 and continues to conduct ongoing compliance monitoring, system improvements and training to avoid any regulatory issues.

The Swedish regulator has come down hard on enforcement and has issued various decisions for bonus violations and for offering betting on events involving under 18s sports. These instances have resulted in warnings and fines for several operators and one licence has been revoked. Several operators have appealed the regulator's decision and the Administrative Court in Sweden is expected to deliver its judgements in 2020. Kindred was subject to an investigation for offering betting on a football match involving under 18s played in April 2019, but the regulator dismissed the matter in October 2019. To avoid further issues with the interpretation of the rules, the Swedish industry trade body, Branschföreningen för Onlinespel (BOS), has requested regulatory guidance on the permissibility and scope of campaigns and competitions.

Norway

The volatile enforcement climate set by the Norwegian Gaming Authority (NGA) towards payment service providers (PSPs) continued throughout 2019. In May 2019, the NGA was granted additional powers to block payment transactions from 1 January 2020 onwards. In March 2019, Norway published a draft law proposal granting the Norwegian Media Authority the power to issue orders to stop the marketing of illegal gambling services transmitted from abroad by television or audio-visual media. There is strong public opposition from media companies and the broadcast industry, and the proposal is expected to be debated in Parliament in 2020. No material local regulation changes are expected before the September 2021 general elections and Kindred's primary focus remains on initiating a policy shift towards future licensing.

On 5 April 2019, the NGA ordered Kindred to cease and desist from providing services in Norway without a Norwegian licence. Kindred appealed the decision and continues to contest the grounds and the enforceability of the NGA's decision as there is no ban on Norwegians participating in foreign gambling activities pursuant to the fundamental freedom to purchase cross-border services within the European Economic Area.

In the complaint made by the European Gaming and Betting Association (EGBA), of which Kindred is a member, to the EFTA Surveillance Authority against the payment blocking measures a final outcome is awaited.

France

Following the adoption of the PACTE law by the National Assembly on 23 May 2019, the French Government initiated the privatisation of La Française des Jeux on 7 November 2019, with the government aiming to sell down its stake in La Française des Jeux from 72 per cent to 20 per cent when the shares began trading on 21 November 2019. A government ordinance was published on 3 October 2019, granting La Française des Jeux the right to organise online RNG games under its monopoly, which will likely include online casino. Two decrees regarding the state control over La Française des Jeux and further detailing the perimeter of La Française des Jeux's exclusive rights were published on 18 October 2019. As there is a risk that La Française des Jeux will be allowed to offer online casino games under its monopoly, receive a tax break for its land-based sports betting monopoly and benefit from more flexible rules on age verification and self-exclusion checks, the Government ordinance and both decrees are being challenged before the Council of State.

In July 2019, the Parliament adopted a new tax regime for online sports betting from 9.3 per cent on turnover to 54.9 per cent on GGR from 1 January 2020. The tax for retail sports betting is significantly lower (41 per cent GGR), which raises questions from a state aid point of view.

Great Britain

In April 2019, the Gambling Commission (GBGC) launched the new National Strategy to Reduce Gambling Harms, a three-year strategy focused on reducing gambling harms. The GBGC's current focus evolves around implementing more stringent requirements for identifying, interacting and analysing potential problem gambling. Further regulatory changes are expected in 2020, as well as a governmental review of the 2005 Gambling Act, likely in relation to the management of high-value customers, affordability checks, financial limits, social responsibility and responsible games design. A ban on the use of credit cards will enter into force in April 2020.

Several licensees, including Kindred (Unibet, June 2019) entered into voluntary regulatory settlements for social responsibility and money laundering issues. See page 56 for more information. Kindred continues to strengthen its internal compliance function and implemented new technology and improved processes to continually improve the management of problem gambling and AML/CTF risks.

Denmark

The Danish regulator continued its strong regulatory focus on responsible marketing, including (free) bonus offers, and problem gambling prevention throughout 2019. A new code of conduct, which puts increased emphasis on responsible gambling was developed by the Danish trade association DOGA and came into force on 1 July 2019.

In December 2019, the Ministry of Taxation announced that it would raise online gambling taxation from 20 per cent on GGR to 28 per cent on GGR from 1 January 2021, in a bid to generate new tax revenue.

A Supreme Court decision was issued in January 2020 in Kindred's appeal against the December 2017 Court of Appeal ruling in a case initiated by a Danish customer. The Supreme Court concluded in a full and final ruling that Kindred fully complied with its duty of care in accordance with the Danish gambling legislation and did not act in any way that made it liable for the customer's losses.

Finland

Following the April 2019 Parliamentary elections, no material policy changes to the existing monopoly landscape are expected in the near future. This was also confirmed in the report published by the Finnish Competition and Consumer Authority on 24 October 2019 concerning the options of gambling organisation, regulation and control. The report is the first part of the Authority's larger project, which will be published in early 2020. The Authority clearly stated that it wants to improve the current regime before investigating a licensing model and suggests improving the supervision of Veikkaus and changing the involvement of beneficiaries. The recent criticism against Veikkaus from the Prime Minister and the Finnish Competition and Consumer Authority for lack of supervision and the prevalence of gambling problems might nevertheless put further pressure on the monopoly model.

Germany

Following the March 2019 Ministerial approval of the third amendment to the Interstate Treaty on Gambling which extends the current "interim regime" to June 2021, both the EU and Malta filed comments against it. The Treaty was ratified by all the Länder in December 2019 and subsequently entered into force. Under the third amendment, a national sports betting licensing process is to be organised in January 2020 (without a restricted number of licences) but the existing restrictions in terms of live betting, advertising and monthly stake limits will remain in place as well as the online casino ban. While it is expected that online sports betting licences will be granted in 2020, it remains unclear whether they will be operational or subject to legal challenges.

A number of key German states continue to argue in favour of a more modern approach for online gambling after June 2021, with a comprehensive overhaul of the German regime, including a realistic regulation of online casino games, live betting and a more tailored approach to consumer protection. A modified proposal for a new gambling regime, set to enter into force on 30 June 2021, which includes online casino but remains subject to severe restrictions, was presented in January 2020 and awaits political approval.

USA

Following the repeal by the U.S. Supreme Court in May 2018 of the Professional and Amateur Sports Protection Act (PASPA), the federal law that banned the expansion of sports betting, Kindred launched its US venture and shortly after entered into a partnership with Hard Rock Hotel & Casino Atlantic City for the offer of online casino and sports betting in New Jersey. On 28 May 2019, Kindred was awarded a transactional waiver by the New Jersey Division of Gaming Enforcement and Casino Control Commission and launched its online casino on 2 June 2019. Online Sportsbook followed on 10 September 2019.

Kindred also entered into an agreement with Mohegan Sun Pocono in Pennsylvania on 25 January 2019 covering online and offline sports betting and online gaming. On 10 July 2019, Kindred was awarded a conditional online casino and Sportsbook licence by the Pennsylvania Gaming and Control Board. Kindred launched its retail sportsbook on 27 September 2019 in the Mohegan Sun casino. Kindred launched its online Sportsbook and casino on 12 November 2019.

On 11 February 2020, Kindred announced that it had signed agreements with Caesars Entertainment that provide Kindred with market access in Indiana and Iowa, and potentially additional states, to operate both online sports betting and online gaming pending passage of applicable laws and the parties obtaining all necessary gaming licenses. The agreements provide Kindred, under the Unibet brand, immediate access to pursue licensing in Indiana and Iowa over a ten-year period, marking Kindred's third and fourth states in the US.

Kindred is a member of the American Gaming Association, the Sports Wagering Integrity Monitoring Association (SWIMA) and holds an executive board membership at the online industry's trade body, iDEA.

Shares and share capital

Kindred Group plc's issued share capital as at 31 December 2019 comprised 230,126,200 ordinary shares each with a par value of GBP 0.000625. All ordinary shares carry equal voting rights and rights to share in the assets and profits of the Group.

Listing of Swedish Depository Receipts

Kindred Group plc (the Company) is listed on Nasdaq Stockholm through Swedish Depository Receipts (SDRs) issued by Skandinaviska Enskilda Banken AB (publ). One SDR represents one ordinary share. On 8 June 2004, the SDRs were listed on the O-list of the Stockholm Stock Exchange (Stockholmsbörsen). From 1 January 2016, the SDRs have been listed on the LargeCap part of the Nordic List at the Nasdaq Stockholm. The trading symbol is KIND SDB and the ISIN code is SE000 787 1645. The Kindred Group has a liquidity guarantee agreement with Carnegie Bank AB.

Dividend policy

The dividend policy is to pay a dividend and/or execute share purchases of up to 50 per cent of the Group's free cash flow available for dividends (defined as cash flow from operations, adjusted for movements in working capital, capital investments, tax payments and certain items affecting comparability).

In addition to the dividend described above, which would normally be in the form of annual cash dividends, the Board can also decide to distribute one-off dividends or execute share purchases,

where management and the Board consider that the Group has generated surplus cash that it does not require either to fund its normal operations, acquisitions or other corporate development projects. When considering both regular and one-off distributions, the Board will take into account the overall cash requirement to ensure that an appropriate capital cash structure is maintained.

Dividend for 2019

The Board of Directors has recommended a dividend of GBP 0.176 (2018: GBP 0.496) per share/SDR, which is approximately SEK 2.20 with the exchange rate 12.496 GBP/SEK at 11 February 2020. This will be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM) the dividend will be paid on 19 May 2020 and 19 November 2020. In 2018, the total dividend of GBP 0.496 was paid in two equal instalments. The first of SEK 3.07 (GBP 0.248), was paid out from Euroclear on 21 May 2019. The second instalment of SEK 3.09 (GBP 0.248) was paid out on 21 November 2019. The proposed dividend amounts to a total proposed distribution of GBP 39.9 (2018: GBP 112.5) million, which is 79 (2018: 75) per cent of the Group's free cash flow available for dividends for 2019.

The Board has reviewed the projected cash requirements for 2020 and is proposing to increase the dividend for this year above 50 per cent of free cash flow available for dividends. This is in line with the dividend policy to distribute surplus cash.

No dividend will be paid on the shares/SDRs held by the Company following the share purchase programme (2018: nil).

Share purchase programme

At the AGMs from 2007 to 2019, the shareholders approved a share purchase programme authorising the Board to acquire GBP 0.000625 ordinary shares/SDRs in the Company. The maximum number of shares/SDRs that can be acquired under these approvals was 23,012,620 in line with the conditions laid out for the share purchase programme that it must not exceed 10 per cent of the total number of shares issued by the Company at the time of approval. Under these approvals, 297,900 shares/SDRs were acquired by the Company during 2007, 387,717 were acquired during 2011, 2,400,396 shares/SDRs were acquired during 2016 and 1,500,000 shares/SDRs were acquired during 2018. In 2019, 307,614 (2018: 264,559) of the shares/SDRs held by the Group were used in connection with the Group's share plans. The number of issued shares at 31 December 2019 was 230,126,200 of which 3,226,521 are held by the Company, representing 1.4 per cent of the total number of shares.

Ten-year summary ¹	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Equity per share GBP	1.017	1.269	1.296	1.058	0.926	0.889	0.881	0.791	0.788	0.627
Diluted equity per share GBP	1.009	1.262	1.291	1.056	0.924	0.874	0.863	0.785	0.703	0.627
EBITDA per share GBP	0.565	0.893	0.792	0.527	0.337	0.513	0.283	0.235	0.215	0.195
Earnings per share GBP	0.250	0.580	0.516	0.366	0.244	0.414	0.179	0.142	0.159	0.144
Diluted earnings per share GBP	0.248	0.576	0.513	0.365	0.239	0.405	0.177	0.141	0.159	0.144
Unrestricted cash per share GBP ³	0.306	0.425	0.441	0.168	0.200	0.162	0.098	0.072	0.063	0.050
Cash flow per share GBP ³	-0.122	0.002	0.289	-0.012	0.086	0.075	0.023	0.040	0.021	0.004
Dividend per share GBP	0.176 ²	0.496	0.551	0.310	0.235	0.205	0.138	0.088	0.073	0.053
Return on average equity %	27	53	51	42	30	49	24	21	26	26
Equity: assets ratio %	29	39	41	54	53	70	68	64	68	65
Number of shares at year end	230,126,200	230,126,200	230,126,200	230,126,200	230,117,040	228,303,600	226,264,976	226,210,128	226,064,304	226,064,304
Diluted number of shares at year end	231,864,044	231,434,971	231,022,348	230,520,323	230,575,697	232,254,904	230,924,080	227,907,536	226,341,096	226,150,168
Average number of shares	226,669,514	227,043,853	227,652,726	229,096,939	228,237,047	225,668,296	223,679,136	223,181,208	223,365,280	224,497,960
Average number of diluted shares	228,384,165	228,348,308	228,712,559	229,737,902	232,806,853	230,422,080	226,646,096	224,108,648	223,365,280	224,707,480

1 All pre-2016 comparatives have been restated according to the 8:1 share split to enhance comparability of per share metrics.

2 Proposed.

3 In 2019, a reclassification was made which resulted in the restatement of cash and cash equivalents for comparative years. See Note 1B on page 70 for more information on this restatement. In the table above, the 2019 figures have been impacted by this reclassification but the comparatives have not been restated and thus these metrics are not directly comparable.

The Board can either cancel the shares (requiring further shareholder approval), use them as consideration for acquisitions, or issue them to employees under a share award programme.

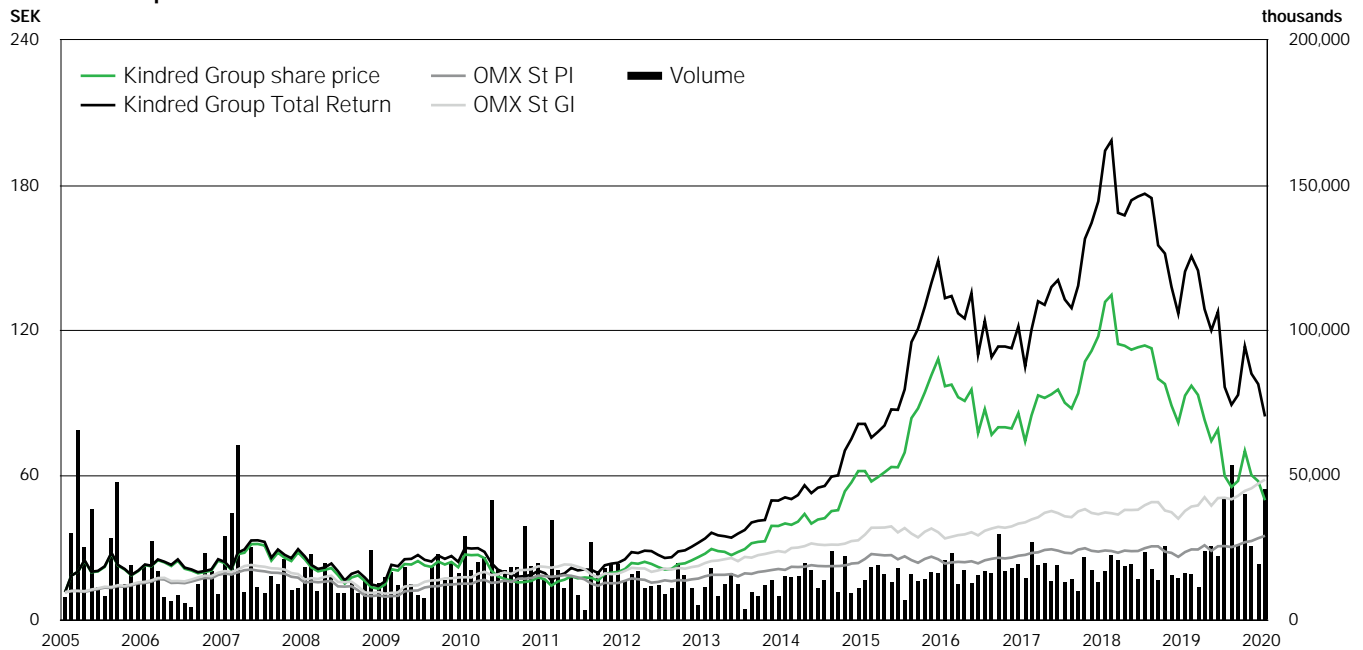
Share price performance

Kindred Group plc's SDRs ended the year at SEK 57.36 having started the year at SEK 81.60. The lowest price during the year was SEK 48.02 and the highest price was SEK 104.45. As at 31 December 2019, Kindred Group plc had a market capitalisation of approximately SEK 13.2 billion, equivalent to GBP 1.08 billion (2018: SEK 18.8 billion equivalent to GBP 1.6 billion).

Trading volumes

In 2019, there were 868,633 trades in Kindred Group plc's SDRs, representing a total value of SEK 22.4 billion.

Kindred Group



Share capital development

The development of the Company's share capital since the Group's reorganisation carried out on 1 November 2006 is shown in the following table. At an EGM on 18 December 2015, shareholders approved to subdivide the shares effective on 30 December in a share split 8:1 to 230,117,040 shares with a nominal value of GBP 0.000625. As at 31 December 2019, the total number of ordinary shares was 230,126,200.

Transaction	Year	Issue price	Change in number ordinary shares	Total number ordinary shares	Par value per share GBP	Increase in share capital GBP	Share capital GBP
Issued in Group reorganisation	2006	—	21,841,092	28,241,092	0.005	109,205.46	141,205.46
Exercise of share options	2009	12.16	16,946	28,258,038	0.005	84.73	141,290.19
Exercise of share options	2012	13.99	10,000	28,268,038	0.005	50.00	141,340.19
Exercise of share options	2012	14.59	750	28,268,788	0.005	3.75	141,343.94
Exercise of share options	2012	14.05	478	28,269,266	0.005	2.39	141,346.33
Exercise of share options	2012	13.99	7,000	28,276,266	0.005	35.00	141,381.33
Exercise of share options	2013	12.72	6,856	28,283,122	0.005	34.28	141,415.61
Exercise of share options	2014	13.01	2,729	28,285,851	0.005	13.65	141,429.26
Exercise of share options	2014	13.81	15,814	28,301,665	0.005	79.07	141,508.33
Exercise of share options	2014	12.70	8,186	28,309,851	0.005	40.93	141,549.26
Exercise of share options	2014	14.86	228,099	28,537,950	0.005	1,140.50	142,689.76
Exercise of share options	2015	17.95	225,680	28,763,630	0.005	1,128.40	143,818.16
Exercise of share options	2015	15.74	1,000	28,764,630	0.005	5.00	143,823.16
Share split 8:1	2015	—	201,352,410	230,117,040	0.000625	—	143,823.16
Exercise of share options	2016	17.95	9,160	230,126,200	0.000625	5.73	143,828.89

Shares and share capital continued

Dialogue with capital markets

The Kindred Group's Investor Relations policy focuses on conducting a dialogue with representatives from the capital markets, aimed at increasing interest in Kindred Group plc's shares/SDRs among existing and potential investors by providing relevant, up-to-date and timely information.

Investors are provided with clear information about the Group's activities with the aim of increasing shareholder value. The Group strives to ensure good access to such information for capital markets, notably through presentations in Stockholm and London, and through roadshows in other European countries, as well as Australia and the USA.

On the Kindred Group's corporate website, www.kindredgroup.com, investors can find up-to-date information about the Group's financial performance, stock market data, a financial calendar and other Group information.

Kindred Group plc arranges the following capital market activities:

- > Quarterly meetings, webcasts and teleconferences for analysts, investors and financial media
- > Annual capital market day
- > Participation in industry seminars and conferences
- > Webcasts available after each quarterly presentation

Analysis of shareholdings at 28 February 2020

Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/ Votes %	Accumulated
Första AP-fonden	17,660,353	7.7%	7.7%
Verdipapirfondet DNB Teknologi	12,955,604	5.6%	13.3%
Capital Group Companies	11,340,694	4.9%	18.2%
Nordea Fonder	9,645,321	4.2%	22.4%
Swedbank Robur Fonder	8,896,269	3.9%	26.3%
Unionen	8,000,000	3.5%	29.8%
Skandia Liv & Skandia Fonder	7,522,923	3.3%	33.1%
Anders Ström through company	6,214,200	2.7%	35.8%
Bodenholm	6,151,941	2.7%	38.5%
Columbia Acorn	3,471,000	1.5%	40.0%
Kindred Group plc	3,226,521	1.4%	41.4%
Bassac fund	2,831,982	1.2%	42.6%
SEB Investment Management	2,377,673	1.0%	43.6%
Tredje AP-fonden	2,143,438	0.9%	44.5%
Others	127,688,281	55.5%	100.0%
Total	230,126,200	100%	

1 As a result of the share purchase programmes.

Ownership distribution at 28 February 2020

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/SDRs	Share capital/ votes %
1 – 10,000	35,423	22,811,556	9.9
10,001 – 100,000	545	15,422,059	6.7
100,001 – 500,000	70	15,977,001	6.9
500,001 – 1,000,000	17	11,896,053	5.2
1,000,001 –	40	164,019,531	71.3
Total	36,095	230,126,200	100.0

Ownership structure at 28 February 2020

Source: Euroclear Sweden.

Organisation type/name	%
Swedish financial institutions	16.6
Other Swedish financial entities	0.0
Other Swedish legal entities	15.2
Non-Swedish owners	54.8
Swedish naturalised persons	13.4
Total	100.0

Share ownership data

On 28 February 2020, Kindred Group plc had 36,095 holders of SDRs.

On 28 February 2020, the Company's 13 largest owners represented 42.8 per cent of the capital and votes, as shown in the table above.

Remuneration Committee report

On behalf of the Kindred Remuneration Committee I am pleased to present our 2019 Remuneration Report. This report includes details of the Committee, proposed remuneration guidelines to be submitted for shareholder approval at the 2020 Annual General Meeting ("AGM"), and the remuneration paid out in 2019 in accordance with our current remuneration guidelines.

The 2019 annual report on remuneration is our first report under the new EU Shareholders Rights Directive requirements applicable both in Malta and Sweden. As there is currently no full clarity on all the requirements for the report, this report is drafted in the spirit of the draft EU guidelines for disclosure. We intend to further update our report next year, when we expect the final EU guidelines for disclosure will be published.

2019 highlights

In 2019, we reviewed the remuneration policy for the CEO and the Executive Management team to ensure that they are compliant with all new standards as required by the EU Shareholders Rights Directive. In this process, we have consulted several internal and external stakeholders and have taken their feedback into account in the final proposal of the remuneration policy. The new remuneration policy will be subject to shareholder vote at the 2020 AGM.

Pay and performance

The CEO and Executive Management team participated in an annual bonus scheme for 2019 and as per 2018, the measures were primarily based on Group EBITDA, together with other business-critical non-financial measures including aggregated Group customer experience and sustainability targets. The annual bonus for the 2018 financial year paid in 2019 was based on the challenging performance targets resulting in an actual bonus of 102 per cent of target for the CEO.

A new Performance Share Plan (PSP) grant was made in May 2019 to executive managers and key employees within Kindred Group. Performance measures for the 2019 grant were the same as for the 2018 grant: Gross Contribution (Gross winnings revenue less cost of sales and marketing costs), Free Cash Flow per share and EBITDA. As all targets for the 2016 PSP were achieved at a level greater than 100 per cent, the full value of the 2016 PSP grant vested in 2019.

Looking forward

In 2020, we will closely monitor shareholding voting and continue dialogue with our investors in addition to updating the 2020 Remuneration Report based on the finalised regulations.

I look forward to receiving the support of our shareholders for our updated remuneration guidelines at the 2020 AGM.

Stefan Lundborg
Chair of the Remuneration Committee

Kindred Remuneration Committee

The Committee consists of Stefan Lundborg (Chair), Peter Boggs and Carl-Magnus Månsson.

The Committee held four meetings during 2019.

The Head of Reward acted as secretary to the Committee and the CEO, CFO and CHRO were co-opted on an ad-hoc basis to provide advice and support on remuneration related issues. Where required on specific projects, the Committee was also supported by external advisers.

Remuneration Committee report continued

2020 Remuneration Guidelines

The Board of Directors proposes that the 2020 Annual General Meeting resolves to approve the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for the CEO and other members of the Executive Management team set forth below. Subject to shareholder approval, the effective date of these guidelines will be 12 May 2020. The intention of the Board of Directors is that these remuneration guidelines will remain in place for four years from the date of approval.

Remuneration principles to support Kindred's long-term business strategy and sustainability

A successful implementation of our remuneration policy will ensure that Kindred can attract and retain the best people, enabling us to execute our business strategy and serve our long-term interests, including our sustainability goals. The policy of the Board is to attract, retain and motivate the best management by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The compensation packages are designed to be competitive, but importantly, also fair and reasonable in comparison with companies of a similar size, industry and international scope, and to strike the appropriate balance between risk and reward.

The short-term and long-term incentive plans are designed to support key business strategies and financial objectives and contribute to creating strong, sustainable performance for the Group. The performance measures used for short-term and long-term incentive plans are closely linked to our strategic objectives for sustainable growth. Performance measures as well as any corresponding targets are reviewed annually by the Committee to ensure that they continue to drive the right behaviours in executive managers and create value for our shareholders.

Remuneration guidelines by element

The components of remuneration for the Executive Management team comprise base salary, short-term and long-term incentive plans, pensions and other benefits. The remuneration guidelines do not apply to share-based incentive plans, which are subject to a separate resolution at the Annual General Meetings.

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary levels, incentive structures and employment conditions for other employees of the Company have also been considered.

Base salary

Executive managers receive base salaries based on position, responsibilities, performance and skills.

Short-term incentives

Short-term incentives for the Group typically take the form of annual bonuses and are paid in cash. Maximum variable cash-based incentives are capped at 100 per cent of base salary.

Awards for any short-term incentive plans are contingent on financial measures, for example, EBITDA and Gross Contribution (aggregated across the Group or per individual markets), as well as customer experience, sustainability measures and business-critical objectives. The Board selects and approves the performance measures, targets and relative weightings at the start of each year to ensure strong alignment with business strategy and that targets are sufficiently stretching. Achievement of targets is assessed and formal approval for payment of awards is sought following the publication of the relevant period's financial results.

Long-term incentives

The long-term incentives are generally delivered in equity (shares, share options or other equity-like instruments) resolved upon separately by the Annual General Meeting and therefore excluded from these guidelines. The vesting period shall not be less than three years.

Pension

Pension arrangements for the CEO and the other members of the Executive Management team, are provided in the form of defined contribution plans, and are competitive and appropriate in the context of market practice in the applicable country of executives' employment or residence and total remuneration.

Other benefits

Other benefits that may be provided are in accordance with market practice in the applicable country of executives' employment or residence and may change from time to time. Executive Management team members may be eligible for benefits such as health insurance, life insurance, travel allowance, relocation support (where applicable) and to participate in whatever all-employee plans may be offered at any given point.

Share ownership guidelines

The Board of Directors believes that the Executive Management team members will most effectively pursue the long-term interests of our shareholders if they are shareholders themselves. As a result, share ownership guidelines are being introduced. Our policy requires that the CEO maintains one times net base salary and other Executive Management team members maintain 0.5 times net base salary to comply with this guideline.

Employment contract, termination of employment and severance pay

Executive contracts are typically with indefinite duration but may be offered on occasion for fixed term. Upon termination of employment, the notice period may not exceed six months. Fixed cash salary during the notice period and any severance pay may combined not exceed an amount equivalent to two years' salary.

Upon termination of employment a non-compete clause may restrict the employee from engaging in a competing business. The non-compete clause restriction covers no more than 12 months following termination of employment. During the non-compete clause period Kindred may pay the former employee an amount corresponding to no more than 60 per cent of 12 months' salary.

The decision-making process to determine, review and implement the remuneration guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose remuneration guidelines for the CEO and the Executive Management team. Proposals for new remuneration guidelines shall be prepared at least every fourth year and submitted to the Annual General Meeting. The remuneration guidelines shall be in force until new guidelines are adopted by the Annual General Meeting. The Remuneration Committee shall also monitor the annual implementation of these guidelines. In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration.

Malus and clawback

The Board of Directors, under exceptional circumstances, may limit or cancel payments of variable remuneration provided that such actions are deemed reasonable (malus). The Board of Directors shall also have the possibility, under applicable law or contractual provisions and subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (clawback).

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if there is an individual case with special circumstances where a deviation is necessary in order to serve the Group's long-term interests, including its sustainability, or to ensure the Group's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in respect to remuneration-related matters for the CEO and the Executive Management team. This includes any resolutions to temporarily deviate from the guidelines.

2019 Remuneration

All members of the Board of Directors are elected at the AGM and their remuneration is recommended by the Nomination Committee, conditional upon approval at the AGM.

The Group does not operate any form of retirement benefits or pension scheme for any member of the Board of Directors, and thus no contributions are made in respect of any Board Director. All members of the Board of Directors have rolling service contracts without notice periods. The auditors are required to report on the information contained in the section of the report on Board of Directors' remuneration on page 54.

The Remuneration Committee has reviewed all components of Executive Management compensation, namely base salary and performance-related salary, in line with external market benchmark data. As part of the annual process the Remuneration Committee has reviewed and ensured that the remuneration is in full compliance with the remuneration policy.

All information concerning emoluments and interests of the Board of Directors is presented on the basis of continuity from the date of their appointment to the Board of Directors of the Kindred Group. Total emoluments of the Board of Directors and Executive Committee who served during the year are set out in the tables below.

Remuneration Committee report continued

Board of Directors compensation 2019/2018

Directors	Board fees GBP 000	Audit Committee fees GBP 000	Remuneration Committee fees GBP 000	US Committee fees GBP 000	Other ¹ GBP 000	2019 total fees GBP 000	2018 total fees GBP 000
Anders Ström, Chairman	260.0	–	–	–	–	260.0	256.3
Kristofer Arwin ²	21.1	11.2	–	–	–	32.3	83.3
Hélène Barnekow ⁴	57.0	22.0	–	–	–	79.0	49.5
Sophia Bendz ²	–	–	–	–	–	–	25.0
Peter Boggs	57.0	–	12.0	12.6	2.0	83.6	72.3
Nigel Cooper ²	–	–	–	–	–	–	40.4
Gunnel Duveblad	57.0	27.0	–	7.6	–	91.6	49.5
Erik Forsberg ³	35.9	13.8	–	–	–	49.7	–
Carl-Magnus Månsson ³	35.9	–	7.5	–	–	43.4	–
Peter Friis ²	21.1	–	–	–	–	21.1	56.3
Stefan Lundborg	57.0	–	20.0	–	–	77.0	85.0
Total	602.0	74.0	39.5	20.2	2.0	737.7	717.6

1 Other emoluments comprise additional amounts payable for consultancy.

2 Peter Friis and Kristofer Arwin resigned from the Board of Directors at the AGM on 14 May 2019. Sophia Bendz and Nigel Cooper resigned from the Board of Directors on 15 May 2018.

3 Erik Forsberg and Carl-Magnus Månsson were appointed to the Board of Directors at the AGM on 14 May 2019.

4 Hélène Barnekow left the Audit Committee on 30 October 2019 due to other commitments.

Executive Committee compensation 2019/2018

Executive Committee	Fixed salary ¹ GBP 000	Variable salary ² GBP 000	Stock related benefits ³ GBP 000	Other benefits ⁴ GBP 000	Total pension cost GBP 000	2019 Total GBP 000	2018 Total GBP 000
Henrik Tjärnström, CEO	513.1	265.5	278.0	466.8	35.9	1,559.3	1,236.5
Other Executive Management (9)	1,488.3	878.8	909.4	14.1	138.1	3,428.7	2,525.4
Total	2,001.4	1,144.3	1,187.4	480.9	174.0	4,988.0	3,761.9

1 The annual fixed salary includes vacation salary and paid vacation days.

2 Variable salary paid out in 2019 based on 2018 performance.

3 Cost for share-based incentive programmes are accounted for according to IFRS 2, Share-based payments. If the expected cost of the programme is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the programme.

4 Other benefits comprise for example health insurance, life insurance and other benefits reflecting local market practice. The CEO 'Other benefits' refers to a lump sum payment associated with a share investment matching.

Short-term incentives

Short-term incentives for the Group typically take the form of annual bonuses and are paid in cash. Awards for any short-term incentive plans are contingent on financial measures such as EBITDA and Gross Contribution (aggregated across the Group or per individual markets), as well as customer experience, sustainability measures and business critical-objectives. Achievement of targets is assessed and formal approval for payment of awards is sought following the publication of the relevant period's financial results. The amount of potential variable pay compared to basic salary varies depending on position and situation. Individuals have an on-target allocation which is expressed as a percentage of basic salary. All variable elements have a stretch limit, which means that they cannot exceed a predetermined maximum amount corresponding to no more than 100 per cent of basic salary. Under the scheme rules, if individuals leave the Group prior to the end of the relevant performance period, they would forfeit their entitlement to any award.

The CEO and Executive Management team participated in an annual bonus scheme for 2019 and as per 2018, the measures were mainly based on group EBITDA, as well as other business-critical non-financial measures including aggregated Group customer experience and sustainability targets. Remuneration reported in the table over the page is the remuneration paid during 2019 (the variable portion relating to the 2018 performance period).

Long-term incentives

PSP

A new Performance Share Plan (PSP) grant was made in May 2019 to executive managers and key employees within Kindred Group totalling 717,334 share awards. The PSP performance measures are non-market based, providing participants with a high degree of alignment to Group performance. PSP awards will depend on the Group achieving financial performance targets over three financial years, establishing a clearer link between how the Group performs and the value that the PSP can deliver. These targets are Gross Contribution (Gross winnings revenue less cost of sales and marketing costs), Free Cash Flow per share and EBITDA and will be measured on an aggregated basis between the full year 2019 and the full year 2021 so that performance in each financial year will be important. Aggregated performance against the targets and the resulting allocation of PSP awards will be disclosed after the full year 2021. The total charge recognised in 2019 in relation to the Group's PSPs was GBP 2.6 (2018: GBP 2.2) million.

LTIP 2020

In 2016, the Board approved a new 2020 long-term incentive plan (2020 LTIP) which gave all permanent employees the opportunity to receive shares/SDRs in the Company at the end of 2020 subject to the achievement of set financial targets. The 2020 LTIP has continued to operate in 2019 with share awards being granted quarterly to new employees. The total number of share awards outstanding at 31 December 2019 is 1,509,592. The total amount expensed is recognised over the vesting period of the plan, which is four years. The total charge recognised in 2019 in relation to the 2020 LTIP was GBP 2.0 (2018: GBP 2.2) million.

Vesting of 2016 Kindred Performance Share Plan (PSP)

In October 2016 Kindred Group made a Performance Share Plan grant. The performance measures used were EBITDA, Gross Contribution (Gross winnings revenue less sales and marketing costs), and Free Cash Flow per share. Targets were set for each measure relating to the three year period of the scheme (2016-2018). All targets for the 2016 PSP were achieved at greater than 100 per cent on an aggregated basis over the three years so the full value of the PSP grant vested.

Details of the targets achieved

Performance target	Target level	Actual outcome	Target achieved
EBITDA	499.4	504.1	101%
Gross Contribution	886.6	904.6	102%
Free Cash Flow	1.65	1.70	103%

Long-term incentive plan share rights outstanding

	2020 LTIP Performance Rights at 31 December 2019	Performance Share Rights at 31 December 2019	2020 LTIP Performance Rights at 31 December 2018	Performance Share Rights at 31 December 2018
Executive Committee				
Henrik Tjärnström, CEO	40,616	106,624	40,616	98,239
Other members (8)	275,426	261,618	235,826	202,377
Total	316,042	368,242	276,442	300,616

Remuneration Committee report continued

Directors' and Executive Management's interests (audited)

The Directors' and Executive Management's beneficial interests in the shares/SDRs of Kindred Group plc as at 31 December 2019 are set out below:

Directors	Ordinary shares/SDRs at 31 December 2019	Ordinary shares/SDRs at 31 December 2018
Anders Ström, Chairman	5,831,200	5,831,200
Hélène Barnekow	4,500	4,500
Peter Boggs	138,990	120,740
Gunnel Duveblad	8,000	4,000
Erik Forsberg	5,000	–
Stefan Lundborg	537,600	517,600
Carl-Magnus Månsson	10,000	–
Total	6,535,290	6,478,040

Executive Committee	Ordinary shares/SDRs at 31 December 2019	Ordinary shares/SDRs at 31 December 2018
Henrik Tjärnström, CEO	1,677,866	1,415,907
Albin de Beauregard	7,041	2,383
Elena Barber	360	–
Britt Boeskov	24,163	15,624
Rhodri Darch	22,665	15,283
Gavin Hayward	17,288	9,352
Fredrik Kjell	1,948	–
Marcus Smedman	11,875	6,302
Anne-Jaap Snijders	7,490	–
Total	1,770,696	1,464,851

Malta, 6 March 2020

Stefan Lundborg
Chair of the Remuneration Committee

Directors' report

The Directors present their annual report on the affairs of the Group, together with the audited consolidated financial statements and auditors' report, for the year ended 31 December 2019.

Principal activities

The Kindred Group is an online gaming business, with over 27 million registered customers worldwide as at 31 December 2019, and is one of the largest independent publicly quoted online gaming operators in Europe.

Kindred Group plc is registered and headquartered in Malta. Registration number is C 39017.

The Kindred Group is one of the world's leading online gambling operators with business operations across Europe, Australia and the US. The Group offers pre-game and live Sports betting (including horse racing betting), Poker, Casino & Games and Bingo through several brands.

Kindred Group is a founding member of the European Gaming and Betting Association, the Remote Gambling Association in the UK and is audited and certified by eCOGRA in relation to the pan-European CEN standard on consumer protection and responsible gaming.

During 2019, Kindred reached more than 43 million transactions in a day (including Sports betting and Casino & Games) and had around 35,000 betting opportunities on major international and local sporting events every day.

The principal subsidiaries and associated undertakings which affect the results and net assets of the Group in the year are listed in Note 14 to the consolidated financial statements.

Results and dividends

The consolidated income statement is set out on page 66 and shows the result for the year. The profit for the year was GBP 56.6 (2018: GBP 131.6) million.

The Kindred Group's Board of Directors' dividend policy is to pay a dividend and/or execute share purchases of up to 50 per cent of the Group's free cash flow available for dividends (defined as cash flow from operations, adjusted for movements in working capital, capital investments, tax payments and certain items affecting comparability).

In addition to the dividend described above, which would normally be in the form of annual cash dividends, the Board can also decide to distribute one-off

dividends or execute share purchases, where management and the Board consider that the Group has generated surplus cash that it does not require either to fund its normal operations, acquisitions or other corporate development projects.

When considering both regular and one-off distributions, the Board will take into account the overall cash requirement to ensure that an appropriate capital cash structure is maintained.

Dividend for 2019

The Board of Directors proposes a dividend of GBP 0.176 (2018: GBP 0.496) per share/SDR, which is approximately SEK 2.20 using the exchange rate 12.496 GBP/SEK at 11 February 2020. In 2018, the total dividend of GBP 0.496 was paid in two equal instalments. The first of SEK 3.07 (GBP 0.248), was paid out from Euroclear on 21 May 2019 to holders of ordinary shares and SDRs. The second instalment of SEK 3.09 (GBP 0.248) was paid out on 21 November 2019.

More details on the dividend for 2019 can be found on page 48.

Business review

A detailed Financial Review is set out on pages 32 to 34.

Details of Key Performance Indicators are set out on pages 18 and 19. For further information on risk management, refer to pages 29 to 31 and Notes 2C and 2D on pages 75 and 76.

Significant events during 2019

On 1 January 2019, Kindred Group successfully went live under its new local licence in Sweden with the brands, Unibet, Maria Casino, iGame, Storspelare and bingo.com.

On 28 January 2019, Kindred Group signed a strategic partnership with Mohegan Sun Pocono in Pennsylvania. The agreement covers an initial five years, with the possibility to extend for two additional five-year terms.

On 8 March 2019, MSCI again rated Kindred Group with its highest ESG rating "AAA".

On 9 May 2019, Kindred Group was recognised as one of the UK's top 30 workplaces by the "Great Place to Work" organisation.

On 4 June 2019, Kindred Group went live in New Jersey with the Unibet brand.

On 13 June 2019, the Gambling Commission in the UK decided that Kindred Group had to pay GBP 1.6 million for failing to identify gambling harm and prevent money laundering in connection with a fraud. As part of the settlement with the Commission, Kindred paid GBP 629,420 to the fraudster's victims and GBP 990,200 in lieu of a financial penalty. This money will be spent accelerating delivery of the National Strategy to Reduce Gambling Harms.

On 19 June 2019, Kindred Group's Unibet brand signed an agreement with Hockeysällsvenskan to be the main sponsor of the league from 1 July 2019.

On 26 June 2019, Kindred Group was awarded the ISO 27001 certification for information security management by testing agency, eCOGRA.

On 10 July 2019, Kindred Group was awarded a conditional licence for online casino and sport betting in Pennsylvania.

On 23 July 2019, Kindred Group signed a syndicated GBP 280 million three-year multi-currency loan facilities agreement with a group of Nordic banks.

On 19 August 2019, Kindred Group received a fine of EUR 470,000 from the Netherlands Gambling Authority (KSA) for accepting bets from Dutch customers based on the 1964 Gambling Act.

On 10 September 2019, Kindred Group's Unibet brand launched online Sportsbook in New Jersey.

On 26 September 2019, Kindred Group's Unibet brand launched in Pennsylvania with the opening of a Sportsbook lounge in partnership with Mohegan Sun Pocono.

On 11 December 2019, Kindred became the first commercial Community Partner of the European Football Development Network (EFDN). The network aims to promote the power of football as a tool for social development.

Significant events after the year end

On 11 February 2020, Kindred Group signed a multi-state agreement with Caesars Entertainment. The agreement will provide Kindred with market access in Indiana and Iowa, and potentially other states, allowing the Group to operate both online Sports betting and online gaming under the Unibet brand. The agreement is subject to the passing of applicable laws and the parties securing all necessary gaming licences.

Directors' report continued

Future developments

As the US market represents the largest opportunity for future regulated growth the Group entered this market during 2019. Future expansion in the US is on the horizon with next steps being the expansion into Indiana and Iowa.

Directors and their interests

The following Directors elected at the AGM on 14 May 2019 served during the year and subsequently, unless otherwise stated:

Anders Ström	Chairman
Hélène Barnekow	Non-executive
Peter Boggs	Non-executive
Gunnel Duveblad	Non-executive
Erik Forsberg	Non-executive
Stefan Lundborg	Non-executive
Carl-Magnus Månsson	Non-executive

The interests of the Directors are shown on pages 36 and 37.

Research and development

The Group capitalises significant costs in relation to the development of its core IT platform among many other projects. During the year the Group capitalised GBP 25.0 (2018: GBP 20.9) million of development expenditure, and expensed research costs of GBP 15.0 (2018: GBP 12.9) million to the income statement.

Employees

The Group is committed to equality of opportunity in all aspects of employment regardless of the gender, marital status, gender reassignment status, disability, race, national origin, ethnic origin, colour, nationality, sexual orientation, religion, belief or age of an employee.

The Group also complies with all applicable national and international laws within human and labour rights in the locations in which it operates. These include but are not limited to minimum age, minimum salary, union rights and forced labour as well as the United Nations Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption and the Universal Declaration of Human Rights.

The Group recognises the importance of ensuring that employees are kept informed of the Group's performance, activities and future plans.

A review of the Group's environmental and community activities is included in the Sustainability section on pages 20 to 27.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Malta Companies Act (Cap 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- > ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- > selecting and applying appropriate accounting policies;
- > making accounting estimates that are reasonable in the circumstances; and
- > ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls as they determine it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act (Cap 386). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The consolidated financial statements of Kindred Group plc for the year ended 31 December 2019 are included in this Annual Report and Accounts, which is published in hard-copy printed form and is made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Disclosure of information to the auditors

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware, and the Directors have taken all the steps that they should take as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

The auditors, PwC Malta and PwC UK, have indicated their willingness to continue in office, and a proposal to re-appoint them has been sent to the Nomination Committee.

On behalf of the Board

Malta, 6 March 2020

Anders Ström
Chairman and Director

Gunnel Duveblad
Director

Independent auditors' report of PricewaterhouseCoopers and PricewaterhouseCoopers LLP to the shareholders of Kindred Group plc

PricewaterhouseCoopers is the appointed statutory auditor of Kindred Group plc, a company incorporated in Malta, under the Maltese Companies Act (Cap. 386). PricewaterhouseCoopers LLP has been appointed as an additional auditor by the directors of Kindred Group plc. PricewaterhouseCoopers and PricewaterhouseCoopers LLP (each separately the "Group engagement team") audited the financial statements of the Group for the year ended 31 December 2019.

For the purpose of this report, the terms "we", "our" and "us" denote PricewaterhouseCoopers ("PwC Malta") in relation to Maltese legal, professional and regulatory responsibilities and reporting obligations to the shareholders of Kindred Group plc and PricewaterhouseCoopers LLP ("PwC UK") in relation to reporting obligations to the shareholders of Kindred Group plc as agreed with the directors of Kindred Group plc. For the purposes of the "Our audit approach" section of this report, "we", "our" and "us" refer to PwC Malta and PwC UK, except for the purposes of the table on pages 62 to 63 that sets out the key audit matters and how our audit addressed the key audit matters, where the terms "we" and "our" refer to PwC Malta and/or PwC UK and/or our component teams.

Report on the audit of the consolidated financial statements Opinion

In our opinion:

- > the consolidated financial statements (the "financial statements") of Kindred Group plc and its subsidiaries (the "Group") give a true and fair view of the state of the Group's financial position as at 31 December 2019 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In addition, in the opinion of PwC Malta:

- > the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Kindred Group plc's financial statements, set out on pages 66 to 95 of the Annual Report and Accounts ("Annual Report"), comprise:

- > the Consolidated balance sheet as at 31 December 2019;
- > the Consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- > the Consolidated statement of changes in equity for the year then ended;
- > the Consolidated cash flow statement for the year then ended; and
- > the Notes to the consolidated financial statements, which include a summary of the significant accounting policies.

Basis for opinion

PwC Malta and PwC UK conducted the audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under ISAs are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Independence

PricewaterhouseCoopers are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes. To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

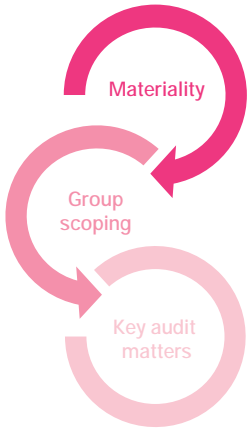
PricewaterhouseCoopers LLP are independent of the Group in accordance with the IESBA Code together with applicable EU Regulations relating to the provision of non-audit services in Article 5(1) of Regulation (EU) No 537/2014. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

Other than those disclosed in Note 4 to the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2019 to 31 December 2019.

Independent auditors' report of PricewaterhouseCoopers and PricewaterhouseCoopers LLP to the shareholders of Kindred Group plc continued

Our audit approach

Overview



- > Overall group materiality: GBP 5.8 million, which represents 5% of the average profit before tax for the preceding three years.
- > PwC Malta and PwC UK are the group auditors with responsibility for the oversight of planning, execution and completion of the audit, and are supported by a number of other component network audit teams who perform procedures in accordance with the instructions provided by the group auditors.
- > Our work performed has provided coverage over 95% of Gross winnings revenue and 91% of Profit before tax.
- > Impairment assessments for goodwill in relation to the Betchoice and 32Red cash generating units ('CGUs');
- > Consideration of liabilities arising from non-compliance with laws and regulations; and
- > Recognition and disclosure of tax charges and provisions.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance

whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole:

Overall group materiality	GBP 5.8 million for 2019 (GBP 7.5 million for 2018).
How we determined it	5% of the average profit before tax for the preceding three years (2018: 5% of profit before tax before excluding certain items affecting comparability).
Rationale for the materiality benchmark applied	<p>Due to the volatility of the results in the year, predominantly as a result of the new Swedish regulations and the impact of entering the US market, we consider the use of an average of profit before tax over the preceding three years to be the most appropriate basis for determining materiality. We have changed the benchmark to a three-year average given the volatility of results experienced in 2019 and determined statutory profit before tax to be most appropriate given the insignificant impact of those items affecting comparability previously excluded.</p> <p>We continue to use profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark, however as described above, given the volatility of results, we have used an average of the preceding three years. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above GBP 290,000 (2018: GBP 370,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored the group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, or component auditors operating under our instruction.

The components included within our scope of audit were determined based on the individual component's contribution to the group key financial statement line items (in particular revenue and profit or loss before tax), and considerations relating to aggregation risk within the group.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attending certain component clearance meetings, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain in-scope component teams.

In addition, senior members of the Group engagement team visited component teams in France and Gibraltar. These visits included meetings with local management and with the component auditors.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report of PricewaterhouseCoopers and PricewaterhouseCoopers LLP to the shareholders of Kindred Group plc continued

Key audit matter

Impairment assessments for goodwill in relation to the Betchoice and 32Red cash generating units ('CGUs')

Refer to page 43 (Audit Committee Report), Note 2A (Summary of significant accounting policies), Note 11 (Intangible assets).

This key audit matter specifically relates to the risk of impairment of the goodwill associated with the acquisitions of Betchoice (now trading as Unibet in Australia) and 32Red.

IAS 36 'Impairment of Assets' requires that Goodwill and other indefinite lived intangible assets are subject to an impairment review at least annually, or more frequently when there is evidence of a trigger event. IAS 36 also requires a number of specific disclosures in respect of the impairment assessment.

The Group has goodwill of GBP 275.3 million including amounts relating to the acquisitions of Betchoice (GBP 4.2 million) and 32Red (GBP 100.8 million). When performing the annual impairment review of goodwill as at 31 December 2019, management determined that the goodwill in respect of 32Red was fully recoverable and that an impairment of GBP 2.0m was required in respect of Betchoice.

In performing our audit, we have focused on this area as the preparation of these assessments involves a significant degree of estimation, in particular with respect to the cash flow forecasts. We have formed our own independent view of the recoverable amount of Betchoice and 32Red, based on our assessment of the assumptions used in management's cash flow forecasts and the fair values of the businesses.

How our audit addressed the key audit matter

We assessed the appropriateness of management's determination of the CGUs and concluded these to be appropriate.

We obtained the annual impairment assessments performed by management and compared the carrying value of each CGU (as defined in Note 11) with the recoverable amount.

In respect of each impairment assessment over goodwill, a key component of our work was to consider the budgets and cash flow forecasts prepared by management, as outlined below. This was supplemented by specific procedures on the key assumptions used.

We agreed the cash flow forecasts in the impairment models to the latest Board approved budgets. We evaluated the assumptions in the forecasts and considered the evidence available to determine whether the forecasts were reasonable and supportable. This included analysis of the CGUs' historical performance including actual results for 2019. It also included comparison of the trends in EBITDA margin with other parts of the Kindred Group where we deemed such a comparison to be appropriate. We also assessed the reasonableness of growth rates and costs in light of the market environment.

We performed sensitivity analyses on the level of cash flows, the risk adjusted discount rates, growth rates and margin used in the impairment assessments.

As part of our work, we assessed the accuracy of management's historic forecasting ability when considering the assumptions used within the value in use models.

Betchoice

In relation to Betchoice, management has recognised an impairment loss of GBP 2.0m to reduce the carrying value of the CGU to its recoverable amount of GBP 4.2m, based on management's value in use model. Following the impairment charge, the carrying value is equal to recoverable amount, and as such any shortfall against budget or adverse movement on a key assumption not compensated by other factors, would give rise to further impairment in future periods as disclosed in Note 11.

When considering the carrying value of Betchoice following the impairment charge booked by management, we concluded that any further impairment which may exist in respect of Betchoice's Goodwill balance would not be material.

Separately, we considered the recoverability of the carrying value of the other assets in the Betchoice CGU, which include intangible assets and PPE, and concluded these values to be supportable.

32Red

Using our valuations experts, we considered the risk adjusted discount rate used in the goodwill impairment assessment by comparing it with the cost of capital of the Group and discount rates of competitors. We determined that the application of alternative discount rates, which we considered to be in the reasonable range, did not give rise to an impairment.

When comparing the carrying value of this CGU with the value in use, we did not identify material impairment however, if the forecast growth rate in EBITDA margin is not achieved or becomes unrealistic in future years, an impairment charge may arise as disclosed in Note 11.

We assessed the appropriateness of the disclosures as required by IAS36 in respect of the goodwill on Betchoice and 32Red in light of the impairment charges that may arise in the event of a reasonably possible change in assumptions and considered these to be reasonable. Refer to Note 11 (Intangible assets).

Key audit matter**Consideration of liabilities arising from non-compliance with laws and regulations**

Refer to page 43 (Audit Committee Report), pages 45 to 47 (General Legal Environment) and Note 2B (Critical accounting estimates and assumptions).

The international legal and licencing framework for digital gaming is territory specific, and in some territories this remains uncertain. Regulations are developing and this evolving environment makes compliance an increasingly complex area with territory specific regulations, responsible gambling and anti-money laundering obligations. Given the potential for litigation and licence withdrawal, the risk of non-compliance with digital gaming laws and licence regulations could give rise to material fines, penalties, legal claims or market exclusion. There is also a reputational and financial risk together with a going concern risk should any future changes or interpretation of the law mean that the business may not be able to continue to operate in certain territories.

Recognition and disclosure of tax charges and provisions

Refer to page 43 (Audit Committee Report) and Note 2B (Critical accounting estimates and assumptions).

The Group operates across borders and is subject to regulations in respect of corporation tax, indirect tax and betting duties in a number of jurisdictions. We focussed on this matter as the taxation environment is complex and can change quickly and could result in material exposure to liabilities.

How our audit addressed the key audit matter

We assessed how management monitors legal and regulatory developments and their assessment of the potential impact on the business. This includes compliance with digital licencing regulations, responsible gambling and anti-money laundering obligations covering player registration controls, customer deposits and withdrawals.

We read, where relevant, external legal and regulatory advice sought by the Group. We also inquired of management and obtained confirmation letters from the Group's external legal advisers about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals or provisions to be recorded. Whilst acknowledging that there are instances where this becomes a judgemental area, we found that the Group had an appropriate basis of monitoring and accounting for these matters in the financial statements and the resultant disclosures in the financial statements were appropriate.

We discussed with management and their tax experts how the Group manages and controls each individual company across the various territories and jurisdictions in which it operates and assessed how the local tax obligations are determined.

We also obtained and read relevant tax correspondence with the respective tax authorities, together with any external tax advice obtained by the Group to assist them in supporting their tax position.

With input from our tax experts across the various key jurisdictions in which the Group operates, including UK and Malta, we assessed the key judgements with respect to the tax positions taken. We obtained evidence to support the provisions and consider these to reflect management's best estimate.

We found the overall position adopted in the financial statements and the related disclosures in respect of corporation tax, indirect taxes and betting duties to be appropriate.

Other information**Reporting on other information by PwC Malta and PwC UK**

The Directors are responsible for the other information. The other information comprises the Strategic report section on pages 1 to 34, the Governance section on pages 35 to 58 (including the Directors' report on pages 57 to 58), as well as Other Information relating to the Annual General Meeting and Definitions (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Additional reporting on other information by PwC Malta

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- > the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

Independent auditors' report of PricewaterhouseCoopers and PricewaterhouseCoopers LLP to the shareholders of Kindred Group plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
- > Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

PwC Malta has responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- > adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- > the financial statements are not in agreement with the accounting records and returns.
- > we have not received all the information and explanations we require for our audit.
- > certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Other matters

PwC Malta's report, including the opinions, has been prepared for and only for the Group's shareholders as a body in accordance with Section 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. PwC UK's report, including the opinion, has been prepared for and only for the Group's shareholders as a body in accordance with our engagement letter dated 11 February 2020 and for no other purpose. Neither PwC Malta nor PwC UK, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report separately on the parent company financial statements of Kindred Group plc for the year ended 31 December 2019.

Appointment

PwC Malta were first appointed as auditors of the Group on 5 October 2005 by the directors of the Group. PwC Malta's appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 15 years.

PwC UK were first appointed as additional auditors of the Group on 5 October 2005 by the directors of the Group. PwC UK's appointment has been renewed annually by the directors of the Group representing a total period of uninterrupted engagement appointment of 15 years.

Simon Flynn

For and on behalf of PricewaterhouseCoopers

78 Mill Street
Qormi QRM3101
Malta

6 March 2020

PricewaterhouseCoopers LLP

Chartered Accountants
1 Embankment Place
London WC2N 6RH
United Kingdom

6 March 2020

The engagement partner on the audit resulting in PwC UK's independent auditors' report is Julian Jenkins.

Consolidated income statement

<i>(GBP m)</i>	Note	Year ended 31 December 2019	Year ended 31 December 2018
Gross winnings revenue	3	912.8	907.6
Betting duties	3	-204.3	-158.7
Marketing revenue share	3	-48.8	-50.0
Other cost of sales	3	-151.1	-146.7
Cost of sales		-404.2	-355.4
Gross profit		508.6	552.2
Marketing costs	4	-210.9	-189.0
Employee costs	4	-96.1	-83.4
Other operating expenses	4	-73.6	-74.9
Depreciation of property, plant and equipment	4	-14.9	-13.0
Depreciation of right-of-use assets	4	-10.1	-
Amortisation of intangible assets (excluding on assets arising on acquisition)	4	-24.3	-17.8
Total administrative expenses	4	-219.0	-189.1
Underlying profit before items affecting comparability		78.7	174.1
Management incentive costs relating to acquisitions	4	-0.2	-0.9
Personnel restructuring costs	4	-1.7	-
Impairment losses recognised in the year	11	-2.0	-
Accelerated amortisation of acquired intangible assets	4	-	-4.7
Amortisation of intangible assets that arose on acquisition	4	-5.9	-11.3
Foreign currency gains/(losses) on operating items	4	2.0	-1.2
Profit from operations	3	70.9	156.0
Finance costs	6	-7.0	-4.6
Finance income	7	0.4	0.4
Foreign currency gains/(losses) on borrowings		2.9	-2.0
Share of loss from associate	14	-0.1	-0.3
Profit before tax		67.1	149.5
Income tax expense	8	-10.5	-17.9
Profit for the year		56.6	131.6
Earnings per share, GBP	10	0.250	0.580
Diluted earnings per share, GBP	10	0.248	0.576

More detailed definitions can be found on the inside back cover. The notes on pages 70 to 95 are an integral part of these financial statements.

Consolidated statement of comprehensive income

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the year	56.6	131.6
Other comprehensive income		
Currency translation adjustments taken to equity	-8.6	-2.0
Total comprehensive income for the year	48.0	129.6

All the above amounts relate to continuing operations and are wholly attributable to owners of the parent. The translation adjustment relates primarily to foreign currency retranslation of goodwill and acquired intangibles and the net investment in the subsidiaries, to the closing exchange rate for each year.

Consolidated balance sheet

(GBP m)	Note	As at 31 December 2019	As at 31 December 2018 (Restated)
Assets			
Non-current assets			
Goodwill	11	275.3	282.7
Other intangible assets	11	159.7	151.8
Investment in associate	14	1.8	1.9
Property, plant and equipment	12	36.6	37.4
Right-of-use assets	13	64.1	–
Deferred tax assets	20	23.5	15.8
Convertible bond	23	6.5	6.8
Other non-current assets		2.2	3.2
		569.7	499.6
Current assets			
Trade and other receivables ¹	16	46.8	38.9
Taxation recoverable		41.5	43.0
Cash and cash equivalents ¹	28	137.8	174.3
		226.1	256.2
Total assets		795.8	755.8
Equity and liabilities			
Capital and reserves			
Share capital	22	0.1	0.1
Share premium	22	81.5	81.5
Currency translation reserve	22	8.0	16.6
Reorganisation reserve	22	-42.9	-42.9
Retained earnings		187.3	236.7
Total equity attributable to the owners		234.0	292.0
Non-current liabilities			
Borrowings	19	225.4	149.3
Lease liabilities	13	53.3	–
Deferred tax liabilities	20	5.9	4.3
		284.6	153.6
Current liabilities			
Borrowings	19	–	45.0
Lease liabilities	13	11.7	–
Trade and other payables	17	138.4	131.0
Customer balances	18	67.4	62.3
Deferred income	15	5.9	5.4
Tax liabilities		53.8	66.5
		277.2	310.2
Total liabilities		561.8	463.8
Total equity and liabilities		795.8	755.8

¹ See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

The official closing middle rate of exchange applicable between the presentation currency (GBP) and the euro issued by the European Central Bank as at 31 December 2019 was 1.175 (2018: 1.118).

The notes on pages 70 to 95 are an integral part of these financial statements.

The financial statements on pages 66 to 95 were authorised for issue by the Board of Directors on 6 March 2020 and were signed on its behalf by:

Anders Ström
Chairman and Director

Gunnel Duveblad
Director

Consolidated statement of changes in equity

<i>(GBP m)</i>	Note	Share capital	Share premium	Currency translation reserve	Reorganisation reserve	Retained earnings	Total
Balance as at 1 January 2018		0.1	81.5	18.6	-42.9	240.9	298.2
Comprehensive income							
Profit for the year		–	–	–	–	131.6	131.6
Other comprehensive income							
Translation adjustment		–	–	-2.0	–	–	-2.0
Total comprehensive income		–	–	-2.0	–	131.6	129.6
Transactions with owners							
Share awards – value of employee services	21	–	–	–	–	0.7	0.7
Equity settled employee benefit plan	21	–	–	–	–	1.9	1.9
Treasury share purchase	22	–	–	–	–	-14.6	-14.6
Disposal of treasury shares	22	–	–	–	–	1.8	1.8
Dividend paid	9	–	–	–	–	-125.6	-125.6
Total transactions with owners		–	–	–	–	-135.8	-135.8
At 31 December 2018		0.1	81.5	16.6	-42.9	236.7	292.0
Adjustment on adoption of IFRS 16	13	-	-	-	-	2.1	2.1
Restated balance at 1 January 2019		0.1	81.5	16.6	-42.9	238.8	294.1
Comprehensive income							
Profit for the year		–	–	–	–	56.6	56.6
Other comprehensive income							
Translation adjustment		–	–	-8.6	–	–	-8.6
Total comprehensive income		–	–	-8.6	–	56.6	48.0
Transactions with owners							
Share awards – value of employee services	21	–	–	–	–	0.4	0.4
Equity settled employee benefit plan	21	–	–	–	–	2.0	2.0
Disposal of treasury shares	22	–	–	–	–	2.0	2.0
Dividend paid	9	–	–	–	–	-112.5	-112.5
Total transactions with owners		–	–	–	–	-108.1	-108.1
At 31 December 2019		0.1	81.5	8.0	-42.9	187.3	234.0

The notes on pages 70 to 95 are an integral part of these financial statements.

Consolidated cash flow statement

<i>(GBP m)</i>	Note	Year ended 31 December 2019	Year ended 31 December 2018 (Restated ¹)
Operating activities			
Profit from operations		70.9	156.0
Adjustments for:			
Depreciation of property, plant and equipment	12	14.9	13.0
Depreciation of right-of-use assets	13	10.1	–
Amortisation of intangible assets	11	30.2	33.8
Impairment losses recognised in the year	11	2.0	–
Loss on disposal of property, plant and equipment	4	0.1	0.5
Loss on disposal of intangible assets	4	–	0.3
Foreign currency (losses)/gains on dividend	6	-0.4	0.3
Share-based payments	21	2.4	2.2
Equity settled employee benefit plan	21	2.0	2.2
Increase in trade and other receivables ¹		-6.9	-8.3
Increase in trade and other payables, including customer balances		21.9	21.4
Cash flows from operating activities		147.2	221.4
Net income taxes paid		-26.9	-15.0
Net cash generated from operating activities		120.3	206.4
Investing activities			
Interest received		0.3	0.2
Interest paid		-6.6	-3.7
Interest paid on lease liabilities	13	-1.2	–
Purchases of other non-current assets		–	-1.8
Purchases of property, plant and equipment	12	-15.6	-26.0
Proceeds from sale of property, plant and equipment		0.1	–
Development and acquisition costs of intangible assets	11	-41.4	-23.5
Net cash used in investing activities		-64.4	-54.8
Financing activities			
Repayment of lease liabilities	13	-8.6	–
Dividend paid	9	-112.5	-125.6
Treasury share purchase	22	–	-14.6
Proceeds from borrowings	19	130.0	112.0
Repayment of borrowings	19	-92.8	-115.5
Net cash used in financing activities		-83.9	-143.7
Net (decrease)/increase in cash and cash equivalents		-28.0	7.9
Cash and cash equivalents at the beginning of the year¹		174.3	165.6
Effect of foreign exchange rate changes		-8.5	0.8
Cash and cash equivalents at the end of the year¹	28	137.8	174.3

¹ See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

The notes on pages 70 to 95 are an integral part of these financial statements.

Notes to the consolidated financial statements

1A: Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs EU), applicable interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the Maltese Companies Act (Cap 386).

The consolidated financial statements have been prepared under the historical cost convention, subject to modification where appropriate by the revaluation of financial assets and liabilities at fair value through profit or loss. The individual parent financial statements have been prepared separately and are not included in this Annual Report and Accounts.

The Group is in a net current liability position as at 31 December 2019. The Group generates strong cash flows and it is expected that sufficient funds will be available for its ongoing operations as well as the repayment of its borrowings, whilst also having access to an unused revolving credit facility of GBP 54.6 million. The Group has complied with all of the facility covenant requirements during the year and forecasts show that continued compliance with these covenants is expected. The Directors have reviewed the financial position of the Group, together with its forecast cash flows and financing facilities available and have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of 12 months following the signing of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The preparation of financial statements in conformity with IFRSs EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2B.

(a) New and amended standards and interpretations effective from 1 January 2019 and adopted by the Group

The Group has applied the following standard for the first time for the financial year commencing 1 January 2019:

- > IFRS 16, "Leases". As a result of the adoption of IFRS 16 the Group had to change its accounting policies. The Group elected to adopt the new rules under the modified retrospective approach by recognising the cumulative effect of initially applying the new standard on 1 January 2019 and not restating the prior year comparatives. This is disclosed in Note 13.

The following amendments have also been applied for the first time for the financial year commencing 1 January 2019:

- > Amendments to IAS 19, "Employee benefits" on plan amendment, curtailment or settlement;
- > Annual improvements to IFRS Standards 2015-2017 Cycle;
- > IFRIC 23, "Uncertainty over income tax treatments"; and
- > Amendments to IAS 28 "Investments in associates and joint ventures", on long-term interests in associates and joint ventures.

We have considered the impact of the above and do not deem there to be any material impact or required changes to our accounting policies or any of the disclosures within the consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted

The following amendments have been issued but are not yet effective, and have not been early adopted by the Group. They are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions:

- > Amendments to IFRS 3 – definition of a business; and
- > Amendments to IAS 1 and IAS 8 on the definition of "material".

There are no other IFRS or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

1B: Restatement

At 31 December 2019, GBP 10.3 million of amounts held in trust in respect of customers have been reclassified from trade and other receivables to restricted cash within cash and cash equivalents to better reflect the nature of these funds. This change means that the comparatives at 31 December 2018 and 1 January 2018 have been restated accordingly. This change ensures that the net debt calculation correctly includes these funds in order to match their corresponding customer balances, which have always been included within net debt. This also impacts the consolidated cash flow statement, resulting in restatement of both the movement in trade and other receivables and cash and cash equivalents for the year ended 31 December 2018.

The restatement has impacted each of the affected financial statement line items for prior years, as follows:

Consolidated balance sheet (extract)

	As at 31 December 2018	Increase/ (decrease)	As at 31 December 2018 (Restated)
<i>(GBP m)</i>			
Trade and other receivables	52.9	-14.0	38.9
Cash and cash equivalents	160.3	14.0	174.3
Total assets	755.8	–	755.8

	As at 31 December 2017	Increase/ (decrease)	As at 1 January 2018 (Restated)
<i>(GBP m)</i>			
Trade and other receivables	38.5	-6.5	32.0
Cash and cash equivalents	159.1	6.5	165.6
Total assets	726.0	–	726.0

Consolidated cash flow statement (extract)

	Year ended 31 December 2018	Increase/ (decrease)	Year ended 31 December 2018 (Restated)
<i>(GBP m)</i>			
Increase in trade and other receivables	-15.8	7.5	-8.3
Net increase in cash and cash equivalents	0.4	7.5	7.9

2A: Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Kindred Group plc "the Company" and entities controlled by the Company "its subsidiaries" made up to 31 December each year. Control is achieved where the Company has the ability to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All inter-company transactions and balances between Group companies are eliminated on consolidation.

Subsidiaries are consolidated, using the purchase method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 3 through the income statement. Acquisition-related costs are expensed as incurred.

All associate entities are accounted for by applying the equity accounting method. The Group's policy surrounding associates is outlined on page 73 and they are discussed further on page 87.

Items affecting comparability

The Group defines items affecting comparability as those items which, by their size or nature in relation to both the Group and individual segments, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between periods.

Items affecting comparability include management incentive costs relating to acquisitions, personnel restructuring costs, impairment losses, amortisation of acquired intangible assets and foreign currency gains and losses on operating items.

Revenue recognition

The Group provides online gaming services across the following: Sports betting, Casino & Games, Poker and other products.

Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed after the cost of promotional bonuses within the financial period. Deferred income, representing revenue which can be measured reliably but where transactions have not closed at the balance sheet date, is recognised at fair value with gains or losses recognised in the income statement.

Within Casino & Games, the Group defines Gross winnings revenue as the net gain from bets placed after the cost of promotional bonuses in the financial period.

The Group considers Gross winnings revenues on Sports betting and Casino & Games to be derivative financial instruments.

Poker Gross winnings revenue reflects the net income ("rake") earned from poker games completed after the cost of promotional bonuses within the financial period.

Other Gross winnings revenues include those from Bingo and other products. Bingo Gross winnings revenues are recognised as the net gain from bets placed after the cost of promotional bonuses in the financial period. Other product revenues represent gaming services provided within the financial period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Chief Executive Officer and the Executive Committee who, subject to authorisation by the Board, make strategic decisions.

Leases

As explained in Note 1, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change is disclosed in Note 13.

Until 31 December 2018, the Group's leases were all classified as operating leases (leases in which a significant portion of the risks and rewards of ownership are retained by the lessor). Accounted for under IAS 17 Leases, rentals payable under operating leases were charged to the income statement on a straight-line basis over the term of the relevant lease (net of any incentive received from the lessor).

Foreign currencies

The Group operates in Malta and in a number of international territories. The presentation currency of the consolidated financial statements is GBP since that is the currency in which the shares of the Company are denominated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, being the functional currency.

Transactions in currencies other than the presentation currency of the Company are initially recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the consolidated income statement for the year. Gains and losses arising on operations are recognised within items affecting comparability.

Gains and losses related to financing, including unrealised gains and losses arising on the retranslation of borrowings, are recognised within finance costs or finance income where the financing has not been matched to the currency of a specific acquisition. Where financing has been required in a specific currency to complete an acquisition, the Group considers the borrowing to be a hedging instrument and any gains and losses arising on the retranslation are transferred to the Group's currency translation reserve.

The Group does not enter into forward contracts nor options to hedge its exposure to foreign exchange risks.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rate on the date of the transaction. Exchange differences arising on the translation of subsidiary reserves are classified as equity and transferred to the Group's currency translation reserve.

Translation differences relating to long-term non-trading inter-company balances are also included within the Group's currency translation reserve.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised within the Group's currency translation reserve.

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

Retirement benefit costs and pensions

The Group does not operate any defined benefit pension schemes for employees or Board Directors. Certain Group companies make contributions to defined contribution pension schemes for employees on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The Group does not provide any other post-retirement benefits.

Taxation

The tax expense represents the sum of the tax currently payable, and movements in the deferred tax provision.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is expected that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer expected that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax may be offset where appropriate.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is deemed to be the excess of the:

- > consideration transferred;
- > amount of any non-controlling interest in the acquired entity; and
- > acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired.

Goodwill is carried at cost, less accumulated impairment losses.

Any contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

An internally-generated development intangible asset is recognised at cost only if all of the following criteria are met:

- (i) An asset is created that can be identified;
- (ii) There is an intention to complete and use the asset;
- (iii) There is the ability and internal resource to complete and use the asset;
- (iv) There is the technical feasibility to complete and use the asset;
- (v) It is probable that the asset created will generate future economic benefits; and
- (vi) The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over three to five years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Expenditure on research activities is recognised at cost as an expense in the period in which it is incurred.

Intangible assets identified as a result of a business combination are dealt with at fair value in line with IAS 38, and are brought onto the consolidated balance sheet at the date of acquisition. Where they arise as a result of the acquisition of a foreign entity they are treated as assets of the acquired entity and are translated at the closing rate.

Acquired intangibles include brands, customer databases, development costs and trade names. The Maria, 32Red, Roxy Palace and some of the iGame collection of brands together with the Bingo.com and iGame domains are considered to have indefinite economic lives as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows and are therefore not subject to amortisation. Instead they are subject to annual impairment tests, allocated to cash-generating units alongside goodwill. All other acquired intangible assets are being amortised on a straight-line basis over three to five years, as the Directors believe this to be their useful economic life.

Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring in to use the software. These costs are amortised on a straight-line basis over their estimated useful life of three years. Computer software is carried at cost less accumulated amortisation and any recognised impairment losses. Costs associated with maintaining computer software are expensed as incurred.

Gaming licences

Gaming licences are capitalised on the basis of the costs incurred to acquire them. These costs are amortised on a straight-line basis over the respective lifetimes of the licences in question. Gaming licences are carried at cost less accumulated amortisation and any recognised impairment losses.

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows: i.e. cash-generating units. Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Associated companies

Associated companies are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights.

Investments in associated companies have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company is reported as part of the Group's income. Investments in such a company are reported initially at cost and then increased, or decreased, to recognise the Group's share of the profit or loss of the associated company after the date of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Gains or losses on transactions with associated companies, if any, have been recognised to the extent of unrelated investors' interests in the associate.

Accounting policies of associate companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost, less the estimated residual value, of the assets over their estimated useful lives, using the straight-line method, on the following bases:

- > Office equipment, fixtures and fittings, 3-10 years
- > Computer hardware, 3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within administrative expenses in the consolidated income statement.

The residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. If any impairment is identified in the carrying value of an asset, it is written down to its recoverable amount.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include options on convertible loan instruments. These assets are treated as derivatives and are therefore remeasured to fair value with any gains or losses recognised in the consolidated income statement. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

(b) Financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- > the asset is held within a business model whose objective is to collect the contractual cash flows, and
- > the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost comprise other receivables, cash and cash equivalents, and loan instruments of convertible loans in the balance sheet. Those with maturities greater than 12 months after the balance sheet date are classified as non-current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses that are required when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the expected loss allowance is the difference between the assets' carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate.

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification: (i) financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognised in the income statement; and (ii) financial liabilities measured at amortised cost are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs.

The Group derecognises a financial liability from its balance sheet when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

Trade and other payables and customer balances

Trade and other payables and customer balances are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Deferred income

Deferred income, representing revenue which can be measured reliably but where transactions have not closed at the balance sheet date, is classified as a financial liability at fair value through profit and loss. It is initially recognised at fair value, and subsequently remeasured to fair value with gains or losses recognised in the consolidated income statement.

Borrowings and finance costs

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest paid in the consolidated cash flow statement is presented within investing activities as opposed to financing activities, as the principal use of the borrowings to which they relate are to fund expansion of the business, such as via acquisition.

Lease liabilities

Lease liabilities are initially recognised at the present value of the remaining lease payments (see Note 13 on page 85) and subsequently measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Share-based employee remuneration

The Group operates several equity-settled share-based compensation plans, under which Group companies receive services from employees as consideration for equity instruments (performance shares) in Kindred Group plc. The fair value of the employee services received in exchange for the grant of performance shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the performance shares granted, including market performance conditions and the impact of any non-vesting conditions, and excluding the impact of any service or vesting conditions. Non-market performance and service conditions are included in assumptions about the number of share-based payments that are expected to vest. The total amount expensed is recognised over the vesting period of the share-based payments, which is between three and four years.

The grant by the Company of performance share awards to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company's financial statements.

At the end of each reporting period, the Group revises the estimates of the number of share-based payments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When share-based payments vest, the Company may issue new shares. Proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

In respect of cash settled share-based payments, the Group measures goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised in the consolidated income statement for the period.

Cash and cash equivalents, and finance income

Cash and cash equivalents includes cash in hand, deposits held at call with banks, payment solution providers and other short-term highly liquid investments with original maturities of three months or fewer. Included in cash and cash equivalents are funds not available for use by the Group which are funds required to be held for regulatory purposes.

Cash and cash equivalents in the prior year have been restated. Refer to Note 1B on page 70 for more information on this restatement.

Finance income is recognised on bank balances using the effective interest method as and when it accrues.

Dividend distribution

Dividends are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

2B: Critical accounting estimates and assumptions

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

Impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated on page 73. The recoverable amount of cash-generating units has been determined based on value-in-use calculations which require the use of estimates such as EBITDA margin, the risk adjusted discount rate and the long-term growth rate (see Note 11).

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are some transactions during the ordinary course of business for which the ultimate tax determination is based on management's judgement, being the interpretation of country specific tax laws and regulations.

Legal environment

The Group operates in a number of markets in which its operations may be subject to litigation risks, as highlighted on pages 45 to 47. In such circumstances, the potential outcome can often be unknown. The Group therefore routinely makes estimates of the financial impact using management's experience and current knowledge of the situation.

Capitalisation of development costs

The Group capitalises internally generated development costs, being salary costs for those working on the development and enhancement of its platform, in line with the relevant accounting policy on page 72. In assessing the criteria for recognising these intangible assets, and in its ongoing assessment of individual projects to ensure they still meet these criteria, management exercises a certain degree of judgement.

2C: Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the Group's markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is managed by the finance team reporting through the Chief Financial Officer to the Board of Directors. The Board of Directors supervises strategic decisions, including the management of the Group's capital structure. For more information on the Group's principal risks, please refer to pages 30 and 31.

Market risk

Market risk is the risk that the Group will lose money on its business due to unfavourable outcomes on the events where the Group offers odds. The Group has adopted specific risk management policies that control the maximum risk level for each sport or event where the Group offers odds. The results of the most popular teams in major football leagues comprise the predominant market risk. Through diversification, which is a key element of the Group's business, the risk is spread across a large number of events and sports.

In respect of betting on other products, the Group does not usually incur any significant financial risk, except for the risk of fraudulent transactions considered within credit risk overleaf.

Foreign currency exchange risk

The Group operates internationally and in addition to GBP sterling, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona, Norwegian kroner, Danish krone and Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's operating cash flows provide a natural hedge for operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In addition, the Group reports in GBP sterling, which is the currency in which its own share capital is denominated, although it is incorporated and trading in Malta.

The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to isolate the impact of single currency movements on the results from operations. During 2019, the rate of exchange of the euro weakened against GBP by 5.1 per cent (from a rate of EUR 1.118 per GBP to a rate of EUR 1.175 per GBP). The rate of exchange of the Swedish krona weakened by 7.1 per cent (from a rate of SEK 11.464 per GBP to a rate of SEK 12.279 per GBP). These movements in some of the Group's principal trading currencies contributed to the overall foreign exchange gain on operations as shown in Note 4 on page 79.

Additional foreign exchange disclosures are contained in Note 18 on page 88.

As elements of the Group's borrowings at the end of the financial year are denominated in EUR and SEK (see Note 19 on page 89), there is a currency translation exposure related to that financial liability. Based on the exchange rate between these currencies and GBP at 31 December 2019, a 2 per cent fall in the value of GBP against both EUR and SEK would give rise to an exchange loss of approximately GBP 3.3 million. Until such time as the loan becomes repayable such translation gains and losses are unrealised. These gains and losses are recognised within the income statement and are non-cash items. In 2019, a gain of GBP 2.9 (2018: loss of 2.0) million has been recognised. Where the borrowings have been matched to the currency of an acquisition, any such translation gains and losses are reflected in the Group's currency translation reserve.

Notes to the consolidated financial statements continued

2C: Financial risk management continued

At the year end, the Group has access to a multicurrency revolving loan facility of GBP 160 million with several Nordic banks and at such time that the Group draws down further on the facility, a currency translation exposure related to that financial liability may arise. Any potential future translation gains and losses arising on the credit facilities would be offset to the extent that the Group generates positive future cash flows in the corresponding currency.

Interest rate risk

The Group's interest rate risk is managed through the negotiation of fixed rates above EURIBOR (or the relevant equivalent inter-banking lending rate) on the individual tranches of the bank borrowings.

The substantial majority of the Group's liquid resources are held in short-term accounts in order to provide the necessary liquidity to fund the Group's operations, so there is no significant exposure to interest rate risk in respect of the Group's interest-bearing assets and liabilities.

Credit risk

The Group manages credit risk on a Group-wide basis. The Group does not offer credit to any customers, therefore the only exposure to credit risk in respect of its sports betting business arises in the limited trading activities that it occasionally conducts with other parties in order to lay off its exposure. In respect of betting on other products, the Group works with a small number of partners and at any time may have a small degree of credit exposure.

The principal credit risk that the Group faces in its gaming operations comes from the risk of fraudulent transactions and the resulting chargebacks from banks and other payment providers. The Group has a fraud department (within the player sustainability team) that is independent of its finance function that investigates each case that is reported and also monitors the overall level of such transactions in connection with changes in the business of the Group, whether in terms of new markets, new products or new payment providers.

The Group also manages credit risk by using a large number of banking and payment solution providers. See Note 2F on page 77.

Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash and availability of funding for the business. As at 31 December 2019, the current liabilities of the Group exceeded the current assets by GBP 51.1 (2018: GBP 54.0) million. The Group ensures adequate liquidity through the management of rolling cash flow forecasts, the approval of investment decisions by the Board and the negotiation of appropriate financing facilities. These forecasts show that the Group is in a positive cash flow position. As at 31 December 2019, the unused revolving loan facility available to be drawn on was GBP 54.6 (2018: GBP 44.9) million (see Note 19 on page 89). The Group also monitored adherence to debt covenants that related to the facilities detailed on page 89 in accordance with the conditions of those instruments, and has been fully compliant with such conditions.

Of the Group's total financial liabilities of GBP 499.2 (2018: GBP 390.4) million, GBP 220.5 (2018: GBP 241.1) million mature in less than one year and GBP 278.7 (2018: GBP 149.3) million mature in more than one year. The Group always maintains cash balances in excess of customer balances.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. See also Notes 15 and 17 for further information on the Group's financial liabilities.

(GBP m)	As at December 2019			As at December 2018		
	Less than 1 year	Between 1–2 years	Between 2–5 years	Less than 1 year	Between 1–2 years	Between 2–5 years
Deferred income	5.9	–	–	5.4	–	–
Trade and other payables ¹	135.5	–	–	128.4	–	–
Customer balances	67.4	–	–	62.3	–	–
Lease liabilities	11.7	12.0	28.3	–	–	–
Borrowings	–	–	225.4	45.0	103.0	46.3
Total	220.5	12.0	253.7	241.1	103.0	46.3

¹ Excluding non-financial liabilities, being other taxation and social security.

2D: Capital risk management

The Group's objective in managing capital is to ensure it has sufficient liquidity to manage its business and growth objectives while maximizing return to shareholders through the optimisation of the use of debt and equity. Liquidity is necessary to meet the Group's existing general capital needs, fund the Group's growth and expansion plans, and undertake certain capital markets activities, including the repayment of debt and investing activities.

The Group has historically met its liquidity needs through cash flow generated from operations and externally financing activities were sought notably to finance business development activities, such as acquisitions. The Board makes all the relevant decisions to investment opportunities and whether to take on further external financing. The Group's current objective is to meet all of its current liquidity and existing general capital requirements from the cash flow generated from operations and to optimise its capital structure and cost of capital. The Group intends to deleverage by focusing on improving profitability and repaying its debt.

The Group also monitored adherence to debt covenants that related to the facilities detailed on page 89 in accordance with the conditions of those instruments, and has been fully compliant with such conditions.

2E: Fair value estimation

The carrying value less expected loss allowances of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For further information on fair value estimates, see Note 15 on page 88.

2F: Impairment and credit quality of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- > Current and non-current receivables measured at amortised cost;
- > Embedded option on the convertible bond measured at fair value through profit and loss; and
- > Cash and cash equivalents, consisting primarily of amounts held with banks and payment providers measured at amortised cost.

The Group considers the probability of default on initial recognition of an asset, of which all of the above were considered to have low credit risk upon initial recognition. The Group then considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, including:

- > External credit ratings (as far as available);
- > Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations; and
- > Significant changes in the behaviour of the counterparty, such as the status of payments.

Regardless of the analysis above, an increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group assesses a loan or receivable for write off when a debtor fails to make contractual payments more than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The assessment of loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. No significant changes to estimation techniques or assumptions were made during the reporting period.

Since the Group does not have significant trade receivables, its principal credit risk is in relation to cash and cash equivalents. The Group uses a large number of banks and payment solution providers both in order to provide maximum access to markets and convenience for customers and also to ensure that credit risk in banking relationships is spread. The credit ratings of the Group's principal banking partners at 31 December 2019 and 2018, based on publicly reported Fitch ratings, are as follows:

	As at 31 December 2019	As at 31 December 2018 (Restated ¹)
<i>(GBP m)</i>		
AA-	33.1	44.3
A+	20.5	33.2
A	0.8	–
A-	2.1	–
BBB+	0.5	–
BBB	10.5	14.5
BBB-	1.5	2.3
Not rated	68.8	80.0
Total cash and cash equivalents	137.8	174.3

¹ See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

The Group continually monitors its credit risk with banking partners and did not incur any losses during 2019 as a result of bank failures. "Not rated" primarily consists of payment solution providers where credit risk is managed by maintaining a spread of the Group's funds across a number of industry-established providers. The maximum exposure to credit risk for cash and cash equivalents, and trade and other receivables, is represented by their carrying amount.

Notes to the consolidated financial statements continued

3: Operating segments

Management has determined the operating segments based on the reports reviewed by the CEO and Executive Committee and provided to the Board, which are used to make strategic decisions.

Management considers the business primarily from a geographic perspective, emphasising the primary role of territory management in driving the business forward. Products and brands are also an important part of the Group's operational matrix. However, the product teams are considered as suppliers of products and services to the territory managers. This reflects the fact that products may be sourced both internally and externally from independent suppliers. Brands are also managed from a geographic perspective by the territory managers.

The reportable operating segments derive their revenues from online Sports betting, Casino & Games, Poker and Other betting operations (including Bingo and other games).

The primary measure used by the CEO and the Executive Committee to assess the performance of operating segments is gross profit, which is defined as Gross winnings revenue (net of bonuses), less cost of sales. This measurement basis excludes central overheads incurred in support of the integrated operating model applied by the Group in order to derive maximum operational efficiency.

The Group does not allocate such central operating and administrative expenses by segment since any allocation would be arbitrary. The measure also excludes the effects of equity-settled share-based payments, depreciation and amortisation, and finance costs and income.

The Group operates an integrated business model and does not allocate either assets or liabilities of the operating segments in its internal reporting.

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2019 is as follows:

31 December 2019 (GBP m)	Nordics	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	258.6	555.5	79.0	19.7	912.8
Betting duties	-23.6	-165.9	-10.1	-4.7	-204.3
Marketing revenue share	-13.8	-27.3	-5.5	-2.2	-48.8
Other cost of sales	-53.9	-77.8	-15.4	-4.0	-151.1
Gross profit	167.3	284.5	48.0	8.8	508.6
Marketing costs					-210.9
Administrative expenses					-219.0
Items affecting comparability					-7.8
Profit from operations					70.9

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2018 is as follows:

31 December 2018 (GBP m)	Nordics	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	306.5	516.3	68.2	16.6	907.6
Betting duties	-9.2	-138.7	-7.4	-3.4	-158.7
Marketing revenue share	-17.4	-25.6	-5.5	-1.5	-50.0
Other cost of sales	-60.7	-68.9	-15.0	-2.1	-146.7
Gross profit	219.2	283.1	40.3	9.6	552.2
Marketing costs					-189.0
Administrative expenses					-189.1
Items affecting comparability					-18.1
Profit from operations					156.0

Product revenues

Gross winnings revenue by principal product groups:

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Sports betting	435.5	435.6
Casino & Games	429.3	431.8
Poker	21.3	17.9
Other	26.7	22.3
	912.8	907.6

4: Expenses by nature

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Betting duties	204.3	158.7
Marketing revenue share	48.8	50.0
Other cost of sales	151.1	146.7
Marketing costs	210.9	189.0
Administrative expenses		
Employee costs (Research and development) ¹	15.0	12.9
Other employee costs ¹	81.1	70.5
Employee costs	96.1	83.4
Depreciation of property, plant and equipment	14.9	13.0
Depreciation of right-of-use assets	10.1	–
Amortisation of intangible assets (excluding on assets arising on acquisition)	24.3	17.8
Loss on disposal of property, plant and equipment	0.1	0.5
Loss on disposal of intangible assets	–	0.3
Operating lease rentals	2.2	9.3
Fees payable to statutory auditors	0.8	0.8
Other ¹	70.5	64.0
Total administrative expenses	219.0	189.1
Items affecting comparability		
Management incentive costs relating to acquisitions	0.2	0.9
Personnel restructuring costs	1.7	–
Impairment losses recognised in the year	2.0	–
Accelerated amortisation of acquired intangible assets	–	4.7
Amortisation of acquired intangible assets	5.9	11.3
Foreign currency (gains)/losses on operating items	-2.0	1.2
Total items affecting comparability	7.8	18.1

¹ Research and development costs has been updated in 2019 to reflect the most appropriate classification, 2018 comparative figures have also been reclassified.

As explained within the accounting policy note on page 71, the Group defines items affecting comparability as those items which, by their size or nature in relation to both the Group and individual segments, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between years.

In 2019, items affecting year-on-year comparison included:

- > Management incentive costs of GBP 0.2 (2018: GBP 0.9) million in connection with previous Group acquisitions.
- > Personnel restructuring costs of GBP 1.7 (2018: GBP nil) million as a result of the Group implementing measures to improve cost efficiencies.
- > GBP 2.0 million, being the impairment of Betchoice goodwill, following the Group's assessment of the recoverable amount of the Betchoice cash generating unit (CGU) as being lower than its previous carrying value. This is a non-cash charge taken by the Group and this adjustment has no impact on free cash flow available for dividends. For more information see Note 11 on page 82.
- > Amortisation of acquired intangible assets, which is the charge on "IFRS 3 Business combinations" acquired assets over the useful economic life of the asset. This charge is included as part of the Group's total amortisation charge shown in Note 11 on page 82.

Notes to the consolidated financial statements continued

4: Expenses by nature continued

In addition to items seen in the current year; in 2018, items affecting year-on-year comparison included:

- > A non-cash amortisation charge of GBP 4.7 million as a result of the rationalisation of its brands and the migration of acquired brands to the Group's platform. For more information see Note 11 on page 82.

Fees payable to the statutory auditors, the PricewaterhouseCoopers network, can be broken down as follows:

(GBP m)	Year ended 31 December 2019	Year ended 31 December 2018
Annual statutory audit	0.7	0.7
Non-audit services	0.1	0.1
	0.8	0.8

The annual statutory audit fee includes fees for the local statutory audits of some of the Group's subsidiaries.

Non-audit services includes the interim review, permissible tax compliance, sustainability reporting and other services.

5: Employee costs

Employee costs can be broken down as follows:

(GBP m)	Year ended 31 December 2019	Year ended 31 December 2018
Wages and salaries	76.5	66.4
Share award charge – value of employee services (see Note 21)	2.0	2.2
Equity settled employee benefit plan (see Note 21)	2.6	2.2
Social security costs	10.2	8.9
Pension costs	4.8	3.7
	96.1	83.4

The remuneration of the Directors and Executive Committee is disclosed on page 54.

Average employee numbers are provided as below:

Average number of employees for the year	Year ended 31 December 2019	Year ended 31 December 2018
Finance, legal, administration and management	447	387
Marketing (including trading)	570	478
Customer services	225	244
Research and development	382	302
	1,624	1,411

6: Finance costs

(GBP m)	Year ended 31 December 2019	Year ended 31 December 2018
Interest and fees payable on bank borrowings	5.4	4.6
Interest on lease liabilities	1.2	–
Foreign exchange loss on dividend	0.4	–
	7.0	4.6

Foreign currency gains or losses on operating items are included within items affecting comparability.

7: Finance income

(GBP m)	Year ended 31 December 2019	Year ended 31 December 2018
Interest receivable on convertible bond and bank deposits	0.4	0.4
	0.4	0.4

8: Income tax expense

(GBP m)	Note	Year ended 31 December 2019	Year ended 31 December 2018
Current tax:			
Income tax expense		16.3	22.1
Deferred tax:			
Deferred tax credit	20	-5.8	-4.2
Total tax expense		10.5	17.9

Income tax in Malta is calculated at a basic rate of 35 (2018: 35) per cent of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the year can be reconciled to the profit per the income statement as follows:

(GBP m)	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax	67.1	149.5
Taxation at the basic income tax rate of 35% (2018: 35%)	23.5	52.3
Effects of:		
Tax recoverable ¹	-40.3	-45.6
Overseas tax rates	1.6	-8.2
Items of income/expenditure not taxable/deductible	4.8	9.4
Other ²	20.9	10.0
Tax expense	10.5	17.9

1 The tax recoverable of GBP 40.3 (2018: GBP 45.6) million represents the Malta tax refundable in accordance with applicable fiscal legislation on intra-Group dividends distributed during the year and the Malta tax that shall be recoverable upon distribution of unremitted earnings.

2 Included in other for the financial year ended 31 December 2019 is an amount of GBP 10.9 million representing an adjustment to the deferred tax recognition upon consolidation of tax losses that are eligible for offset against future profits.

The income tax expensed directly to equity during the year is as follows:

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Current tax credit in relation to:		
Share-based payments	–	-0.1
Deferred tax charge in relation to:		
Share-based payments	–	0.2
Total income tax recognised directly in equity	–	0.1

9: Dividend

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Dividend paid GBP 0.496 per share (2018: GBP 0.551 per share)	112.5	125.6

The Board of Directors is proposing a final dividend in respect of the financial year ended 31 December 2019 of GBP 0.176 per ordinary share/SDR, which will absorb an estimated GBP 39.9 million of shareholders' funds. In order to facilitate more efficient cash management, the dividend is proposed to be paid in two equal instalments. If approved at the AGM on 12 May 2020, the first instalment will be paid on 19 May 2020 to shareholders who are on the Euroclear Sweden register on 14 May 2020. The second instalment will be paid on 19 November 2020 to shareholders who are on the Euroclear Sweden register on 16 November 2020.

The proposed dividend amounts to 79 per cent of the Group's free cash flow available for dividends for 2019. In line with the previous year, and aligned with the Group's dividend policy on page 48, the proposed dividend is above 50 per cent of the Group's free cash flow available for dividends, reflecting the solid capital structure of the Group.

10: Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Earnings		
Earnings for the purposes of basic earnings per share	56.6	131.6
Earnings for the purposes of diluted earnings per share	56.6	131.6
Number of shares		
Weighted average number of outstanding shares for the purposes of basic earnings per share	226,669,514	227,043,853
Effect of dilutive potential ordinary shares – share awards	1,714,651	1,304,455
Weighted average number of outstanding shares for the purposes of diluted earnings per share	228,384,165	228,348,308
Earnings per share GBP		
Earnings per share	0.250	0.580
Diluted earnings per share	0.248	0.576

The nominal value per share is GBP 0.000625 (2018: GBP 0.000625).

Notes to the consolidated financial statements continued

11: Intangible assets

(GBP m)	Note	Goodwill	Other intangible assets				Total	
			Development costs	Computer software	Customer databases	Gaming licences		Brands and other
Cost								
At 1 January 2018		283.4	103.5	15.6	44.4	–	125.1	288.6
Additions		–	20.9	3.0	–	–	–	23.9
Fair value adjustments		5.1	–	–	–	–	–	–
Reclassifications		–	3.2	-3.2	–	–	–	–
Disposals		–	-6.3	-2.5	–	–	–	-8.8
Currency translation adjustment		-1.7	-0.3	-0.1	–	–	-0.3	-0.7
At 31 December 2018		286.8	121.0	12.8	44.4	–	124.8	303.0
Additions		–	25.0	1.5	–	14.9	–	41.4
Reclassifications		–	–	–	–	1.0	-1.0	–
Disposals		–	-52.1	-1.0	–	–	–	-53.1
Currency translation adjustment		-5.6	-0.4	-0.5	-0.7	-0.5	-2.7	-4.8
At 31 December 2019		281.2	93.5	12.8	43.7	15.4	121.1	286.5
Accumulated amortisation								
At 1 January 2018		4.3	79.4	10.4	27.5	–	8.5	125.8
Charge for the year		–	16.9	2.8	9.3	–	4.8	33.8
Reclassifications		–	1.3	-1.3	–	–	–	–
Disposals		–	-6.3	-2.2	–	–	–	-8.5
Currency translation adjustment		-0.2	-0.1	0.3	–	–	-0.1	0.1
At 31 December 2018		4.1	91.2	10.0	36.8	–	13.2	151.2
Charge for the year		–	22.4	1.8	5.2	0.3	0.5	30.2
Impairment losses recognised in the year		2.0	–	–	–	–	–	–
Reclassifications		–	–	–	–	0.3	-0.3	–
Disposals		–	-52.1	-1.0	–	–	–	-53.1
Currency translation adjustment		-0.2	–	-0.4	-0.8	–	-0.3	-1.5
At 31 December 2019		5.9	61.5	10.4	41.2	0.6	13.1	126.8
Net book value								
At 31 December 2019		275.3	32.0	2.4	2.5	14.8	108.0	159.7
At 31 December 2018		282.7	29.8	2.8	7.6	–	111.6	151.8

Goodwill balances relating to acquisitions and other intangible assets were subject to foreign currency adjustments as shown in the above table and explained within the Group's accounting policies outlined in Note 2A on page 71.

Goodwill, some brands and domains arising on business combinations, together with any material separately acquired brands or domains, are not subject to amortisation but are reviewed annually, or more frequently if events require, for impairment, as described on the next page. The amortisation periods for all other classes of intangible assets are outlined in Note 2A on page 72.

Customer databases recognised as a result of previous acquisitions are amortised over three years.

Impairment review

Goodwill and other intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite lives are allocated by management to cash-generating units for the purpose of impairment testing.

Other intangible assets that have indefinite useful lives include significant brands acquired through business combinations and key trading domains either acquired through business combinations or separately purchased.

The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill and other intangible assets with indefinite lives arose. The units to which goodwill and other intangible assets with indefinite lives are monitored are reviewed for appropriateness each year and are outlined on the following page:

CGU	Goodwill (GBP m)	Other intangible assets (GBP m)	Description
Group operations	164.9	45.3	Following the acquisitions of the MrBookmaker Group in 2005, the Maria Group in 2007, Guildhall Media Invest in 2008, Bet24 in 2012 and iGame and Stan James Online in 2015, the activities and customers of the acquired businesses have been integrated into the existing businesses of the Kindred Group and the combined businesses are now managed on a unified basis. Management considers the combined business to be one cash-generating unit, as the original purchased businesses are no longer separately identifiable. The Maria brand, Bingo.com domain, certain iGame brands and iGame domains are an integrated part of the wider business and have therefore been allocated to the same Group operations cash-generating unit.
Solfive	5.4	–	The acquisition of Solfive on 12 December 2011 has continued to operate on a substantially separate basis in 2019 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at 31 December 2019.
Betchoice	4.2	–	The acquisition of Betchoice on 29 February 2012 has continued to operate on a substantially separate basis in 2019 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at 31 December 2019.
32Red	100.8	62.7	The acquisition of 32Red on 9 June 2017 has continued to operate on a separate platform in 2019. It is therefore considered to be a separate cash-generating unit at 31 December 2019. The 32Red and Roxy Palace brands are part of the 32Red acquisition and have therefore been allocated to the 32Red cash-generating unit.
Total	275.3	108.0	

As at 31 December 2019, the total goodwill of GBP 275.3 million and the total other intangible assets with indefinite lives of GBP 108.0 million were tested for impairment on a value-in-use basis. The value-in-use calculation was based on the 2020 budget approved by the Board and extrapolated pre-tax projections over four years. These projections were allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry and in line with the Group's strategy and plans.

The key assumptions used by management in the value-in-use calculations to support the overall impairment assessment as approved by the Board were as follows:

	At 31 December 2019				At 31 December 2018			
	Group operations	Solfive	Betchoice	32Red	Group operations	Solfive	Betchoice	32Red
EBITDA margin (per cent) ¹	8.3–17.5	15.4–16.5	0–12.0	2.4–17.1	21.9–23.8	12.7–13.8	0.0–18.7	2.9–20.5
Risk adjusted discount rate (per cent) ²	9.0	9.0	9.0	9.0	10.0	10.0	13.0	10.0
Long-term growth rate (per cent) ³	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

1 Based on past performance and management's expectations of market development.

2 The rate has been reassessed and calculated using the CGU's pre-tax weighted average cost of capital (WACC), adjusted for specific risks relating to the relevant segments and the countries in which they operate.

3 Weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

Based on the Group's impairment review no indication of impairment has been identified on the separate cash-generating units, with the exception of Betchoice where the carrying amount of its goodwill has been reduced by GBP 2.0 million to its recoverable amount. This reduction represents the impairment loss and has been recognised in the consolidated income statement. The events and circumstances that led to the recognition of the impairment include the challenging regulatory environment of a highly competitive market with high point of consumption taxes that are expected to continue to impact the profitability of Betchoice in the near future.

In 2017, management took the decision to discontinue the Stan James brand and the related customers were migrated to some of the Group's main brands in February 2018. As a result, the total brand value of GBP 6.2 million was reclassified to intangible assets with definite lives and was amortised over the 18 month period to 31 December 2018. GBP 4.2 million of amortisation was recognised in 2018 within accelerated amortisation of intangible assets in the consolidated income statement, with no further effect in 2019.

In performing its assessment of the carrying value of goodwill and other intangibles with indefinite lives, the Board believes there are two cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment, being Betchoice and 32Red. As a result, sensitivity analyses have been performed over these two cash generating units.

In relation to 32Red, the recoverable amount exceeds the carrying value by GBP 103.6 million. A decrease in EBITDA of 38 per cent in the first five years (corresponding to a decrease in the EBITDA margin of 23 per cent on average for the same period) would lead to the recoverable amount of the 32Red cash-generating unit equalling its carrying amount. An increased risk adjusted discount rate at 13 per cent would lead to the recoverable amount of the 32Red cash-generating unit equalling its carrying amount.

Notes to the consolidated financial statements continued

11: Intangible assets continued

With respect to Betchoice, following the impairment posted this year, the recoverable amount equals the carrying value. The impairment assessment is highly sensitive to changes in the key assumptions used in the value in use calculation which could result in the potential impairment of the remaining carrying value if the forecast is not achieved in future years.

The Board believes there are no other cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment.

12: Property, plant and equipment

<i>(GBP m)</i>	Note	Computer hardware	Office equipment, fixtures and fittings	Total
Cost				
At 1 January 2018		25.8	16.5	42.3
Additions		9.5	16.5	26.0
Disposals		-2.6	-1.9	-4.5
Currency translation adjustment		-0.2	0.2	–
At 31 December 2018		32.5	31.3	63.8
Additions		9.3	6.3	15.6
Disposals		-2.0	-1.7	-3.7
Reclassifications		-0.4	0.4	–
Currency translation adjustment		-1.4	-1.0	-2.4
At 31 December 2019		38.0	35.3	73.3
Accumulated depreciation				
At 1 January 2018		14.8	2.8	17.6
Charge for the year	4	7.8	5.2	13.0
Disposals		-2.4	-1.6	-4.0
Currency translation adjustment		-0.2	–	-0.2
At 31 December 2018		20.0	6.4	26.4
Charge for the year	4	8.1	6.8	14.9
Disposals		-1.9	-1.6	-3.5
Reclassifications		–	–	–
Currency translation adjustment		-0.9	-0.2	-1.1
At 31 December 2019		25.3	11.4	36.7
Net book value				
At 31 December 2019		12.7	23.9	36.6
At 31 December 2018		12.5	24.9	37.4

13: Leases

This note explains the impact of the adoption of IFRS 16, "Leases", on the Group's financial statements, and subsequent accounting during the year ended 31 December 2019.

a) Adoption of IFRS 16

Kindred Group plc has adopted IFRS 16, "Leases", from its mandatory date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 2.36% as at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- > that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application;
- > the accounting for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short-term leases being expensed directly through the consolidated income statement;
- > the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- > the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The table below reconciles operating lease commitments disclosed as at 31 December 2018 to the lease liability recognised as at 1 January 2019:

<i>(GBP m)</i>	2019
Operating lease commitments disclosed as at 31 December 2018	83.8
Less: short-term leases recognised on a straight line basis as an expense	-0.4
Operating lease commitments in the scope of IFRS 16	83.4
Discounted using the Group's incremental borrowing rate as at the date of initial application	75.0
Lease liabilities recognised as at 1 January 2019	75.0
Of which are:	
Current lease liabilities	10.7
Non-current lease liabilities	64.3

Right-of-use assets were measured at the amount equal to the lease liability (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The change in accounting policy affected the following items in the balance sheet as at 1 January 2019:

- > Right-of-use assets – increase by GBP 75.6 million
- > Prepayments – decrease by GBP 0.6 million
- > Lease liabilities – increase by GBP 75.0 million

The net impact on retained earnings as at 1 January 2019 was an increase of GBP 2.1 million. This is disclosed on the face of the consolidated statement of changes in equity on page 68.

b) Accounting for leases under IFRS 16

The Group's leases predominantly relate to its offices in Malta and other territories but also relate to small items of equipment. Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, the Group's leases were all classified as operating leases, see Note 25 and the related accounting policy in Note 2A on page 71 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments, less any lease incentives receivable. Lease payments to be made under reasonably certain extension or early termination options are also included in the measurement of the liability.

Notes to the consolidated financial statements continued

13: Leases continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received and adjusts for items specific to each lease, such as the term, country and currency.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- > the amount of the initial measurement of lease liability;
- > any lease payments made at or before the commencement date less any lease incentives received; and
- > restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of premises and equipment are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of leases. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

c) Amounts recognised in the consolidated balance sheet, consolidated income statement and consolidated cash flow statement

The table below shows the right-of-use assets and corresponding lease liabilities recognised as at 1 January 2019 and as at 31 December 2019. All recognised right-of-use assets relate to the Group's premises.

<i>(GBP m)</i>	As at 31 December 2019	As at 1 January 2019
Right-of-use assets – premises	64.1	75.6
Lease liabilities:	65.0	75.0
Of which are:		
Current lease liabilities	11.7	10.7
Non-current lease liabilities	53.3	64.3

Additions to the right-of-use assets during the 2019 financial year were GBP 0.9 million. Aside from the impact of depreciation, the only other factor impacting the right-of-use assets is foreign exchange movements.

The consolidated income statement shows the following amounts relating to leases:

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Depreciation of right-of-use assets – premises	10.1	–
Interest expense (included in finance costs)	1.2	–
Expense relating to short-term leases (included in other operating expenses)	2.0	–
Income from sub-leasing right-of-use assets (included in other operating expenses)	0.2	–

The total cash outflow for leases in 2019 was GBP 9.8 million.

14: Subsidiaries and associated companies

Details of the Group's principal subsidiaries at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership and voting power %
Unibet Alderney Limited	Alderney	100%
Betchoice Corporation Pty Ltd	Australia	100%
Kindred South Development Pty Ltd	Australia	100%
Unibet Australia Pty Ltd	Australia	100%
Kindred Belgium NV	Belgium	100%
Star Matic BVBA	Belgium	100%
Kindred Denmark ApS	Denmark	100%
Kindred France SAS	France	100%
Solfive SAS	France	100%
32 Red Limited	Gibraltar	100%
Kindred (Gibraltar) Limited	Gibraltar	100%
Platinum Gaming Limited	Gibraltar	100%
Firstclear Limited	Great Britain	100%
Kindred (London) Limited	Great Britain	100%
Kindred Services Limited	Great Britain	100%
Kindred Italy SRL	Italy	100%
iGame Holding plc	Malta	100%
Kindred IP Limited	Malta	100%
Lexbyte Digital Limited	Malta	100%
Maria Holdings Limited	Malta	100%
Moneytainment Media Limited	Malta	100%
Spooniker Ltd.	Malta	100%
SPS Betting France Limited	Malta	100%
Trannel International Limited	Malta	100%
Unibet (Belgium) Limited	Malta	100%
Unibet (Denmark) Limited	Malta	100%
Unibet (Germany) Limited	Malta	100%
Unibet (Holding) Limited	Malta	100%
Unibet (Italia) Limited	Malta	100%
Unibet Services Limited	Malta	100%
Kindred Spain Tech, S.L.	Spain	100%
Kindred People AB	Sweden	100%
PR Entertainment AB	Sweden	100%
Unibet Interactive Inc.	USA	100%

The movements in the Group's interest in its associate, relating to its 35 per cent interest in Relax Holding Limited, is shown below:

(GBP m)	2019	2018
Carrying value at 1 January	1.9	2.1
Share of loss from associate	-0.1	-0.2
Carrying value at 31 December	1.8	1.9

15: Financial instruments

The carrying value of the Group's financial assets and financial liabilities approximated their fair values at the year end.

The Group's financial assets consist of loans and other non-current and current assets at amortised cost, except for assets at fair value through profit or loss of GBP 0.2 (2018: GBP 0.2) million. Financial assets at fair value through profit or loss consist of the embedded option on the convertible bond of GBP 0.2 (2018: GBP 0.2) million (see Note 23 on page 93). At 31 December 2019, other receivables of GBP 19.4 (2018 restated: GBP 17.1) million were considered to be fully performing. Due to the nature of its business, the Group does not carry any expected credit losses for receivables. The Group does not hold any collateral as security for its receivables. See Note 2F for more information on the impairment of financial assets.

The Group's financial liabilities consist of borrowings, lease liabilities and other current liabilities at amortised cost, except for liabilities at fair value through profit or loss of GBP 5.9 (2018: GBP 5.4) million. Financial liabilities at fair value through profit or loss consist of deferred income relating to unsettled bets at the balance sheet date of GBP 5.9 (2018: GBP 5.4) million.

Notes to the consolidated financial statements continued

15: Financial instruments continued

IFRS 13 requires management to identify a three-level hierarchy of financial assets and liabilities at fair value. Fair value changes in deferred income are minimal, including those attributable to credit risk. The Group determines the amount of fair value changes attributable to credit risk by determining the changes due to inputs based on unobservable market data (defined as level three by IFRS 13), such as historical Sports betting margins, and deducting those changes from the total change in fair value. The Group believes this approach appropriate as changes in other factors are not deemed significant. Although the final value will be determined by future betting outcomes, there are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined. This is also the case for the Group's financial assets, which are immaterial.

16: Trade and other receivables

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018 (Restated ¹)
Due within one year:		
Other receivables ¹	19.4	17.1
Prepayments	27.4	21.8
	46.8	38.9

1 See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

Other receivables do not include material items that are impaired nor past due on the reporting date. No interest is charged on the receivable balance. The Group does not have collateral over these balances. Due to the short-term nature of other receivables, their carrying amount is considered to be the same as their fair value. No estimated credit loss has been booked in respect of these receivables.

17: Trade and other payables

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
Due within one year:		
Trade payables	27.8	24.5
Other taxation and social security	2.9	2.6
Other payables	0.9	2.7
Accruals	95.0	84.5
Provisions	11.8	16.7
	138.4	131.0

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

Provisions

Movements in each class of provision are set out below:

<i>(GBP m)</i>	Jackpot provisions ¹	Property provisions ²	Operational provisions ³	Total
At 1 January 2019	3.8	1.5	11.5	16.8
Provided	17.9	–	–	17.9
Utilised	-18.2	-1.0	-2.6	-21.8
Released	–	–	-0.9	-0.9
Foreign exchange movements	-0.1	–	-0.1	-0.2
At 31 December 2019	3.4	0.5	7.9	11.8

- 1 The Group offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. The Group maintains a provision covering 70 per cent of the total jackpot balances. The cash outflows will occur when the jackpots are won. Exact timing is unknown, due to their nature, but these are expected to occur over the next 12 months.
- 2 This comprises amounts provided for by the Group for the reinstatement of properties to their original condition when a lease was taken out, if this is required by the terms of the lease. Management estimates the provision based on third party expert information of expected costs, but this could differ from the final outflow required. In the prior year this also included amounts required for exiting a lease before the end of the agreed term. The remaining cash outflows are expected to occur in 8 years time when certain leases are not renewed.
- 3 Operational provisions are provisions directly related to the regulated nature of the Group's activities and relate to litigations, anti-money laundering regulation, gaming taxes or items of a similar nature. Management estimates these provision based on historic trends, any other current information known, as well as the best estimate of the most likely outcome. By nature of these estimations, final outflows may differ to the current provision. The cash outflows are expected to occur over the next 12 months.

Of the total provisions at 31 December 2019, GBP 11.3 (2018: GBP 16.0) million is current and GBP 0.5 (2018: GBP 0.8) million is non-current.

18: Customer balances

Customer balances of GBP 67.4 (2018: GBP 62.3) million are repayable on demand, subject to the terms and conditions as described on the Group's websites. The following table shows the split by currency of customer balances:

	As at 31 December 2019	As at 31 December 2018
EUR	50%	54%
SEK	9%	9%
NOK	11%	7%
DKK	4%	5%
USD	3%	2%
GBP	14%	13%
AUD	4%	4%
Other	5%	6%
	100%	100%

Certain third-party suppliers used by the Group in its non-Sports betting operations use either EUR or USD as their standard currency and therefore the above analysis does not represent the spread of customer balances by territory. The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

19: Borrowings

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
Non-current		
Bank borrowings – due in 1-2 years	–	103.0
Bank borrowings – due after more than 2 years	225.4	46.3
Current		
Bank borrowings – due within 1 year	–	45.0
Total borrowings	225.4	194.3

The carrying amounts of the Group borrowings are denominated in the following currencies:

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
GBP	62.0	128.0
EUR	125.1	24.7
SEK	38.3	41.6
Total borrowings	225.4	194.3

On 23 July 2019, Kindred Group plc entered into a new syndicated multicurrency facilities agreement with several Nordic banks, comprising a GBP 120 million bullet term loan ("the Term Loan") and a GBP 160 million revolving loan facility ("Revolving Facility").

The facilities have been used to refinance the amounts outstanding under the existing facilities agreement and for the Group's general corporate purposes. The borrowings are unsecured. As at 31 December 2019 the balance of the facilities utilised was GBP 225.4 (2018: GBP 194.3) million out of a total of GBP 280.0 (2018: GBP 224.2) million. The fair value of the borrowings equals the carrying amount, as the impact of discounting is not material.

Repayments

The Term Loan and the Revolving Facility are both repayable in full by 23 July 2022, being three years from the date of the facilities agreement.

Interest

Interest shall accrue on each advance under the facilities agreement at the rate per annum which is the sum of the applicable IBOR (which, for the avoidance of doubt, includes LIBOR for Loans in GBP, EURIBOR for Loans in EUR and STIBOR for loans in SEK) (and if the applicable IBOR is below zero, IBOR will be deemed to be zero) plus the Applicable Margin of 2.00 per cent per annum.

Covenants

The facilities agreement is also subject to financial undertakings, principally in relation to leverage ratio and other certain customary covenants which will regulate Kindred and its subsidiaries' ability to, among other things, incur additional debt, grant security interests, give guarantees and enter into any mergers. At 31 December 2019, the Kindred Group was in compliance with these undertakings. The Group anticipates continued full compliance and that if the facility is further utilised in the future, it will be repaid in accordance with contracted terms at any such time.

Reconciliation of movements in net borrowings

<i>(GBP m)</i>	Cash and cash equivalents (Restated ¹)	Borrowings due within one year	Borrowings due after more than one year	Total
Net borrowings at 1 January 2018	165.6	-62.6	-133.0	-30.0
Cash flows	7.9	115.5	-112.0	11.4
Transfers	–	-97.9	97.9	–
Foreign exchange movements	0.8	–	-2.2	-1.4
Net borrowings at 31 December 2018	174.3	-45.0	-149.3	-20.0
Cash flows	-28.0	92.8	-130.0	-65.2
Transfers	–	-47.8	47.8	–
Foreign exchange movements	-8.5	–	6.1	-2.4
Net borrowings at 31 December 2019	137.8	–	-225.4	-87.6

¹ See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

Notes to the consolidated financial statements continued

20: Deferred tax

The following are the deferred tax liabilities and assets (prior to offset) recognised by the Group and movements thereon during the current and prior reporting year:

<i>(GBP m)</i>	Note	Unremitted earnings	Property, plant and equipment	Tax losses	Intangible assets	Other	Total
At 1 January 2018							
Deferred tax liabilities		–	-0.1	–	-3.8	-1.8	-5.7
Deferred tax assets		5.5	0.5	4.4	0.1	2.9	13.4
Credit to income for the year	8	2.4	0.3	0.7	0.7	0.1	4.2
Charge directly to equity	8	–	–	–	–	-0.2	-0.2
Transfer to currency translation reserve		–	–	-0.2	–	–	-0.2
At 31 December 2018							
Deferred tax liabilities		–	-0.1	–	-3.0	-1.2	-4.3
Deferred tax assets		7.9	0.8	4.9	–	2.2	15.8
Credit to income for the year		-0.2	0.9	4.9	0.2	–	5.8
Charge directly to equity		–	–	–	–	0.1	0.1
Transfer to currency translation reserve		-0.4	-0.1	-0.2	0.1	1.0	0.4
At 31 December 2019							
Deferred tax liabilities		–	–	–	-3.6	-2.3	-5.9
Deferred tax assets		7.3	1.5	9.6	0.9	4.2	23.5

Certain deferred tax assets and liabilities may have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
Deferred tax liabilities	-5.9	-4.3
Deferred tax assets	23.5	15.8
Net assets	17.6	11.5

The deferred tax balances include deferred tax assets of GBP 8.3 (2018: GBP 8.5) million that are expected to be recovered within 12 months.

At 31 December 2019, the Group had unutilised trading tax losses of GBP 135.6 (2018: GBP 56.4) million and other unutilised tax losses of GBP 0.9 (2018: GBP 0.9) million available for offset against future profits. The amount of unutilised trading tax losses as at 31 December 2019 for which a deferred tax asset has been recognised is GBP 92.1 (2018: GBP 15.4) million. No deferred tax asset has been recognised in respect of the remaining unutilised trading tax losses and in respect of the other remaining unutilised tax losses due to insufficient evidence of their reversal in future periods.

The trading tax losses for which no deferred tax asset has been recognised arose principally from unutilised trading tax losses of Kindred France SA and the Australian sub-group which comprises Unibet Australia Pty Ltd, Betchoice Corporation Pty Ltd and Kindred South Development Pty Ltd, for which there is insufficient evidence of reversal. In total these losses represent GBP 43.5 (2018: GBP 40.0) million of the total unutilised trading tax losses disclosed above. There is no specific expiry date of the total remaining unutilised tax losses for which no deferred tax asset has been recognised.

The aggregate amount of other deductible temporary differences at 31 December 2019 for which deferred tax assets have been recognised is GBP 30.7 (2018: GBP 20.8) million. This includes a deductible temporary difference in respect of unexercised share options for the amount of GBP 2.6 (2018: GBP 3.0) million, of which GBP nil (2018: GBP 0.2) million has been credited directly to equity. A deferred tax asset has not been recognised for other deductible temporary differences of GBP 3.6 (2018: GBP 5.9) million.

21: Share-based payments

The Group operates a number of share-based payment schemes as set out within this note. During 2019, 307,614 share awards vested from within the 2016 Group Performance Share Plan and the 2020 All Employee Share Plan. The total charge for the year relating to employee share-based payment plans was GBP 4.6 (2018: GBP 4.4) million.

2020 long-term incentive plans ("2020 LTIP")

In 2016, the Kindred Group Board approved a long-term incentive plan for all employees and the Executive Management team ("2020 All Employee Share Plan" and "2020 Executive Management Incentive Scheme"). As a result, 1,481,866 share awards were granted to existing employees on 3 October 2016 and, together with the grants made to new employees since this date, these awards will vest after December 2020. The awards are subject to achieving business performance targets in the 2020 financial year and continued employment. The targets were set and approved by the Remuneration Committee and the Board of Directors in December 2016. The total amount expensed is recognised over the vesting period of the plan, which is four years.

The total charge recognised in 2019 in relation to the 2020 LTIP was GBP 2.0 (2018: GBP 2.2) million.

Performance Share Plan ("PSP")

The introduction of the Group PSP was approved at the 2013 AGM under which future share-based payments to senior management and key employees will be made. The PSP performance measures are non-market based conditions providing participants with a high degree of alignment to the Group's performance.

Grants of performance share rights are subject to achieving business performance targets over three financial years and continued employment. These targets are: EBITDA, Gross contribution (Gross winnings revenue, less cost of sales, less marketing costs), and free cash flow per share. Grants made in each year will have targets measured on an aggregate basis between the full year of grant and the two successive years

so that performance in each financial year will be important. Aggregated performance against the targets and the resulting allocation of PSP awards are disclosed after the full year of vesting.

On 1 October 2019, the full value of the 2016 PSP grants vested. The assessment of the actual business performance against the target conditions confirmed that all targets over the three financial years 2016-2018 have been achieved at greater than 100 per cent. The total number of share awards vested was 306,599.

Performance targets	Target achieved
EBITDA	101%
Gross contribution	102%
Free cash flow	103%

On 23 May 2019, the Kindred Group granted 717,334 new PSP awards to senior management and key employees ("2019 PSP"). These grants will vest after June 2021 and are subject to achieving business performance targets over the three financial years 2019-2021 and continued employment. The targets for these plans were set and approved by the Remuneration Committee and the Board of Directors in May 2019. The total amount expensed is recognised over the vesting period of the plan, which is three years.

The total charge recognised in 2019 in relation to the Group's PSPs was GBP 2.6 (2018: GBP 2.2) million; of the 2019 amount GBP 0.6 million was recognised in relation to the new 2019 PSP.

The amount recognised in the consolidated statement of changes in equity in respect of this scheme of GBP 0.4 (2018: GBP 0.7) million comprises of the charge above, offset by the utilisation of treasury shares for the vesting during 2019 of GBP 2.2 (2018: GBP 1.5) million.

Grants made under both the PSP and 2020 LTIP share-based payment arrangements are valued using the Black-Scholes option-pricing model. The fair value of grants and the assumptions used in the calculation are as follows:

Grant date	PSP awards ¹ (pre-share split)			PSP awards ¹ (post-share split)			2020 LTIP awards ¹ (post-share split)
	30 Jun 2015	5 Nov 2015	30 Sep 2016	3 Jul 2017	1 Jun 2018	23 May 2019	3 Oct 2016
Average share price prior to grant GBP	–	–	–	–	–	–	–
Exercise price GBP	–	–	–	–	–	–	–
Number of employees	100	14	123	149	178	198	1,125
Shares under award	38,464	2,430	411,713	423,197	368,316	717,334	1,481,866
Vesting period (years)	3.50	3.50	3	3	3	3	4
Expected volatility %	18	25	32	29	25	33	32
Award life (years)	3.50	3.50	3	3	3	3	4
Expected life (years)	3.50	3.50	3	3	3	3	4
Risk-free rate %	–	–	–	–	–	–	–
Expected dividends expressed as dividend yield %	4.15	2.71	3.29	3.61	5.68	8.46	3.28
Fair value per award GBP	34.17	55.07	6.46	7.70	8.17	4.55	6.28

1 An award is a legally enforceable conditional right to receive a number of the Company's ordinary shares during a period in the future.

Notes to the consolidated financial statements continued

21: Share-based payments continued

The expected volatility is based on the standard deviation of the Group's share price over a year, prior to the grant date. The risk-free rates of return applied to the grants is the approximate implicit risk-free interest rate for the awards' term to maturity, based on the three-year maturity rate offered by Riksbanken at the respective dates of each grant.

The reconciliation of awards movement during the year ended 31 December 2019 is shown below:

PSP	2019	2018
	Number	Number
Outstanding at 1 January	1,090,809	1,049,041
Vested	-306,599	-232,296
Granted	717,334	368,316
Lapsed	-145,698	-94,252
Outstanding at 31 December	1,355,846	1,090,809

2020 LTIP	2019	2018
	Number	Number
Outstanding at 1 January	1,489,867	1,576,878
Vested	-1,015	-32,263
Granted	263,323	288,385
Lapsed	-242,583	-343,133
Outstanding at 31 December	1,509,592	1,489,867

The grants under the PSPs and long-term incentive plans are at nil cost, therefore the weighted average exercise price for rights outstanding at the beginning and end of the year, exercised granted and lapsed during the year is GBP nil.

The weighted average remaining contractual life of share awards outstanding at the year-end is estimated to be 1.3 years.

Dilution effects

388,281 share awards lapsed or were cancelled during 2019. If all share-based programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 1,790.90 (2018: GBP 1,612.92) by the issue of a total maximum of 2,865,438 ordinary shares (2018: 2,580,676 ordinary shares), corresponding to 1 per cent (2018: 1 per cent) of the capital and votes in the Company.

The principal terms of the PSP schemes are set out below.

Performance Share Plan ("PSP")

Under the PSP, share awards are granted to employees of the Company and any subsidiary companies. These awards vest based on the successful completion of performance targets set by the Board. The awards are shares or SDRs and not options, therefore there is no exercise price associated with the awards. All other principal terms of the scheme including responsibility, exercise periods, changes of control, scheme and individual limits are set out below:

Responsibility for operation

The PSP scheme is operated by the Board of Directors of the Company, through the Remuneration Committee appointed by the Board, which consists mainly of Non-executive Directors of the Company.

Eligibility

An individual is eligible to be granted an award only if they are an employee of a Participating Company.

Grant of awards

Awards may be granted at the discretion of the Board of Directors, or the Remuneration Committee, to selected employees at a senior level. Awards are not pensionable or transferable.

Individual limits

The Board of Directors will decide the maximum number of ordinary shares or SDRs, which may be granted under the PSP plan to individual participants.

Scheme limit

At any time, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or be issuable under the PSP scheme and all other employees' share schemes operated by the Company. This limit does not include awards which have lapsed or been surrendered.

The rules of the PSP scheme allow the Board of Directors to grant awards on the basis that they will vest only to the extent that certain performance conditions have been satisfied. Awards may, however, vest in certain circumstances. These include, for example, an employee leaving because of ill health, retirement, redundancy or death. On cessation of employment for other reasons, awards will normally lapse.

Change of control, merger or other reorganisations

Awards may generally vest early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, participants may be allowed or, in certain cases, required to exchange their awards for awards over shares in the acquiring company.

Issue of shares

Any ordinary shares issued on the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

2020 LTIP

The principal terms of the PSP are applicable for the 2020 LTIP.

22: Share capital and reserves

a) Share capital

<i>(GBP)</i>	As at 31 December 2019	As at 31 December 2018
Authorised:		
1,600,000,000 (2018: 1,600,000,000) ordinary shares of GBP 0.000625 each	1,000,000	1,000,000
At 31 December	1,000,000	1,000,000
Issued and fully paid up:		
At 1 January and 31 December – 230,126,200 (2018: 230,126,200) ordinary shares of GBP 0.000625 each	143,829	143,829

As at 31 December 2019, the total amount of issued shares in Kindred Group plc was 230,126,200 with a par value of GBP 0.000625. Of these, 3,226,521 shares are held by the Group as a result of previous purchase programmes. When these shares are purchased or subsequently utilised, the impact is reflected within retained earnings.

During 2019, the total amount of purchased shares that were used in connection with the vesting of Group share plans was 307,614:

- > In January 2019, 1,015 shares were used in connection with the vesting of the 2020 All Employee Share Plan.
- > In October 2019, 306,599 shares were used in connection with the vesting of the 2016 performance share plan.

During 2018, the Board of Kindred Group plc started exercising the purchase mandate, which was approved at the Annual General Meeting on 15 May 2018. On 17 and 18 May 2018, 1,500,000 SDRs were purchased at a total cost of GBP 14,653,399.

b) Share premium

There was no movement in share premium in 2019, nor in the previous year.

c) Reorganisation reserve

This reserve of GBP -42.9 (2018: GBP -42.9) million arises in the consolidated financial statements, as a result of the application of the principles of predecessor accounting to the Group reorganisation in 2006. The reorganisation reserve represents the differences between the share capital and non-distributable reserves of Kindred Group plc and the share capital and non-distributable reserves of the former parent company, Kindred Services Limited (formerly UGP Limited). This reserve does not arise in the separate financial statements of the Parent Company and therefore has no impact on distributable reserves.

d) Currency translation reserve

This reserve of GBP 8.0 (2018: GBP 16.6) million is a non-distributable reserve.

23: Convertible bond

In connection with the disposal of Kambi in May 2014, the Group subscribed to a GBP 6.0 million convertible bond issued by Kambi. On 31 May 2018, the convertible bond was amended and restated with a principal amount of EUR 7.5 million bearing an interest rate of 3 per cent. The bond has an embedded contingent option to provide change of control protection to both the Group and Kambi. The option can only be exercised on the occurrence of limited trigger events. The fair value of the option at 31 December 2019 was GBP 0.2 (2018: GBP 0.2) million. There is no indication of impairment of the convertible bond at the year end.

24: Capital commitments

The Group has entered into contracted non-current asset expenditure of GBP 1.1 (2018: GBP 4.5) million as at 31 December 2019.

25: Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, including provision for rent reviews and for early termination.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases and thus at the end of 2019 the balances are nil. See Note 13 for further information.

The total of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
No later than one year	–	9.6
Later than one year and no later than five years	–	45.4
Later than five years	–	28.8
	–	83.8

Notes to the consolidated financial statements continued

26: Related party transactions

For details of Directors' and Executive Committee remuneration please refer to the Remuneration Committee Report on page 54. As at the year end, GBP 2,000 (2018: GBP 13,000) was owed to the Directors in respect of these services.

As disclosed in Note 14, Kindred Group plc has a 35 per cent interest in its associate, Relax Holding Limited. Relax Holding Limited and its subsidiaries are therefore considered to be related parties of Kindred Group plc. The Relax Gaming Group provides certain brands within the Kindred Group with B2B online gaming services, being the supply of its Casino, Bingo and Poker products as well as some related development. During the year ended 31 December 2019, the following related party transactions were entered into with the Relax Gaming Group:

- > Various subsidiaries of Kindred Group plc received services from subsidiaries of Relax Holding Limited. The total amount of services procured amounted to GBP 8,635,038 (2018: GBP 7,239,590). At 31 December 2019, the remaining balance owed to the Group was GBP nil (2018: GBP 89,453).
- > In February 2018, Kindred Group plc agreed to provide a loan facility to Relax Holding Limited for a maximum value of EUR 1.0 million. In April 2018, the company drew down EUR 0.5 million of the facility, and a further EUR 0.5 million was drawn down in February 2019. In line with the loan agreement, interest and fees are accruing on the loan balance, and the facility will expire in April 2020. At 31 December 2019, the remaining balance owed to the Group was GBP 991,898 (2018: GBP 488,362).

Other related party transactions during the year ended 31 December 2019 totalled GBP 163,141 (2018: GBP 59,488). This relates to marketing services provided by Football United International Limited, a company in which two of the Kindred Group's Board members have an interest. The balance due to Football United International Limited was GBP 10,995 (2018: GBP nil) as at 31 December 2019.

27: Contingent liabilities

Currently the Group has not provided for certain potential claims arising from the promotion of gaming activities in certain jurisdictions. Based on current legal advice, the Directors do not anticipate that the outcome of proceedings and potential claims, if any, will have a material adverse effect upon the Group's financial position. Further details on the legal environment can be found in the General legal environment section on pages 45 to 47.

28: Cash and cash equivalents

Included within the total cash and cash equivalents balance at 31 December 2019 of GBP 137.8 (2018 restated: GBP 174.3) million is GBP 44.2 (2018 restated: GBP 56.9) million of funds that are not available for use by the Group. These funds are designated by the Group to cover certain customer balances, as required by local laws and regulations. See Note 1B on page 70 for more information on the restatement of the 2018 balances.

29: Reconciliation of alternative performance measures

The Group presents the following alternative performance measures because they provide owners and investors with additional information about the performance of the business which the Board of Directors consider to be valuable. Alternative performance measures reported by the Group are defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies.

The following tables show the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

<i>(GBP m)</i>	Note	As at 31 December 2019	As at 31 December 2018 (Restated ¹)
Borrowings	19	225.4	194.3
Cash and cash equivalents ¹	28	-137.8	-174.3
Customer balances	18	67.4	62.3
Less: Unrestricted cash		-70.4	-112.0
Net debt		155.0	82.3

¹ See Note 1B on page 70 for more information on the restatement of the 2018 comparative figures.

<i>(GBP m)</i>	Year ended 31 December 2019	Year ended 31 December 2018
Profit from operations	70.9	156
Gross winnings revenue	912.8	907.6
Operating margin	8%	17%

<i>(GBP m)</i>	Note	Year ended 31 December 2019	Year ended 31 December 2018
Profit from operations		70.9	156.0
Depreciation of property, plant and equipment	12	14.9	13.0
Depreciation of right-of-use assets	13	10.1	–
Amortisation of intangible assets	11	30.2	33.8
Impairment losses recognised in the year	11	2.0	–
EBITDA		128.1	202.8
Gross winnings revenue		912.8	907.6
EBITDA margin		14%	22%

<i>(GBP m)</i>	Note	Year ended 31 December 2019	Year ended 31 December 2018 (Restated ¹)
Net cash generated from operating activities		120.3	206.4
Add: Management incentive costs relating to acquisitions		0.2	0.9
Add: Personnel restructuring costs		1.7	–
Interest paid on lease liabilities		-1.2	–
Purchases of property, plant and equipment	12	-15.6	-26.0
Proceeds from sale of property, plant and equipment		0.1	–
Development and acquisition costs of intangible assets	11	-41.4	-23.5
Repayment of lease liabilities		-8.6	–
Adjust for: customer balance movement		-5.1	–
Free cash flow available for dividends¹		50.4	157.8
Number of shares at period end		230,126,200	230,126,200
Free cash flow available for dividends per share¹		0.219	0.686

¹ For 2018, the free cash flow available for dividends does not agree with that reported and used for the 2018 dividend of GBP 150.0 million due to the impact of the restatement of the 2018 comparative figures which is disclosed in Note 1B on page 70.

<i>(GBP m)</i>	Note	Year ended 31 December 2019	Year ended 31 December 2018
Total administrative expenses		219.0	189.1
Less: Employee costs	4	-96.1	-83.4
Less: Depreciation of property, plant and equipment	4	-14.9	-13.0
Less: Depreciation of right-of-use assets	4	-10.1	–
Less: Amortisation of intangible assets (excluding on assets arising on acquisition)	4	-24.3	-17.8
Other costs		73.6	74.9
Gross winnings revenue		912.8	907.6
Other costs as a share of Gross winnings revenue		8%	8%

<i>(GBP m)</i>	As at 31 December 2019	As at 31 December 2018
Equity	234.0	292.0
Number of shares at period end	230,126,200	230,126,200
Equity per share	1,017	1,269

30: Subsequent events

On 11 February 2020, Kindred Group signed a multi-state agreement with Caesars Entertainment. The agreement will provide Kindred with market access in Indiana and Iowa over a ten-year period, and potentially other states, allowing the Group to operate both online Sports betting and online gaming under the Unibet brand. The agreement is subject to the passing of applicable laws and the parties securing all necessary gaming licenses. In Indiana, Kindred will partner with Caesars' Horseshoe Hammond Property, and in Iowa with Harrah's Council Bluffs.

Since the year end, the Group has repaid GBP 27.8 million of its borrowings.

These post balance sheet events do not require any change in the amounts included in the 2019 financial statements.

Annual General Meeting

The Annual General Meeting (AGM) of Kindred Group plc will be held at 10.00 CEST on 12 May 2020, at Kindred's Stockholm office located at Regeringsgatan 25 in Stockholm, Sweden.

Right to participate

Holders of Swedish Depositary Receipts (SDRs) who wish to attend the AGM must be registered at Euroclear Sweden AB on 3 May 2020 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 12.00 CEST on 9 May 2020, by filling in the enrolment form provided at www.kindredgroup.com/AGM, "Registration form for AGM 2020". The form must be completed in full and delivered electronically.

Please note that conversions to and from SDRs and ordinary shares will not be permitted between 3 May and 14 May 2020.

Dividend

The Board of Directors proposes a dividend of GBP 0.176 (2018: 0.496) per share/SDR, which is approximately SEK 2.20 (2018: 6.16 paid in two equal instalments: SEK 3.07 on 21 May 2019 and SEK 3.09 on 21 November 2019) with the exchange rate 12.496 GBP/SEK at 11 February 2020, to be paid to holders of ordinary shares and SDRs. If approved at the AGM, the dividend is expected to be distributed on 19 May 2020 and 19 November 2020 and amounts to a total proposed distribution of GBP 39.9 (2018: 112.5) million, which is 79 per cent of the Group's free cash flow available for dividends for 2019. In line with the previous year, and aligned with the Group's dividend policy on page 48, the proposed dividend is above 50 per cent of the Group's free cash flow available for dividends, reflecting the solid capital structure of the Group.

Financial information

Kindred Group plc's financial information is available in Swedish and English. Reports can be obtained from the Kindred Group's website, www.kindredgroup.com or ordered by email at info@kindredgroup.com. Distribution will be via email.

Annual reports can be ordered through the website, www.kindredgroup.com or ordered by email at info@kindredgroup.com.

The Kindred Group will publish financial reports for the financial year 2020 on the following dates:

Interim Report January – March, on 24 April 2020

Interim Report January – June, on 24 July 2020

Interim Report January – September, on 6 November 2020

Full Year Report 2020, on 10 February 2021

Definitions

Average number of employees: Average number of employees for the year based on headcount at each month end.

Cash flow per share: Net increase/(decrease) in cash and cash equivalents, divided by the number of ordinary shares at the balance sheet date.

Compound annual growth rate (CAGR): A measure of growth over multiple time periods assuming all revenues are reinvested at the end of each year.

Dividend per share: Dividend proposed or paid divided by the number of ordinary shares at the year end.

Earnings per share: Profit after tax divided by the weighted average number of ordinary shares for the year.

Diluted earnings per share: Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the diluted weighted average number of ordinary shares for the year.

EBITDA: Profit from operations before depreciation and amortisation charges.

EBITDA margin: EBITDA as a percentage of Gross winnings revenue.

Equity: assets ratio: Shareholders' equity as a percentage of total assets.

Equity per share: Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.

Free cash flow available for dividends per share: Cash flow from operations, adjusted for movements in working capital, capital investments, tax payments and certain items affecting comparability divided by the number of ordinary shares at the balance sheet date.

Gross gaming revenue (GGR): GGR is a term used to specify the basis on which betting duties are calculated. GGR is generally calculated by taking Gross winnings revenue, without removing the effect of promotional bonuses. GGR can however vary slightly by market due to local regulatory requirements for the purposes of calculating betting duties.

Gross profit: Gross winnings revenue less cost of sales.

Gross winnings revenue (GWR): GWR on Sports betting is defined as the net gain or loss from bets placed. Within Casino & Games, the Group defines GWR as the net gain from bets placed and Poker GWR reflects the net income ("rake") earned from poker games completed. GWR across all products is reported net of the cost of promotional bonuses.

Net debt: Total cash at the balance sheet date less customer balances and borrowings. When cash at the balance sheet date exceeds the balance of customer balances and borrowings, this is presented as a positive figure.

Number of active customers: The total registered customers who have placed a bet with the Kindred Group during the last three months.

Number of registered customers: The total number of customers on the Kindred Group's customer databases.

Number of yearly active customers: The total registered customers who have placed a bet with the Kindred Group at any time during the year.

Operating margin: Profit from operations as a percentage of Gross winnings revenue.

Profit margin: Profit after tax as a percentage of Gross winnings revenue.

Return on average equity: Profit from operations as a percentage of average equity.

Turnover: Total amount of stakes placed on sporting events and games.

Underlying EBITDA: Profit from operations before depreciation and amortisation charges and items affecting comparability (excluding amortisation of acquired intangible assets and foreign currency differences on operating items).

Unrestricted cash: Total cash at the balance sheet date less customer balances.

Weighted average number of shares: Calculated as the weighted average number of ordinary shares outstanding during the year.

Weighted average number of diluted shares: Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effects of exercising all share awards) during the year.



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