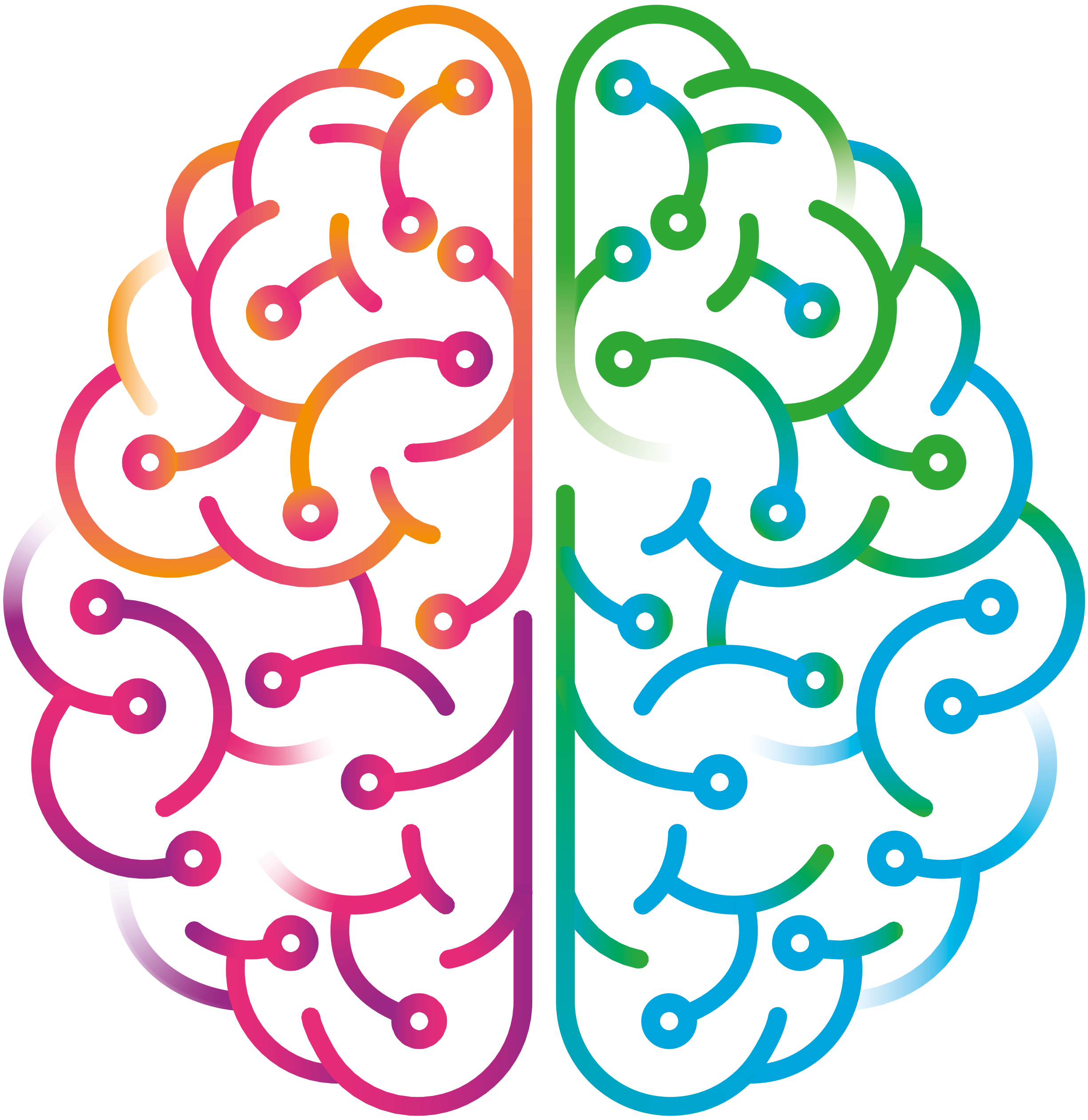
The Kindred Brain: The insight to put players first.



Kindred Group plc
Annual Report and Accounts 2018

Utilising data: The Kindred Brain

The core of our operations is our unique insight and data we collect and analyse. We call this insight the Kindred Brain, and it informs everything we do.

Contents

Highlights

Kindred is one of the largest online gambling operators in the European market with over 24 million registered customers worldwide.

Strategic highlights

- Kindred Group signed an agreement with Svensk Elitfotboll to become the new main sponsor of Swedish Allsvenskan and Superettan, via the Unibet brand. The partnership, with a total duration of up to 12 years, will begin on 1 January 2020 and is worth up to SEK 1.8 billion.
- In 2018, Kindred undertook 21 audit certifications across all its licensed activities, as required by the terms of its licences, with no failures in compliance noted.
- MSCI again rated Kindred Group with its highest ESG rating "AAA".
- Licensed in Sweden in accordance with the new Gambling Act, effective from 1 January 2019.
- Applied for a licence in New Jersey in the USA

Operational highlights

- Strong levels of activity and all-time high in active customers resulted in all-time high for Gross winnings revenue.
- Betting duties increased by 40 per cent with an EBITDA margin of 22 per cent, which shows the Group's ability to absorb betting duties through its focus on scalability and cost control.

GBP
907.6m
Gross winnings revenue +21%

GBP
158.7m
Betting duties +40%

GBP
239.0m
Marketing investments in media and sports +28%

GBP
202.8m
EBITDA* +12%

GBP
0.580
Earnings per share +12%

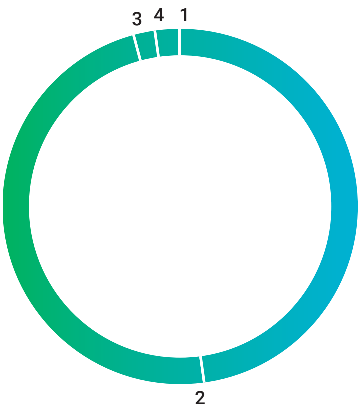
GBP
0.653
Free cash flow per share -11%

* Refer to Note 29 on pages 86 and 87 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

At a glance

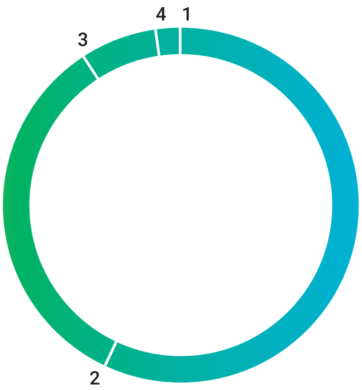
The Kindred Group offers Sports betting (including horse racing betting), Casino & Games, Bingo and Poker through our distinctive brands.

Our products
(%)



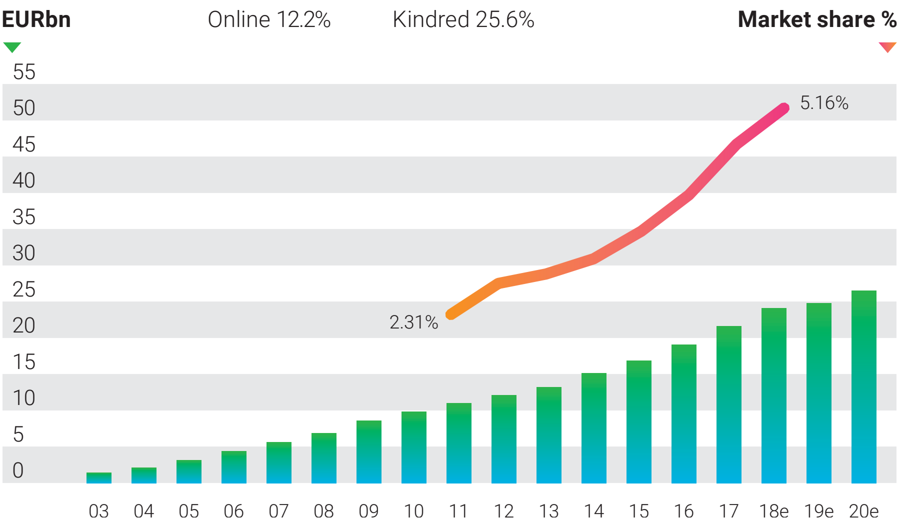
1	Sports betting	48%
2	Casino & Games	48%
3	Poker	2%
4	Bingo and other games	2%

Our markets by region
(%)



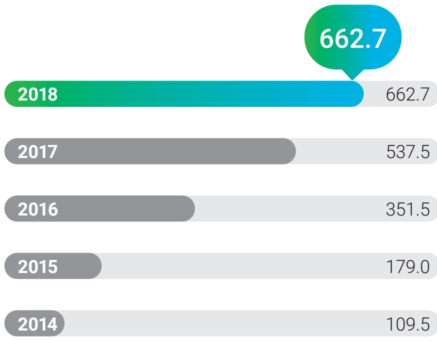
1	Western Europe	57%
2	Nordics	34%
3	CES	7%
4	Other	2%

Kindred's share of the European online market CAGR 2011-2018
(%)

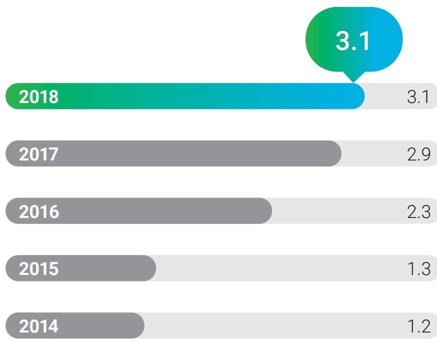


Source: H2 Gambling Capital December 2018

Gross winnings revenue from mobile
(GBPm)



Yearly active customers
(Millions)



Today Kindred Group is one of the world's leading online gambling operators with business across Europe and Australia, and now also USA, offering over 24 million customers across 11 brands a great form of entertainment in a safe, fair and sustainable environment. Kindred Group, which employs 1,465 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 Group 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 both new taxes and additional cost and challenges in complying with complex national regulation.

Over this period however, when managed right, Kindred's track record demonstrates that the opportunity presented by local regulation is such that the opportunity outweighs the costs. Kindred Group operates in locally-regulated markets through its licences in Australia, Belgium, Denmark, Estonia, France, Germany (Schleswig-Holstein), Ireland, Italy, Romania, Sweden and the UK, and also operates in other markets internationally through its gambling licences in Malta and Gibraltar. All licenced activity is monitored through local gambling authorities. Kindred pays betting duties in all markets in accordance with applicable local laws. In 2018, 43 per cent of our Gross winnings revenue is derived from locally-regulated markets and this number is growing.

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 keeping the customer, having a digital DNA and operating a sustainable business. Only by performing strongly in all areas will we be able to create long-term value and continued healthy growth.

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 offer, including premium user experience and financial value. If taxes are too high and consumer experience not aligned to digital market reality, channelling will be undermined and consumer policy objectives unachieved.

Read more on pages 20 to 25

22%
EBITDA margin

1,465
Number of employees at year end

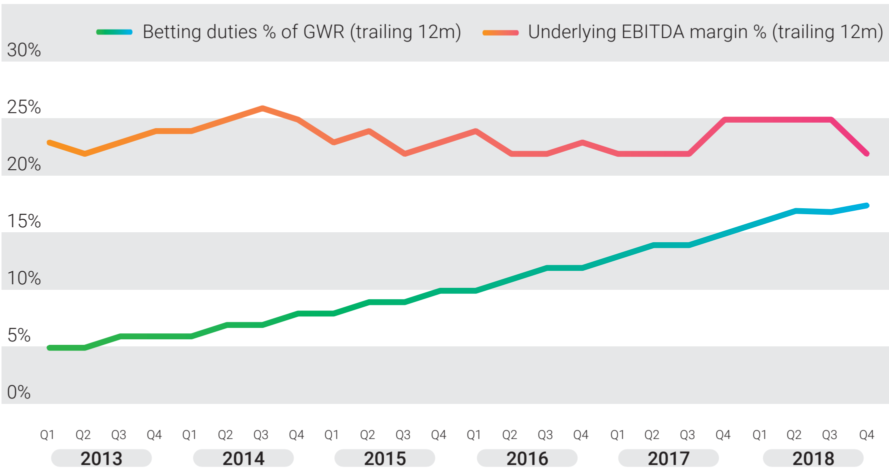
GBP 662.7m
Gross winnings revenue from mobile

+18%*
Active customers

*based on Q4 2018 vs. Q4 2017.

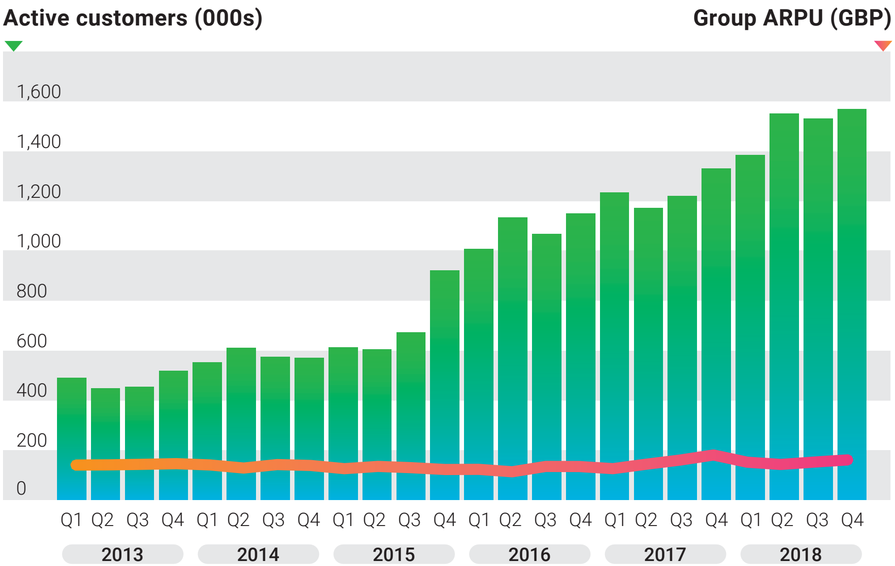
A scalable business model

Betting duties and underlying EBITDA



Sustainable growth

Active customers and Group ARPU



CEO's review

We will continue to transform gambling by investing in new technology, exciting products and, above all else, our people.

+21%
Increase in GWR

+12%
Increase in EBITDA

> We set ourselves ambitious targets to secure leadership in our industry, not just in financial results, but also in how we look after our customers.

Henrik Tjärnström CEO

Sustainable growth

2018 was another year of strong development in Kindred's financial performance, as a result of continuing organic growth and a full-year contribution from 32Red.

In line with Kindred's strategy to deliver sustainable growth, this performance was driven by continued gains in market share that were reflected in a 9 per cent increase in yearly active customers.

Kindred's focus on efficiency and scalability also enabled us to increase our profit from operations by 13 per cent, despite an increase of 40 per cent in the betting duties and similar levies. Our ability to manage this challenge is central to our strategy to continue to deliver good results as the Swedish local regulation and tax comes into force in 2019.

We set ourselves ambitious targets to secure leadership in our industry, not just in financial results, but also in how we look after our customers. Across many different markets and regulatory models, this task is always challenging and we work transparently with regulators and researchers to identify areas where we can do better.

This year we have set out five long-term ambitions to support our commitment to ensuring players always enjoy a positive and healthy gambling experience. As an operator it is our duty to help those who are not able to maintain control of their gambling by providing them with the tools and information they need to do so. That is why one of our ambitions is that no revenue should arise from harmful gambling by 2023.

To achieve our operational goals, we also need to keep pushing for a strong company culture that is both diverse and talented. Our workforce already represents over 50 nationalities and we hope to grow this further, as well as targeting a 50:50 gender split across our Senior Management team by 2023. I am confident that this, together with our continued focus on attracting the best talent, will allow Kindred to push forward in the area of sustainability and transform the gambling industry. Read more about our five priority areas for sustainability, our progress, long-term ambitions and next steps in our Sustainability Report.

Continuing our transformation
Over the last ten years, Kindred has been a leading advocate of sustainable local regulation of the digital gambling industry. Over that period we have transformed our business to adapt to the opportunities and challenges that arise.

A significant milestone for Kindred was achieved on 30 November 2018, when we received confirmation that the Group had been granted a Swedish gambling licence by the Swedish Gambling Authority, following an extensive application process. Although Sweden has not been Kindred's largest market for many years, it remains important to us, as well as being a key part of our heritage.

As I said when the news of our licence was announced, "We have been pushing for a modern and sustainable gambling market with high channelisation and consumer protection in Sweden from the very start of Unibet in 1997, in which the focus is on consumer protection and harm minimisation. I am extremely proud and delighted that we have finally reached this point and look forward to a new and better future for Kindred, for local sport and for those who enjoy gambling in Sweden."

The new regulatory regime also enables Kindred to contribute directly back into sports and society, most notably through the agreement we made with the Swedish Elite Football Association to become the principal sponsor for the leagues Allsvenskan and Superettan.

United States
2018 was a critical year in the development of the digital opportunity in the United States. Following the decision of the US Supreme Court in May to strike down the 1992 PASPA Act which prohibited sports betting, the way is now clear for individual states to open their markets. Even more so than in Europe, the impact of prohibition in the United States has been to leave players at the mercy of unregulated operators. In line with our strategy towards locally-regulated markets, Kindred is working to address this new opportunity. We are, however, also realistic that state by state liberalisation of the market will take time, just as we have seen in Europe.

New head office
2018 has also been a transformational year for our business in Malta, as we moved into our new headquarters office at Tigne Point. The new office enabled us to co-locate all of Kindred's employees in Malta from the previous offices in St Julians and Gzira, offering employees a great experience and a great working environment that reflects Kindred's strong culture. It also helps us to work across the various brands to provide the same high quality of customer service and care. We have also moved to a new office in Paris and in April 2019 we are moving our tech hub in Stockholm to the Urban Escape building, which will provide us with space where we can continue to grow and expand.

Kindred's leadership position in the Maltese gambling industry was also recognised in 2018 at the iGaming Idol awards. Our senior director and key official in Malta, George Debrincat, was the first person to be inducted into the Hall of Fame. George first joined Kindred in 2000, when we first secured a licence and started operations in Malta, and he has played a key role in leading the growth of our business ever since then. I have worked with George since I first joined the Board in 2003 and we have been very fortunate to have such a passionate advocate and leader in our key location.

Building For Our Future
While the business has continued to develop well, we are never complacent. During 2018 we have undertaken a thorough review of our management organisation. Through our rapid organic growth and the acquisitions of Stan James Online, iGame Group and 32Red, our business has grown both in scale and complexity. The number of employees has more than doubled since May 2014, when we spun off Kambi Sports Solutions, and we now support a complex multi-brand operation.

We recognise that structures and ways of working that have been extremely effective in the past may not be suited to the needs of Kindred in the future. In 2018, therefore, we have performed a comprehensive review of our internal ways of working. Our new model, Building For Our Future, was operational before the end of the year.

Sustainability
In October we further demonstrated our leadership in the industry by hosting the Sustainable Gambling conference for the third year, this time in Stockholm. This gathered over 200 guests from around Europe. Experts from regulatory agencies, researchers, operators and therapists discussed issues that are crucial for a sustainable gambling industry. Above all, the conference highlighted the importance of collaboration and produced a number of specific proposals including:

> Educating young people about the risks associated with gambling.
> Establishing a joint blocking system. Players who have a problematic gambling behaviour should not be able to play with any gambling company.
> Introducing a ban on playing on credit.

For Kindred, sustainability is about creating long-term and healthy relationships with all stakeholders, to build trust by taking responsibility throughout the entire chain. To do that, we need to collaborate, utilise important research findings and integrate these into our tools and products. That's the only way for us to create the best experience for our customers, inspire others, steer the development in the right direction and create a more sustainable gambling industry.

We can only achieve sustained outperformance of the competition by employing exceptional people and providing them with the opportunity to shine. I would like to thank every member of the Kindred team who has contributed in 2018 and look forward to our shared mission in 2019.

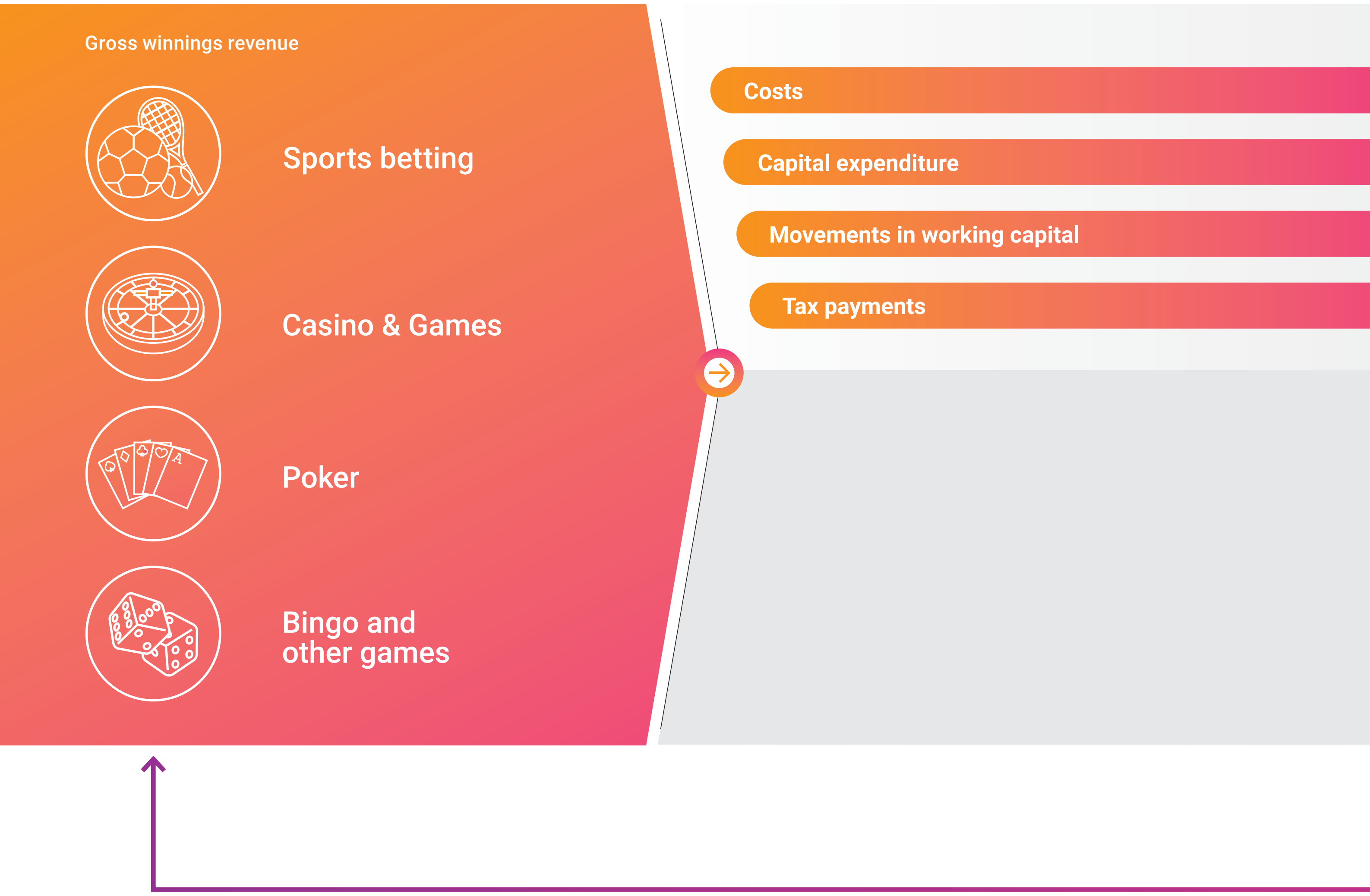
Henrik Tjärnström
CEO
Malta, 8 March 2019

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 flow that is available to distribute to shareholders as a cash dividend and/or share purchase.

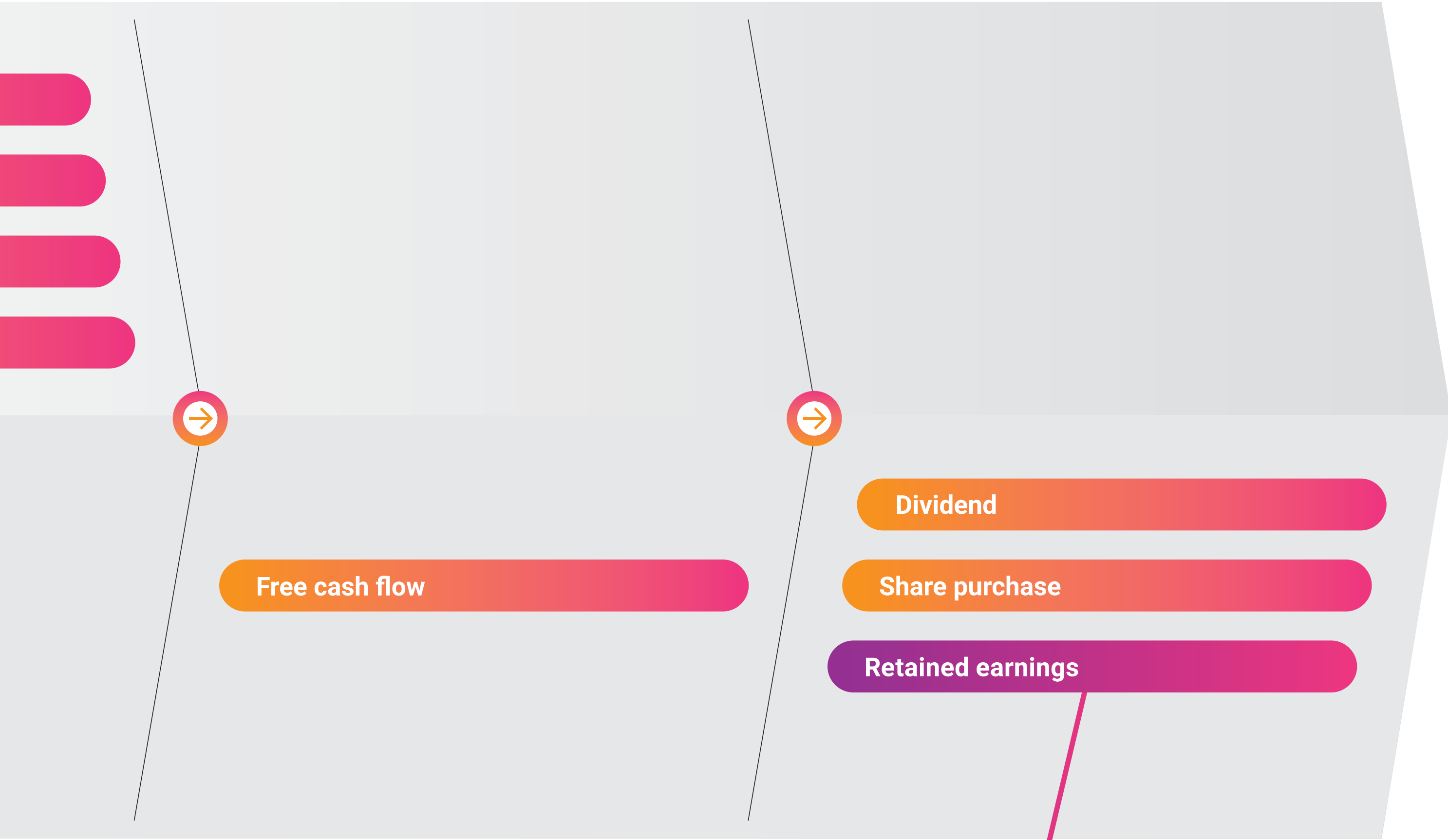
Gross winnings revenue – generated from across all of Kindred's brands, products and markets. Across all products, Kindred's average margin is approximately 5.0 per cent (meaning that the average pay-back ratio to our customers is 95.0 per cent).

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 operating expenses as well as investments in new technology.



Free cash flow – this represents the surplus cash generated by the business for the financial year after paying all costs. 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 50 per cent of free cash flow to its owners as dividends or through share purchases. As in the previous year, the Board has reviewed the projected cash requirements for 2019 and decided to propose a dividend that represents 75 per cent of free cash flow for the year. The proposed dividend amounts to GBP 0.496 (2017: 0.551) per share/SDR.



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.

Business model

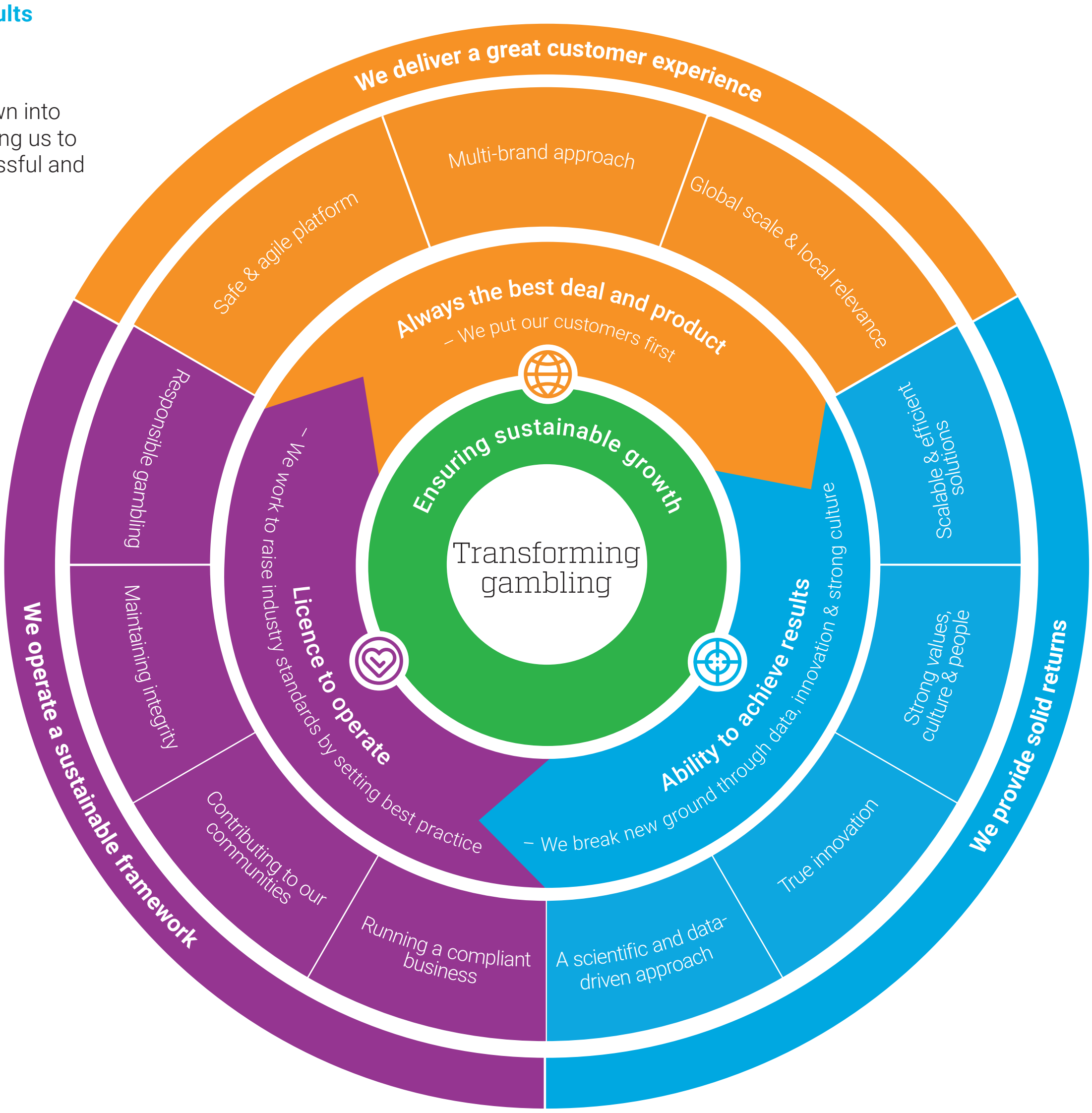
Kindred's strategic direction and business rests on a defined purpose to transform gambling and ensure sustainable growth across all our markets. This is achieved through three strategic pillars on which we base our business.

These pillars are articulated as:

- > **Always the best deal and products**
- > **Ability to achieve results**
- > **Licence to operate**

The pillars are broken down into eleven focus areas, allowing us to operate a scalable, successful and sustainable business.

The three strategic pillars are described below.



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, 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.

Analysing data to fuel the Kindred Brain

At Kindred, we have a culture and a mindset of constantly improving our services and customer experience.

Data as a differentiator

In recent years, everyone has started to recognise the value of data analytics and automation as a differentiator. There has, of course, been a lot of hype about data, "big data" and artificial intelligence.

But while the world has been talking about data, Kindred has been developing and implementing a suite of tools and techniques that we call the Kindred Brain.

It is our ambition to be the most scientific and data-driven gambling company in the world. As part of our strategy to deliver sustainable growth for the long term, Kindred has invested significant resources to ensure that we achieve our aim.

Becoming data-driven is not just a question of using state-of-the-art tools – it demands a change in the culture and way of working of the business. We have, therefore, built an organisation and system focused on exactly this. By doing so, we are making data a source of value creation and competitive advantage.

Embedding data-driven decisions, processes and actions into the organisation

At Kindred we understand that the power of data is not in the data itself; it is not even in the insights that it allows us to gain. Rather it is in the systematic, scientific and repeated use of this data and insight to drive action that creates value.

To make this possible, we have built strong capabilities to collect, manage and process data in our platform. We have also significantly enhanced our ability to analyse data in order to create new insights and data models.

Together these developments allow us to drive targeted actions based on insights, increasing success and reducing waste. This process also allows us to learn from all of these actions, through collecting more data from the results of these insight-driven actions or tests. This in turn creates additional data and learning to drive improved and additional insight and new targeted actions. It is this focus on data driving action that generates value creation.

FIFA World Cup 2018

44.9m
Bets placed

295m
Turnover (GBP)

35.5m
Maximum transactions in a day

The Kindred Brain is still developing

We recognise that we are still in the early stages of really building up a first-class "brain" and "nervous system" that drives action both to improve customer experience and to secure operational excellence.

Examples of the benefits of Kindred's data-driven approach include:

- Driving action on our own platform and channels.
- Driving external action through partner channels (game suppliers, marketing partners and payment solutions).
- Automating certain simple actions to increase efficiency or improve the customer journey.
- Supporting or augmenting employee decisions to make them more effective and efficient, improving millions of small decisions every year across the whole business.

Sustainable business is good business

Our data analytics expertise also helps to protect our customers and to understand when they may need help.

As part of our responsible gaming strategy, we analyse customer behaviour using multiple metrics to help us identify the early warning signs that could cause future problems. Detailed analysis of customer use of tools, such as deposit limits and self-exclusion, enables us to learn more about customer behaviour and to ensure that customers have a sustainable relationship with our brands.

> "Today's leading organisations have embedded data-driven decisions and actions into the hands of their front-line staff and business partners across and outside the organisation.

Exploring **markets** and licences

2018 saw exciting developments in Sweden, Kindred's oldest market, as well as in the United States, a potentially transformational market for the future.

Extending our commitment to Swedish society

Kindred has attracted customers in Sweden ever since we were first established in 1997. Right from the start, Kindred has argued for a non-discriminatory regulation of the Swedish market. After the ECJ ruling in the Gambelli case in 2003, which demonstrated that restrictions on fair competition were not justified, Kindred commenced legal action against the Swedish state to challenge the monopoly approach.

It has been a long journey and 1 January 2019 marked an important milestone, when for the first time it became possible for Kindred brands in Sweden to compete on an equal basis with the historic monopolies in the new regulated system.

From 2019, our Swedish customers are subject to exactly the same regulation and protections as our competition. Kindred Group companies already operate in Sweden, employing highly skilled workers and making a significant contribution through taxes, while our marketing investments already support a wide range of sports and media.

The new regulation, however, has allowed us to make additional strategic and long-term commitments to Swedish sport and society, for example through our sponsorship of the Allsvenskan and Superettan football leagues. The Group's other initiative is the "30/30 Fonden", which is a collaboration between our ambassador Henrik Lundqvist (pictured) and Unibet about giving back to the sport, for all that it has given Henrik and many other Swedish athletes. The initiative simply aims to focus on and reward Swedish clubs/sports associations who work with healthy values and who provide both sustainability and joy.

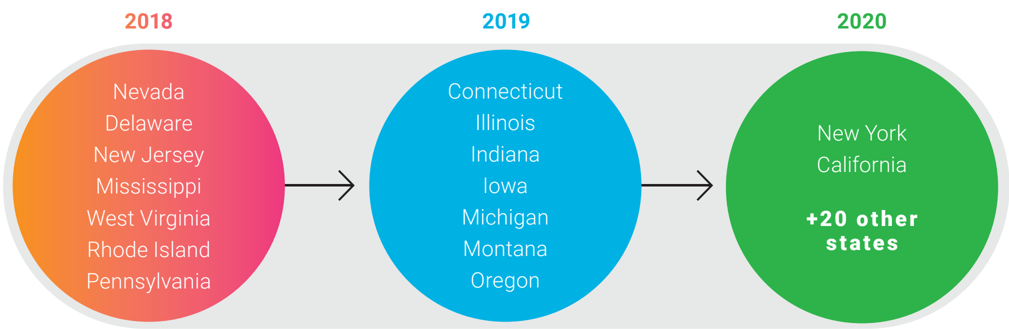
The Kindred model

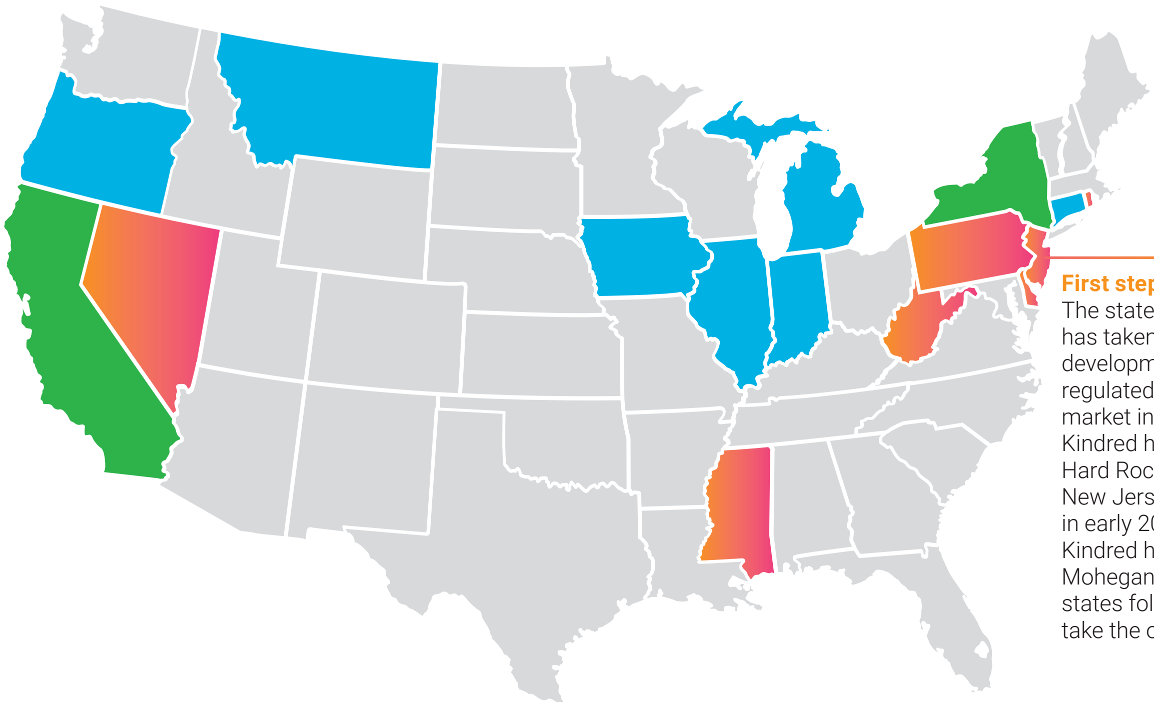
Kindred evaluates changes in local regulation depending on the specific circumstances. Key success factors include ensuring that the market will be fully open, with fair competition with legacy monopolies and no significant product restrictions.

Experience around Europe has also shown that a successful local regulation requires a sustainable rate of betting taxes. If the tax rate is set too high, or popular products are restricted, then customers in a digital economy will continue to play with illegal offshore operators. This would mean both that the market will be unattractive to responsible businesses like Kindred and also that many consumers would not be playing in a safe and regulated environment.

US Roadmap

The United States has the potential to be the world's largest regulated online gambling market. The main federal obstacle was removed when the PASPA Act was ruled as unconstitutional in 2018. The next steps in liberalisation will progress state-by-state and are likely to take several years. This can be seen as a similar process to the way that local regulation has developed in Europe.





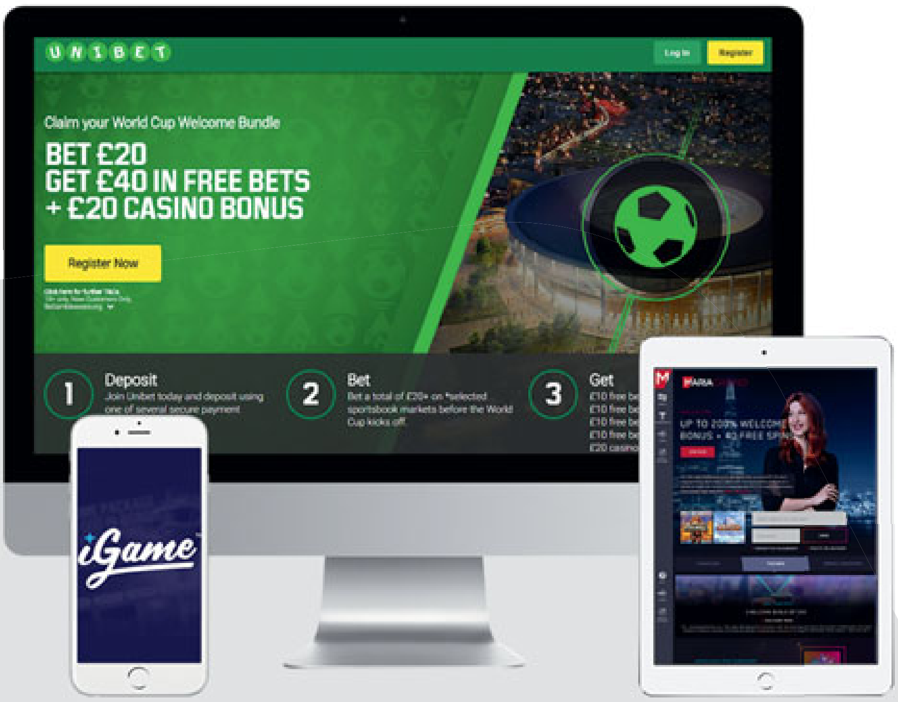
First steps in New Jersey

The state of New Jersey has taken the lead in the development of a locally-regulated digital gambling market in the United States. Kindred has partnered with the Hard Rock Hotel and Casino in New Jersey and plans to launch in early 2019. In Pennsylvania, Kindred has partnered with Mohegan Sun Pocono. As other states follow, we will be ready to take the opportunities that arise.

Source: Eilers & Krejcik Gaming LLC

A uniquely **focused brand** portfolio

The key to success in a multi-brand environment is to manage the brand portfolio actively.



Active brand management

As Kindred has developed, the number of brands owned by the Group has expanded rapidly. The acquisition of iGame Group in 2015, for example, added seven new brands, all focused on the Nordic markets where our existing Unibet and Maria brands already held strong positions.

When we acquire businesses, we undertake a detailed review to assess the long-term potential of all brands, to ensure that we address each market in the most efficient way. When we consider there is a risk of duplication of brand focus in certain markets, we have an approach of active brand management to reduce the overall number of brands. In doing so, we of course do not turn customers away from Kindred, but rather we seek to migrate them to a more relevant and suitable brand.

In 2018, we migrated Stan James Online customers to the Unibet brand. Stan James was an early mover in the online sports betting market in the UK and had built a strong local reputation, but it was more logical to focus our global sports marketing on the Unibet brand, while 32Red provides a hyper-local brand for the UK market.

Launching new brands

A key element of Kindred's brand strategy is to identify market gaps and opportunities in each local market in which we operate. Once this is done, there is a choice between acquiring existing brands or launching our own targeted brands.

In recent years, the Group has done both. The acquisitions of iGame Group in 2015 and 32Red in 2017 were examples of the purchase of relevant hyper-local brands in the Nordic and UK markets respectively.

In February 2018, Kindred announced the launch of the hyper-local casino brand Vlad Cazino in the Romanian market. This followed the introduction of the Storspelare/Storspiller brands in the Swedish and Norwegian market in early 2017.

Multi-brands driving multiple opportunities

Our original Unibet brand has developed very strongly as a full-service, full-product premium brand, providing an unrivalled gambling experience to all customers. For many players, the ability to play seamlessly across multiple products is important and so Unibet remains the core brand in the business.

We also recognised that many players are more attracted by a more targeted brand and are less attracted by a diversified offer. Since our philosophy is to ensure that we give our customers what they want, we have therefore developed a sophisticated brand portfolio both through acquisitions and organically.

From Maria in 2007 to 32Red in 2017, we have acquired a range of premium brands, primarily with focus in the Casino & Games market. We have complemented these acquisitions with the introduction of specific hyper-local brands such as Storspiller and Storspelare in 2017 and Vlad Cazino, which we launched in Romania in 2018. Our sophisticated technical platform allows us to offer Kindred's players multiple brand choices, each with a specific culture and approach, without sacrificing business efficiency.

Focused on customer needs

Kindred's business purpose is built around our customers – "To transform gambling to ensure fair play, the best deal and a great experience for our players." What drives sustainable growth for Kindred is that we fulfil our promise to our players in everything we do.

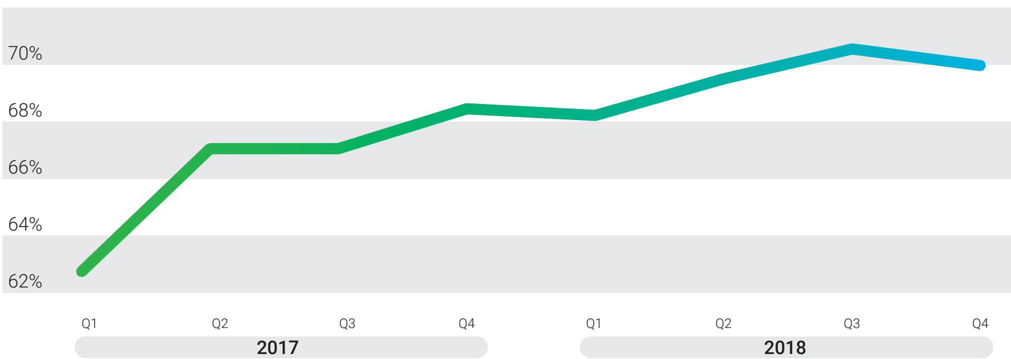
Since we operate in a regulated industry, it is inevitable that much of our work is based around ensuring compliance with a complex framework of national and international laws and regulations. In every Kindred project, we always consider how any changes to products and processes will impact on the customer and we always look to find ways to improve the customer experience. A key driver of this is our detailed customer feedback process – we continually monitor, brand by brand, product by product and market by market, what our customers are saying and this feedback helps us to ensure we give our customers what they want.

As part of our robust Customer Experience programme, we have been able to track player perception of trust relative to our competitors. This has been increasing since early 2017 and, as at 2018 year end, nearly 70 per cent of our players believe we now offer the most trustworthy online gambling experience. This can be seen in the chart below.

Brands

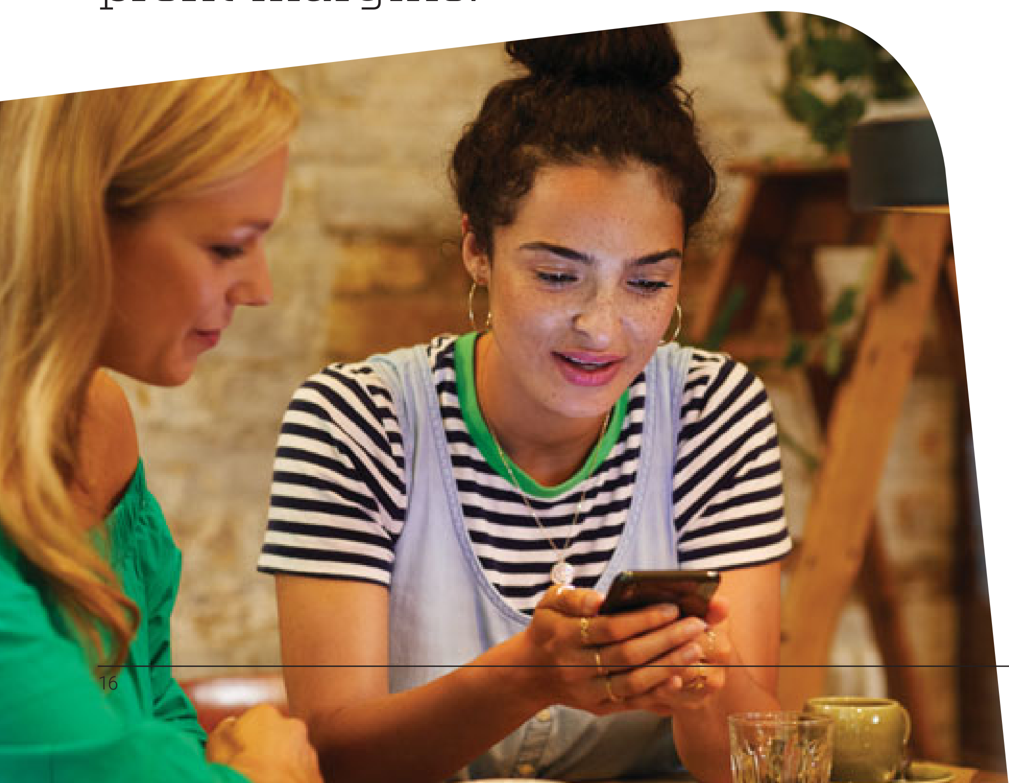
32Red
bingo.com
Bohemia Casino
Huone Brands
iGame
kolikkopelit
MariaCasino
RoxyPalace
Storspiller Storspelare
Unibet
Vlad Cazino

Perception of most trustworthy gambling experience
(%)



Creating a strong and scalable model

Our proprietary technology is a key driver of Kindred's ability to grow significantly faster than the market and to deliver the scalability that has protected profit margins.



A scalable business model

Kindred's business is organised around centralised technology, product, operations and commercial teams in support of the different consumer brands, which drives efficiency of operations. We invest continuously in this scalable centralised model to develop and support a complex business with multiple brands operating in many different regulatory regimes, each with unique requirements. Owning this core technology asset also enables us to move quickly when new opportunities arise.

3m
Transactions per hour during peak hours

40m
Transactions per day reached

New innovations across the Group

"We seek to innovate" is a core value at Kindred, and we firmly believe that we will only continue to thrive as a business if we set ourselves apart from the crowd through innovation.

2018 has seen Kindred Futures launch a raft of new innovations and partnerships.

A couple of the most exciting are a partnership with New York based start-up Cockroach Labs which is delivering the core of our new global platform and a partnership with Swedish start-up Artificial Solutions to deliver the industry's first transactional betting capability on Facebook Messenger. This "natural language" capability has also been deployed as a voice betting prototype on Amazon Alexa and Google Assistant.

Ability to absorb betting duties

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 both new taxes and also additional cost and challenges in complying with complex national regulation.

Over this period, however, Kindred's track record demonstrates that the opportunity presented by local regulation is normally so great that the opportunity outweighs the costs. Of course, while this has been demonstrated by operators such as Kindred with a strong and adaptable business model, local regulation may be more challenging for others.

The two principal business drivers that have enabled Kindred to meet the challenges posed by local regulation are (a) significant gains in market share driven by sustained growth faster than the market and (b) absolute focus on cost efficiency in our business.

The Kindred Group platform

Kindred's proprietary technology platform is central to the ability to grow significantly faster than the market. It also ensures the scalability that has delivered strong results despite increasing business and regulatory complexity.

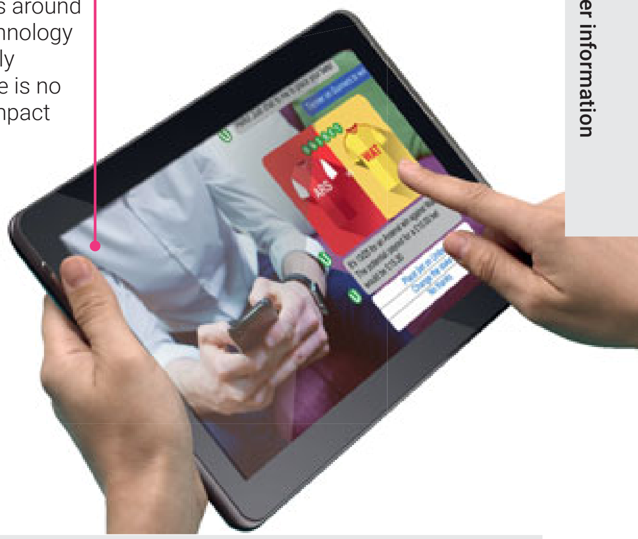
The challenge of providing the best seamless experience to our customers grows every year, as we continually add new products, features and channels.

We also have to offer our customers around the world a 24/7 service, so our technology is robust. Even though we continually upgrade different components, there is no interruption in service or negative impact on customers.

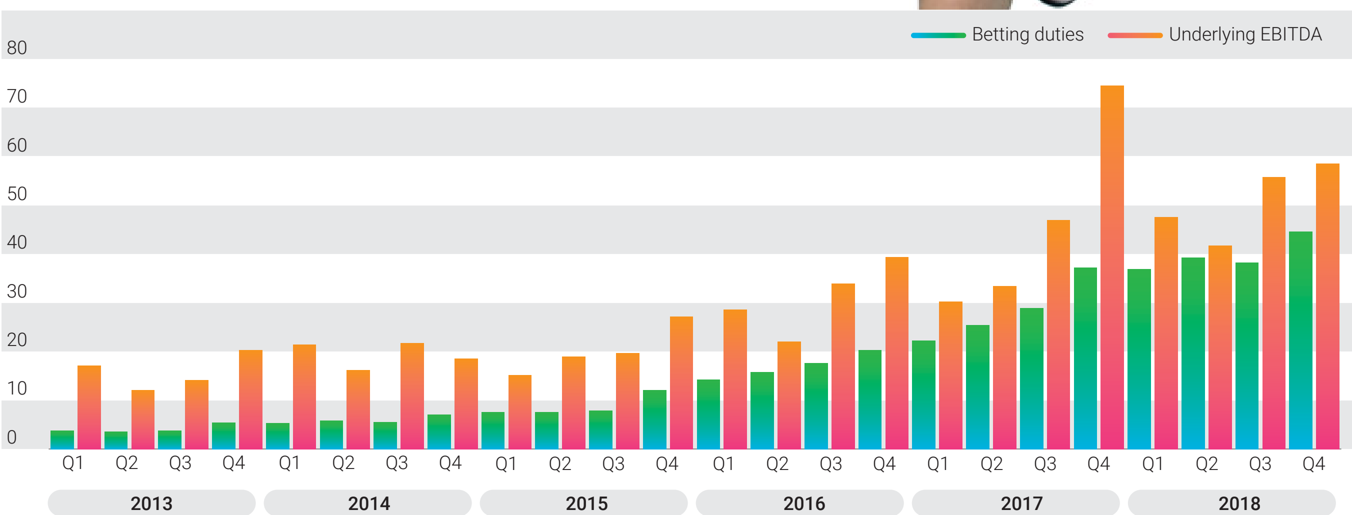
During peak days in 2018 we processed 3 million transactions per hour. We are continually strengthening our capabilities to support future growth.

Kindred Chatbot: A rapidly evolving digital world

Application of the tools of artificial intelligence to areas of customer friction has the ability to transform customer journeys and improve the overall experience. They also reduce the volume of routine customer service enquiries.



Our ability to absorb betting duties
(GBPm)



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.

Gross winnings revenue
(GBP million)

907.6

2018	907.6
2017	751.4
2016	544.1
2015	354.1

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
A combination of strong organic growth in core markets across all brands, supported by a full-year impact of the 32Red acquisition, has led to record GWR for the year.

EBITDA
(GBP million)

202.8

2018	202.8
2017	180.3
2016	120.7
2015	77.0

Definition
Profit from operations before depreciation and amortisation charges.

Performance
Strategic focus on core markets and cost control continues to deliver improved performance and prove the scalability of the business and its ability to absorb the impact of regulatory changes.

Earnings per share
(GBP)

0.580

2018	0.580
2017	0.516
2016	0.366
2015	0.244

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

Performance
Strong year-on-year growth, supported by a full year impact of the 32Red acquisition, has increased the earnings per share, continuing to add shareholder value.

Dividend per share
(GBP)

0.496

2018	0.496
2017	0.551
2016	0.310
2015	0.235

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 2019 and has proposed to increase the 2018 dividend above the Group's policy of 50 per cent of free cash flow, to 75 per cent. This is to be approved at the 2019 AGM and is in line with the prior year distribution percentage.

Equity per share
(GBP)

1.269

2018	1.269
2017	1.296
2016	1.058
2015	0.926

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

Performance
In 2018 the equity per share decreased as a result of the high dividend paid and the share purchase.

Operating margin
(%)

17

2018	17
2017	18
2016	18
2015	18

Definition
Profit from operations as a percentage of GWR.

Performance
With a continued focus on cost control and a strategic approach to marketing investments, the operating margin has reduced during 2018, as a result of increased betting duties in locally-regulated markets and marketing expenditure.

Other costs, share of GWR
(%)

8

2018	8
2017	9
2016	8
2015	8

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

Performance
The percentage has reduced from the prior year, demonstrating continued focus on cost control and the ability to realise synergies from previous acquisitions.

Active customers in the last quarter of the year

1,568,574

2018	1,568,574
2017	1,329,124
2016	1,150,027
2015	921,150

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

Performance
Strong growth of 18 per cent compared with Q4 2017 supported by the World Cup and increased marketing expenditure.

Free cash flow per share
(GBP)

0.653

2018	0.653
2017	0.735
2016	0.413
2015	0.301

Definition
Cash flow from operations, adjusted for movements in working capital, capital investments, tax payments and certain items affecting comparability (see page 87) divided by the number of ordinary shares at the balance sheet date.

Performance
Another solid performance this year translates into strong shareholder return via continued high levels of free cash flow generation. The decrease from the prior year is primarily the impact of long-term investments in new office locations in the current year, which should now decline going forward.

Capital expenditure on intangible assets
(GBP million)

23.5

2018	23.5
2017	20.4
2016	19.2
2015	11.1

Definition
Capital expenditure on intangible assets.

Performance
Capital expenditure was higher in 2018 predominantly due to increased investment in IT development, which enables the Group to deliver the best technology to our customers. During 2018, capital expenditure was focused on data analytics, customer experience improvements and preparations for the new licence regulation in Sweden.

Number of Kindred employees who say "Kindred is a Great Place to Work"
(%)

87

2018	87
2017	82
2016	80
2015	82

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 2018 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 2018, strengthening the capability of our manager community has been a major focus.

Sustainability

Sustainability is at the heart of the Kindred Group's business strategy.

As one of the largest international operators in a regulated business that has a high political and social profile, Kindred consistently takes the lead in embedding all aspects of sustainability within our business strategy.

Sustainability is central to our business strategy

Each time management and the Board review and update the Kindred Group business strategy for the next period, all aspects of sustainability form an integral part of the plan.

To remain successful, we need to build trust by taking responsibility throughout the entire chain. For Kindred, sustainability is about creating long-term and healthy relationships with all stakeholders.
To do that, we need to collaborate, utilise important research findings and integrate these into our tools and products.
That is the only way for us to create the best experience for our customers, inspire others, steer the development in the right direction and create a more sustainable gambling 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 2018 Sustainability Report, copies of which are available on our corporate website, **www.kindredgroup.com**.

Kindred Group's priority areas

In 2017 we did a detailed evaluation of Kindred's impact in all aspects of sustainability, based on input from a combination of external and internal stakeholders, including customers, shareholders, employees, industry bodies and other business partners. The purpose of this project was to enable us to ensure that we identified all of the key areas of Kindred's operations that have sustainability impacts. The findings of our investigation focused on sustainability impacts in three main areas:

Environment aspects, such as building efficiency, energy and waste management and responsible business travel.

Social aspects, such as responsible gaming and player protection, ethical marketing, transparency and integrity in all dealings with our customers, employee engagement and development, equality and diversity, and community involvement.

Governance aspects, such as data protection and integrity, ensuring our supply chain meets our own high standards, focus on anti-money laundering and anti-corruption, fair competition and transparency regarding our operating model and how that affects the taxes that Kindred pays.

From this evaluation we have developed five priority areas, which are described below. Each priority area is integrated within the Kindred Group's strategic plans, with accountability for executive management and sponsorship from the Board.

Priority 1
Responsible Gambling

Priority 2
Maintaining Integrity

Priority 3
Running a Compliant Business

Priority 4
Being Kindred

Priority 5
Contributing to our Communities

Throughout 2018, we continued to engage with our stakeholders to better understand their concerns, 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.

These ongoing dialogues take place in many ways such as surveys, personal meetings with different stakeholders including our owners, social media, participations in industry seminars, through our customer service department and in online chat forums.

Priority 1
Responsible Gambling

People have enjoyed gambling for centuries. It is about having fun and being part of a joyful moment with other people and players. This is why people enjoy gambling. Promoting responsible gambling is our number one sustainability priority.

The clear majority of people enjoy our products in the way they are intended. More than 97 per cent[1] of the people who gamble use gambling as a recreational activity. This means that there are also customers who use products in a way they are not intended to be used.

For those customers, gambling is not entertainment and can cause harm to individuals and to society. Kindred does not accept that kind of irresponsible gambling and is committed to doing all that we reasonably can to prevent and minimise harm caused by gambling and to help and support those who gamble without wanting to.

For more than two decades we have been investing heavily in developing technologies to detect and prevent problematic gambling behaviours. As an online operator, we create a digital fingerprint of our customers' behaviour. The fingerprint allows us to monitor, detect and follow-up on problematic activities, and provide targeted customer protection, which is a central part of building a safe and responsible gambling environment. To further help our customers make smart choices, we have responsible gambling information accessible on all our platforms, even if the customers are not logged in.

Kindred has been working on making consumer protection part and parcel of our responsible gambling strategy for years. In 2012, we took consumer protection to the next level and applied empirical research with the objective of looking at the possibility of detecting early signs of problem gambling behaviour of our customers. It resulted in our Player Safety – Early Detection System (PS-EDS) model and is a major pillar in Kindred's sustainable gambling approach. The system monitors and inserts user data from each customer into a scoring system and creates an alert to our Responsible Gambling team if the customer's behaviour shows signs of potential problem gambling.

Kindred proactively reaches out through the channel that the customer finds most appropriate – email, online message or a phone call from a responsible gambling expert – and via this dialogue, we advise them on the steps that could be taken for safer play through education and promotion of responsible gambling. The timing of the proactive contact is carefully prepared to reach the customer when they are most receptive to our message about responsible gambling. In 2018, we contacted over 30,000 customers with responsible gambling messages, and we have seen that after communicating with our customers, 72 per cent progress to healthier gambling.

We continuously measure the effectiveness of our detection system by looking at the usage of the control tools and following how behaviour develops post implementation. For example, we have observed that 70 per cent of customers deposit less after having been detected in PS-EDS and that 9 per cent set up a non-mandatory control tool the following month.

At Kindred, we do all we can to help players make smart choices, stay in control and not spend more money than they can afford.

In 2016, Kindred arranged its first Sustainable Gambling Conference and every subsequent year, we have taken the opportunity to gather the industry and its stakeholders to raise current challenges and explore solutions with the aspiration to create and secure a sustainable gambling economy and environment.

In October 2018, the Sustainable Gambling Conference took place in Stockholm, Sweden, welcoming over 200 guests from around Europe. Experts from regulatory agencies, researchers, operators and gambling addiction therapists discussed issues that are crucial for a sustainable gambling industry.

1 http://europa.eu/rapid/press-release_IP-14-828_en.htm

Sustainability continued

Priority 2
Maintaining Integrity

Maintaining integrity to us means ensuring that gambling is conducted fairly, openly and free from betting-related corruption. The integrity of betting is important because of the risks that any compromise would pose to sport, its practitioners and fans, given its scale and popularity around the world. Our ambition is to behave with integrity and fairness in everything we do in order to gain trust from our customers, regulators and society as a whole.

Sport is probably the largest global entertainment industry. Billions of people around the world enjoy sports – whether it is through participation or watching. Over the last decades, a sports entertainment chain has come into existence to benefit from the global popularity of sports. Sports clubs and federations, media outlets, sponsors and others are obviously integral to making sport accessible and sport betting is part of this set-up too.

The beauty of sport and competition is the unpredictable nature of the outcomes knowing that there is always a chance of being part of the unexpected and unbelievable twists and turns of a match. Taking the unpredictability away by fixing the outcome of an event puts the nature of sport and the future of the favourite pastimes of billions in jeopardy. Match-fixing is a criminal act and a threat to sport and the entire sports entertainment chain industry, including betting operators.

To increase awareness around match-fixing and sports betting integrity, our employees take part in training programmes on several levels, from basic to expert-level content. The latter is targeted at senior management and other key positions within the Group. Kindred participates regularly in international sports betting integrity conferences and forums to discuss issues that are crucial in the fight against the manipulation of sports competition. We collaborate with sports governing bodies, sport and betting trade associations, law enforcement, gambling regulation and other betting operators in the battle against criminal match-fixing.

Complying with GDPR
When the GDPR became applicable in May 2018, Kindred was well-prepared, having worked hard on all our platforms, customer-facing processes and policies to meet the new requirements. Kindred's focus has been on ensuring that the Incident Response Plan is able to detect and report all GDPR-related incidents within the 72-hour time frame required by the regulation.

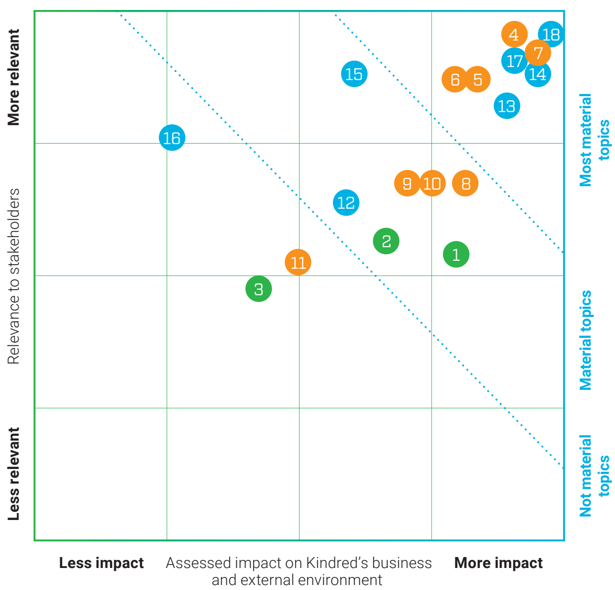
It is crucial for our ongoing business success that our employees are diligent and observant. Every year, all Kindred employees must go through cybersecurity and information security training. The Security team tests our employees recurrently, without warning, to raise awareness of phishing attempts and general information security.

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.

Environmental aspects
1 Green buildings and energy management
2 Responsible business travel
3 Waste management

Social aspects
4 Responsible gaming and player protection
5 Ethical marketing
6 Product transparency
7 Integrity in sports betting
8 Employee engagement
9 Diversity and equality
10 Employee training and development
11 Community involvement management

Governance aspects
12 Responsible sourcing
13 Tax transparency
14 Anti-money laundering
15 Anti-corruption
16 Fair competition
17 Customer data integrity
18 Cybersecurity



Priority 3
Running a Compliant Business

Kindred operates a digital entertainment business in a politically sensitive and regulated industry and it is essential to our business that we comply with regulations and requirements in every local market where we have a licence.

Kindred Group operates in locally-regulated markets through its licences in Australia, Belgium, Denmark, Estonia, France, Germany (Schleswig-Holstein), Ireland, Italy, Romania, Sweden and the UK, and other markets internationally through its licences in Malta and Gibraltar, and all are monitored through local gambling authorities. Kindred Group pays betting duties in all markets in accordance with applicable local laws. In 2018, 43 per cent of our Gross winnings revenue was derived from locally-regulated markets and this number is growing in line with our corporate strategy.

We are subject to strict rules and provisions in the countries where we hold licences and compliance is a prerequisite for our business. With every local licence having its own specific legal, operational and commercial requirements, Kindred has over the years invested heavily in compliance and governance functions. As an online gambling operator, we do face some of the same challenges as financial institutions. We process over 40 million transactions daily and each one of these is subject to strict anti-money laundering rules.

In 2018, Kindred undertook 21 audit certifications across all its licensed activities, as required by the terms of its licences, with no failures in compliance noted.

Anti-money laundering (AML)
Our global Anti-Money Laundering/Counter-Terrorism Financing Policy, together with our research-based systems and tools, provide the foundation for all our employees to recognise and adhere to requirements in this area. Kindred is always working to find innovative ways of improving its business and is currently exploring how the use of deep learning and AI techniques can strengthen our AML decision process, by collaborating with City, University of London, and BetBuddy, the responsible gambling data analytics specialist.

All Kindred's supplier relations are subject to an anti-money laundering review. Kindred does not accept corruption or bribery under any circumstances and requires all employees to participate in regular anti-corruption training. We enforce a Global Bribery Policy and a Global Gift Policy and in 2018 we had no cases of corruption involving Kindred reported.

Sustainability in our business	**Responsible Gambling**	**Maintaining Integrity**	**Running a Compliant Business**	**Being Kindred**	**Contributing to our Communities**
Strategic pillars	Sustainability		Winning and keeping the customer		Digital DNA
OUR FOUNDATION – Our strategic intent	We will become the number one operator across our markets				
OUR FOUNDATION – Our purpose	We want to transform gambling to ensure fair play, the best deal and a great experience for our players				
OUR FOUNDATION – Our values	We believe in Friendship	We build on Trust	We seek to Innovate	We are Individuals United	We Dare to Challenge

Priority 4
Being Kindred

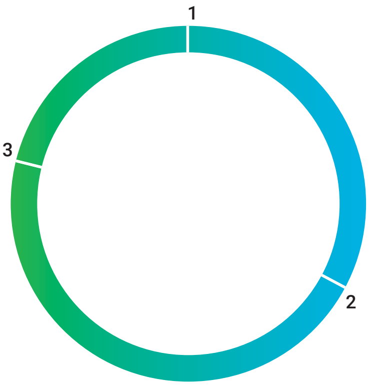
Our people are our strongest assets and we rely on attracting and keeping key talent to deliver on our strategy. We aim to provide a great place to work for our employees through a distinctive culture based on our core values. Whilst we have a strong culture, underpinned by shared values, we also promote diversity and equality in everything we do.

Every day we are joined by new people, new players, new colleagues and sometimes even new partners and brands. Kindred is a fast-growing global organisation with 1,465 employees representing 54 nationalities across 15 locations. Getting all of us together and thinking as one team is a condition for our success.

As a truly global company, Kindred is committed to creating a diverse workforce comprised of people from a wide array of backgrounds, cultures and viewpoints. Equal opportunities lie at the heart of the entire employee journey, including recruitment, training and benefits regardless of gender, disability, race, nationality, religion, sexual orientation or age.

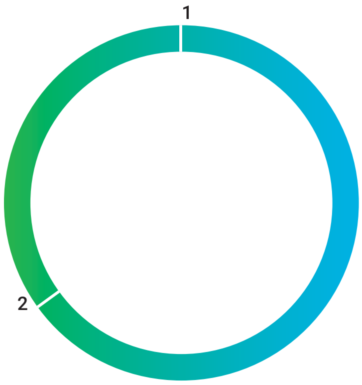
Our strong belief is that a diverse workforce enhances the quality of decision-making, experiences and viewpoints.

2018 Employee age breakdown
(%)



1	<30 years old	33%
2	31-40 years old	46%
3	41+ years old	21%

2018 Employee gender breakdown
(%)



1	Male	65%
2	Female	35%

Priority 5
Contributing to our Communities

Everyone can contribute to society, the local communities and to its people in some way. In addition to offering entertainment in a sustainable way, our contribution includes stimulating economic growth, taking part in our local communities and minimising our impact on climate change.

Kindred is committed to continuing to stimulate economic growth by providing more jobs, encouraging our suppliers to meet Kindred's even more ambitious standards and paying more taxes to an increased number of governments (through further licensed jurisdictions). We will have increased our social engagement through additional partners and active sponsorships, as well as ensuring 100 per cent of our purchased energy will be from renewable resources in 2023.

As a global, fast-growing organisation with offices in 11 countries, and licensed activities in 13 countries, Kindred makes an important economic contribution to society. We generate government revenues through taxes we pay and stimulate economic growth through higher production and innovation and, of course, direct employment.

We purchase many different services and goods and see it as our responsibility to extend our influence throughout the value chain to improve the standards of our business partners and suppliers. We work to build long-term relationships with our suppliers and apply a Global Procurement Policy as well as a Supplier Code of Conduct that clearly communicates the standards we expect regarding labour and human rights, health and safety, business ethics and environment. We believe that placing high demands on our suppliers, as we do on our own operations, the pace of progress will increase, contributing to a more sustainable economy.

Sustainability continued

Design of a successful regulation

Successful design of a regulated market matters – if large numbers of players are forced to play outside the regulated system, all of the objectives of regulation fail:

- Individual players are not protected.
- Tax revenues are not optimised.
- Sports integrity, anti-money laundering and other anti-corruption controls are ineffective.
- Data about the market used to drive further refinements of policy is misleading.

Channelisation is key

Based on Kindred's experience of working with different regulatory systems, there are several elements that are essential to the design of a successful regulatory regime. Each factor contributes to the key aim of channelisation, which means that gamblers in the territory should play within the regulated system and not try to circumvent it by playing with unlicensed operators. The reality of a digital economy is that if a competitive product is not available to consumers through the regulated system, they will find ways to source that product from unlicensed operators outside the system. If customers are driven outside the system, it means that the regulatory framework has failed to provide the individual and social protections that it was designed to achieve.

Product offer – the range of products within the regulated system should be comprehensive. If product groups are banned or severely restricted by regulation, customers who want to play the full range of products will simply look for unlicensed providers. This is the reality, for example, for Australian or French citizens who want to play casino games or who want the full range of sports on offer.

Taxation levels – these need to be set at a balanced level that does not deter customers from playing within the regulated system. It is normal for local gambling regulation to include betting duties and other charges. If such charges are set at too high a rate, however, that inevitably has an impact on the value that can be offered to customers. French regulation, for example, explicitly combines high taxation levels with a limited pay-back ratio to sports betting customers. This makes the odds offered by licensed operators quite unattractive to customers.

Working with stakeholders to ensure sustainable regulation

Kindred understands that gambling is a politically-sensitive industry that needs to be regulated in a balanced manner to ensure protection that considers both the needs of the individual player and wider social impacts. This is why Kindred has worked for many years in co-operation with legislators, regulators, industry bodies and other stakeholder groups to ensure that gambling regulation achieves a sustainable balance.

On 16 October 2018, Kindred Group organised the third annual Sustainable Gambling Day in Stockholm with 230 delegates listening to leading academics, researchers, gambling operators, psychologists, regulators and treatment agencies discussing how we can work together to secure a sustainable gambling industry.

Gambling regulation is also dynamic, with continuous development at a national and international level. This change is driven both by political factors and by technological change.

Regardless of the law, people will gamble. Some of the highest levels of gambling participation occur in countries that have little or no legal framework for gambling. Kindred avoids these markets because the lack of regulation means that there is little or no consumer protection and the risk of corruption in gambling is higher.

Kindred operates in more developed markets that are subject to national regulation or international regulation (e.g. EU/EFTA members that do not have a local legislative framework).

Tax transparency

The Kindred Group complies with tax legislation relevant to its business in line with applicable legislation in all territories in which we have operations or customers. Taxation of international digital businesses is complex and Kindred takes expert advice to ensure that we comply in an environment where both national and international tax legislation can be subject to rapid change.

Kindred balances its obligation to pay appropriate taxes in each country in which it has operations or customers with its obligations to shareholders to manage the Group's operations and cost base in a scalable manner, by ensuring that the operating structure is efficient.

Some of the taxes applicable to Kindred's business are calculated based on where the Group's operations are located (including some betting duties, corporate tax, employee taxes and social contributions and some elements of the Group's VAT cost). Other relevant taxes are calculated based on where customers are based (including some betting duties and VAT, or GST for Australia, where this is chargeable on revenues).

In determining the appropriate tax cost in each relevant territory, the Kindred Group complies both with local laws and with relevant international frameworks that specify how profits should be allocated in multinational businesses. This includes compliance with the OECD Transfer Pricing guidelines, which specify that, for the purpose of corporate taxation, profits are allocated and taxed where operations and functions are located.

Kindred Group CO_2 emissions

	Tonnes of CO_2e	
	2017/18	2016/17[1]
Scope 1 – Operation of site facilities (tonnes CO_2e)	38	51
Scope 2 – Grid electricity purchased (tonnes CO_2e)	2,428	2,481
Scope 3 – Indirect emissions including travel (tonnes CO_2e)	4,092	4,688
Total	**6,558**	**7,220**
CO_2e ratio (tonnes per employee)	4.53	5.38
CO_2e ratio (tonnes per GWR GBP million)	7.24	9.57

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.

Our role in the environment

As a truly digital company, our environmental impact is minimal and limited to energy usage and business travel. To be compliant with the Greenhouse Gas Protocol Corporate Standard, we use a third party to calculate the Group CO_2 emissions.

Overall, our absolute emissions have decreased by 9 per cent from 2017, while both employee numbers and GWR have increased. Group emissions by GWR have decreased by 24 per cent. All of the above emissions were offset in 2018.

Bee keeping

Around 70 per cent of the food we produce relies on bee pollination. At our office in Wimbledon we have around 10,000 bees housed in bee hives on our roof top. In May 2019 we will enjoy our own honey and plan to expand our bee community to 60,000 in the summer.

MSCI Environment, Social and Governance Rating – 'AAA'

In 2016, Kindred Group became the first digital operator to receive the "AAA" rating following an evaluation the MSCI ESG Ratings. MSCI uses a detailed methodology to "research and rate companies on a 'AAA' to 'CCC' scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers".

This evaluation is updated annually and in March 2019 the Kindred Group rating was unchanged at "AAA".

The 2019 report stated that "Kindred boasts of high employee engagement scores, which have clear links to its strong labor practices. The company offers competitive benefits, including employee stock plans and skills training to most of its employees. Its sector-leading responsible gambling practices include a system that uses an algorithm to detect early signs of problem gambling, customer profiling, as well as auditing and monitoring its control tools used by the clients. Further, it reduces the likelihood of receiving costly regulatory fines resulting from involvement in corrupt business practices, by articulating its ethical codes and enforcing these with employee training."

Risk management

The Kindred Group has implemented a holistic risk management process to ensure that Group risks are managed in a proactive manner.

Risk governance

The Board has overall responsibility for the risk management process and risk governance. The Executive Management team is responsible for identifying, assessing and managing the risks within the Group.

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 on a quarterly basis.

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

General:

> Strategic
> Operational
> Financial (see Note 2C pages 68 and 69)
> Compliance

Industry-specific risks:

> Odds/trade-related risks

Fraud, anti-money laundering and legal risks are discussed in the Running a Compliant Business section of the Sustainability report page 22.

Risk management process

Risks are identified using the process as described in the diagram below.

Identification and assessments are done across the Group via regular workshops with key stakeholders. The results are compiled into a risk report which is presented on an annual basis to the Audit Committee and Board.

A risk owner is identified for all risks and has the responsibility to implement the mitigation strategy and to monitor the risk.

Sensitivity analysis

The Kindred Group's performance is affected by a number of factors.

Kindred 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	+/− 9.076
Administrative expenses	+/− 1	+/− 1.891
Marketing expenses	+/− 1	+/− 2.390

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 27 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.

Risk management and internal audit cycle

	Executive Committee	Audit Committee	Kindred Group's Board	Risk Management and Internal Audit teams
Nov/Dec	**Risk assessment** Identify and assess key risks for the Kindred Group	**Review key risks** Review the Group risk assessment Add risks as appropriate Review risk management process Sign-off on key risks and risk management process	**Review of key risks and sign-off**	**Revision of Internal Audit Plan** Update, add and remove audit projects if necessary
Jan/Feb		**Approval of annual Internal Audit Plan** Update and add audit projects if necessary		
Apr/May		**Review of Internal Audit Plan** Review the revised Internal Audit Plan Discuss updates with the Internal Audit function		**Revision of Internal Audit Plan** Update, add and remove audit projects if necessary
Jul/Aug		**Review of Internal Audit Plan** Review the revised Internal Audit Plan Discuss updates with the Internal Audit function		**Revision of Internal Audit Plan** Update, add and remove audit projects if necessary

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.

Sports betting integrity at Kindred Group

Kindred sees match-fixing as a threat to society as a whole. Billions of people around the world enjoy participating in or consuming sport, and if the unpredictability of sport events is taken away, this passion is in severe jeopardy. However, when betting-related, match-fixing is also a threat to our industry. If people lose faith in the honesty of a sport event, they will lose interest in our betting product too, and eventually in the whole sports entertainment chain.

Therefore, it is imperative for individual private operators to take up our responsibility towards society and our business and to 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. The more betting activities that are channelled outside a regulated system due to unattractive regulations, the more difficult it will be to combat match-fixing in an organised and efficient way.

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 sports governing body and to ESSA.

ESSA is the integrity body of the regulated betting industry, and reports aggregated findings on suspicious betting events to regulators and sports governing bodies. ESSA works closely with many of the world’s leading sport federations, such as the International Olympic Committee (IOC), FIFA and UEFA. Moreover, ESSA has signed Memoranda of Understanding with gaming regulators to make sure relevant intelligence is shared with the respective authorities as soon as possible. In 2018, 267 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), ESSA is also in close co-operation 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 have been set up. Both initiatives help professional athletes and sports people understand and comply with the sports rules against match-fixing.

In March 2018, Kindred Group attended the UK’s Sports Betting Integrity Forum (SBIF) for the first time, which brings 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.

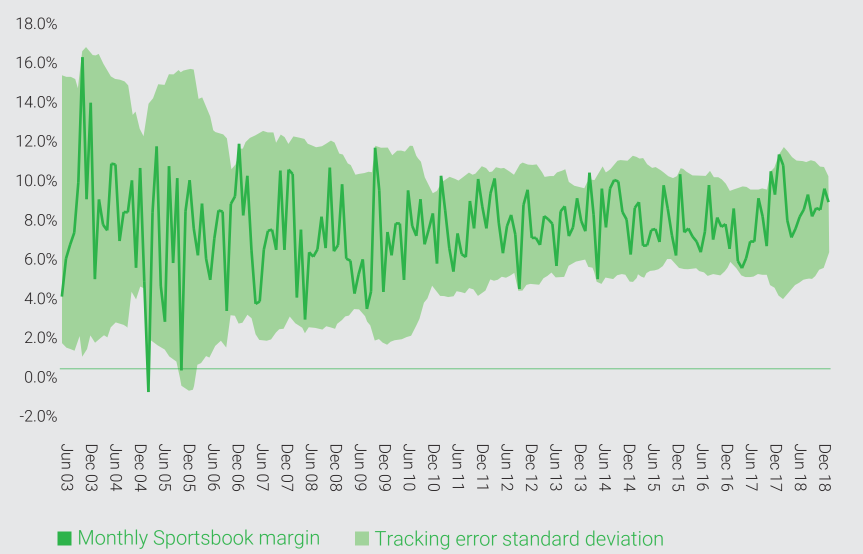
Kindred Group was invited to speak at the Football Integrity Seminar in Belgium, organised by the Belgian Football Association and the Belgian Jupiler Pro League on 10 July 2018. During our speech, Kindred Group outlined the importance of private industry representation in the Belgian National Platform, as outlined in the Macolin Convention.

In July 2018, Kindred Group signed a Memorandum of Understanding with FIFA.

In September 2018, Kindred Group attended the 3rd International Conference on the fight against the manipulation of sports competitions, organised by the Council of Europe in Strasbourg. Kindred Group emphasised the importance of co-operation embedded in local regulation as a crucial factor in the fight against match-fixing.

During the SBIF Annual Workshop, held in October 2018 at Doncaster Racecourse, Kindred Group contributed to the policy discussions regarding the implications of GDPR on the fight against match-fixing.

Sportsbook monthly returns and tracking errors



In the view of Kindred Group, match-fixing can only be fought when all stakeholders co-operate. It is a form of criminal activity that many suffer from, and it is in the interest of the Group, but also of society as a whole, to eradicate match-fixing entirely.

Principal risks and uncertainties

1 STRATEGIC RISKS

Risk	Mitigation
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. The technical/operational risk posed by future re-regulation is now lower than it was previously, as a result of the significant investments made to the operating platform.	The Group maintains ongoing dialogue with regulators and policy-makers 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.
Supplier related risks 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. To operate effectively in local markets, the Group needs all major product suppliers to be prepared to make the necessary investments to comply with local requirements.	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.
Technology and market changes in core markets Potential new products, technologies, channels and markets may emerge that change the behaviour of digital customers. Together with the risk of new market entrants or stronger competition it may be difficult to generate adequate growth to meet medium to long term market expectations.	The risk is mitigated by a number of activities: > Investments in new markets to help diversify the exposure to any single market. > Mobile investment to ensure that the Kindred Group maintains and enhances its market position. > Focus on innovation projects to explore new revenue streams, or new ways to generate additional revenues or cost savings from the existing business.

2 OPERATIONAL RISKS

Risk	Mitigation
Platform stability Failures in the platform, triggered by internal or external IT failures or deliberate acts, could lead to disabling of the site or unavailability of business-critical products. An unacceptable level of errors would undermine user experience and could motivate customers to look for other sites.	The risk is mitigated by using continuous monitoring 24/7 to detect any problems as early as possible. All critical servers are duplicated and regularly tested, i.e. if one server fails, another will immediately take over. Following any downtime, a detailed root cause analysis is performed to ensure that the underlying reason for the downtime is understood and rectified.
Failure in recruiting or keeping key staff Failure to recruit or retain existing key staff will lead to difficulties in reaching the Group objectives.	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.
Brexit On 29 March 2019, the UK is due to leave the European Union (EU) and there remains uncertainty over what this will mean for companies and their employees. The main risk for the Group is in relation to the free movement of EU citizens and the potential subsequent disruption this could cause.	The Group is committed to maintaining its operations in all locations and is carefully monitoring progress of the UK's planned exit from the EU. It has carefully considered all known risks and has developed plans to mitigate against these risks. It is also maintaining close communication with, and providing support to, its employees on this matter.
External security intrusion attempts Either as a result of a cyber-attack or internal security weakness, the Kindred Group customer data, including sensitive data such as passwords and/or banking details, could leak into the public domain. This could have a devastating reputational effect on the Group's brand and business as well as additional financial implications.	To be able to detect any signs of intrusion, Kindred Group has a dedicated Security Operations Centre that monitors the internal networks 24/7. The Group performs several security tests per year to ensure that the systems are secure. The tests are performed by external security companies. Any issues discovered during the tests are resolved. In line with requirements, Kindred Group is compliant with and audited against PCI standards. All customer data, including personal information and credit card numbers, are stored encrypted using industry best-practice standards.

3 FINANCIAL RISKS

Risk	Mitigation
Intangible asset impairment As at 31 December 2018, there are approximately GBP 393 million of intangible assets on the consolidated balance sheet which have indefinite useful lives, and are reviewed annually for impairment. This review could identify that significant impairment of these assets is required, which would have an immediate impact on the Group's results.	All such assets are continuously monitored throughout the year, ensuring any potential impairment indicators are anticipated and, where possible, all necessary steps are taken to prevent problems arising (e.g. considering if business restructuring has an impact on goodwill or other asset values).
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, such as Brexit, may have an effect on foreign exchange rates. 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. At the year end, Kindred Group plc had term and revolving loan facilities with a maximum level of GBP 224.2 million. The Group's borrowings as at 31 December 2018 were GBP 194.3 million, and if the Group draws down further on the facilities, a currency translation exposure related to this financial liability may arise.	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. 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.

4 COMPLIANCE RISKS

Risk	Mitigation
Tax Kindred 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.	Risk is managed through active management of Group operations. While operations are not driven by tax, tax is always considered when making major business decisions or changes to the business model.
Regulatory compliance Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on Kindred Group's results and additional costs may be incurred in order to comply with any new laws or regulations.	In managing its taxation affairs, including estimating the amounts of taxation due (both current and deferred) for the purposes of inclusion in the financial statements, Kindred Group relies on the exercise of judgement concerning its understanding of, and compliance with, those laws and is assisted by professional advice.

5 INDUSTRY-SPECIFIC RISKS

Risk	Mitigation
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.	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. As the live betting product has grown to be a larger part of the total Gross winnings revenue, diversification has increased even further.

Financial review

Another record year for active customers, Gross winnings revenue and profits, demonstrating that the Group's long-term strategy to achieve a scalable business model is paying off.

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 2018 have not resulted in a material impact to the financial statements.

The accounting policies as adopted in the published results for the year ended 31 December 2018 have been consistently applied.

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.

Active customers for the full year ended 2018 increased to 3.1 (2017: 2.9) million and, supported by a full-year contribution from 32Red since its acquisition in June 2017, this led to an all-time high in Gross winnings revenue (+21 per cent from 2017). With continuing financial pressures from changes in the regulatory environment, the Group continues to concentrate on building a scalable business model, with a focus on cost control, to be able to deliver positive results through to the bottom line. During 2018 this can be seen through EBITDA and earnings per share, both up 12 per cent from 2017. This is supported by the graph on page 17 showing the Group's ability to absorb betting duties, a significant cost for the Group that continues to increase over time.

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 overall impact on Gross winnings revenue and EBITDA of GBP 4.9 million and GBP 2.7 million respectively.

Gross winnings revenue

Total Gross winnings revenue in 2018 increased to GBP 907.6 (2017: GBP 751.4) million. Gross winnings revenue from Sports betting amounted to GBP 435.6 (2017: GBP 346.5) million for the full year 2018. Other products (Casino & Games, Poker and Other) saw Gross winnings revenue amounting to GBP 472.0 (2017: GBP 404.9) million for the full year 2018.

Gross margin on Sports betting and all products

Live betting accounted for 48.9 (2017: 48.9) per cent of Gross winnings revenue on sports betting, before Free Bets, in 2018. The gross margin for pre-game Sports betting before Free Bets in 2018 was 12.9 (2017: 11.5) per cent. The gross margin for total Sports betting in 2018 before Free Bets was 10.1 (2017: 8.9) per cent, and after Free Bets was 8.6 (2017: 7.6) per cent which is slightly above the long-term average. 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 2018 before free bets was 5.0 (2017: 4.8) per cent). This can be seen in the graph on the next page.

Cost of sales

Cost of sales includes betting duties, marketing revenue share and other cost of sales. Betting duties for the full year 2018 amounted to GBP 158.7 (2017: GBP 113.6) million, an increase of 40 per cent from prior year. The increase in betting duties is driven by a growth in both turnover and Gross winnings revenue in the year,

	31 December 2018					31 December 2017				
GBP m	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**
Sports betting	111.9	280.7	34.1	8.9	**435.6**	103.0	206.3	26.0	11.2	**346.5**
Other products – Casino & Games, Poker and Other	194.6	235.6	34.1	7.7	**472.0**	194.0	178.7	25.1	7.1	**404.9**
Gross winnings revenue	**306.5**	**516.3**	**68.2**	**16.6**	**907.6**	**297.0**	**385.0**	**51.1**	**18.3**	**751.4**
Betting duties	-9.2	-137.0	-7.4	-5.1	**-158.7**	-8.1	-94.6	-5.3	-5.6	**-113.6**
Marketing revenue share	-17.7	-25.9	-5.5	-0.9	**-50.0**	-17.3	-16.6	-4.7	-2.7	**-41.3**
Other cost of sales	-59.7	-67.7	-14.8	-4.5	**-146.7**	-56.4	-51.2	-10.8	-6.8	**-125.2**
Gross profit	**219.9**	**285.7**	**40.5**	**6.1**	**552.2**	**215.2**	**222.6**	**30.3**	**3.2**	**471.3**
Marketing costs					**-189.0**					**-145.3**
Administrative expenses					**-189.1**					**-161.5**
Items affecting comparability					**-18.1**					**-26.8**
Profit from operations					**156.0**					**137.7**
Profit before tax					**149.5**					**132.0**
Profit after tax					**131.6**					**117.4**
Earnings per share (GBP)					**0.580**					**0.516**

GBP
907.6m
Gross winnings revenue
2017: GBP 751.4m **+21%**

GBP
202.8m
EBITDA
2017: GBP 180.3m **+12%**

GBP
0.580
Earnings per share
2017: GBP 0.516 **+12%**

along with an increase in the percentage of Gross winnings revenue from locally-regulated markets from 40 per cent in 2017 to 43 per cent in 2018. During the year, the Group operated in locally-regulated markets through its gambling licences in the UK, France, Belgium, Denmark, Germany (Schleswig-Holstein), Italy, Australia, Ireland, Romania and Estonia, as well as other markets internationally through its gambling licences in Malta and Gibraltar. The Group pays betting duties in all markets in accordance with applicable local laws. The marketing-related revenue share costs within cost of sales amounted to GBP 50.0 (2017: GBP 41.3) million for the full year 2018, increasing from the prior year in line with the growth in Gross winnings revenue. Other cost of sales amounted to GBP 146.7 (2017: GBP 125.2) million for the full year 2018.

Marketing costs

During 2018, marketing costs were GBP 189.0 (2017: GBP 145.3) million. Marketing expenditure during 2018 grew in line with business expectations, and included the impact of a full year of 32Red costs, as well as increased spend around the World Cup. Investments in marketing have been a key driver in increasing the number of active customers during the year, as noted above.

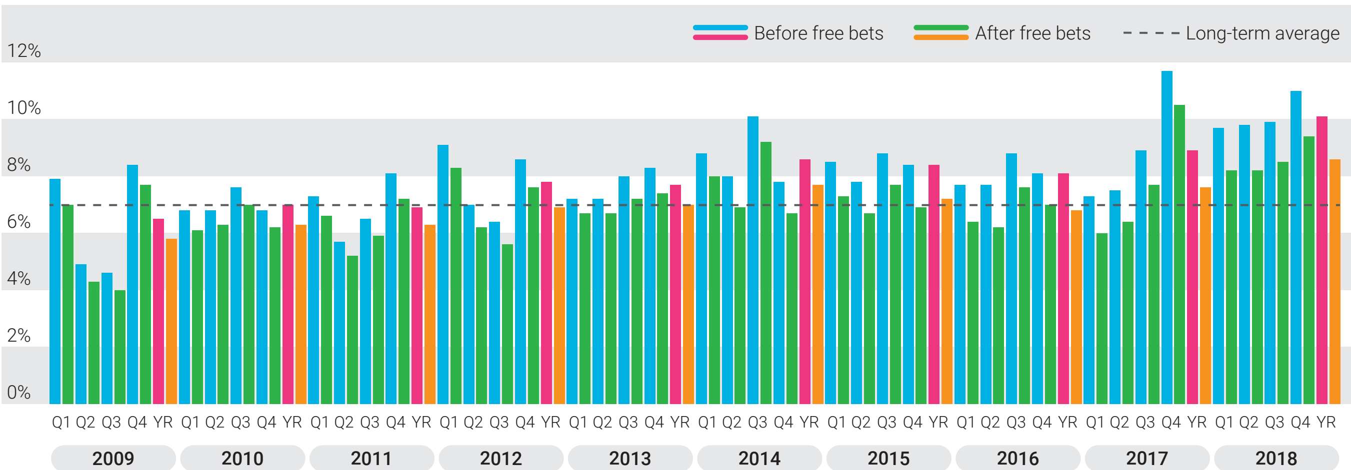
Administrative expenses

During 2018, ongoing administrative expenses were GBP 189.1 (2017: GBP 161.5) million. This total includes:

- GBP 30.8 (2017: GBP 22.0) million of depreciation and amortisation charges (this excludes amortisation on acquired assets defined below in items affecting comparability). These charges have increased from the prior year primarily due to the increased investment in technology and new offices.
- GBP 83.4 (2017: GBP 74.3) million of salaries and associated costs. These costs have increased, as expected, from the prior year predominantly as a result of increasing staff numbers (from 1,357 employees at the end of 2017 to 1,465 employees at the end of 2018).
- GBP 74.9 (2017: GBP 65.2) million of other administration expenses. This primarily includes research and development expenditure, that is not capitalised, and rental and other facilities' costs across the various Group locations which have increased during the year due to office relocations and increased employee numbers.

Total administrative expenses accounted for 20.8 (2017: 21.5) per cent of Gross winnings revenue in 2018, demonstrating the Group's continued commitment to cost control. Note 4 in the financial statements on page 72 provides more analysis of operating costs, including items affecting comparability detailed below.

Sports betting gross margin
2009-2018



Financial review continued

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 2018, items affecting comparability included:

- management incentive costs of GBP 0.9 (2017: GBP 1.5) million relating to acquired businesses;
- foreign currency losses on operating items of GBP 1.2 (2017: GBP 1.5) million;
- amortisation of acquired intangible assets of GBP 11.3 (2017: GBP 11.4) million, which is the charge on "IFRS 3 Business combinations" acquired assets over the useful economic life of the asset; and
- accelerated amortisation of acquired intangible assets of GBP 4.7 (2017: GBP 9.2) million, being a non-cash amortisation charge taken by the Group as a result of the rationalisation of its brands and the ongoing migration of acquired brands to the Group's platform. These fair value adjustments have no impact on free cash flow or the dividend payment capacity of Kindred Group plc.

Both of the above amortisation charges are included as part of the Group's total amortisation charge shown in Note 11 to the consolidated financial statements.

Items affecting year-on-year comparison in 2017 were also affected by one-off merger and acquisition costs of GBP 3.2 million.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2018 were GBP 202.8 (2017: GBP 180.3) million, an increase of 12 per cent from the prior year. Profit from operations for the full year 2018 was GBP 156.0 (2017: GBP 137.7) million, an increase of 13 per cent.

Net finance costs

Net finance costs consist of finance costs, finance income and foreign currency gains and losses on borrowings and amounted to GBP 6.2 (2017: GBP 6.2) million for 2018.

Costs remained consistent year-on-year with an increase in loan fees and interest in 2018 offset by lower foreign exchange losses associated with repayment of the credit facilities denominated in a currency other than GBP which amounted to GBP 2.0 (2017: GBP 3.0) million.

Profit after tax

Profit after tax for the full year 2018 was GBP 131.6 (2017: GBP 117.4) million, an increase of 12 per cent.

Development and acquisition costs of intangible assets

In the full year 2018, development expenditure of GBP 20.9 (2017: GBP 18.1) million was capitalised. Capitalised development costs during 2018 are driving economic benefit through local licensing requirements, customer experience improvements, data analytics and information mining. Expenditure of GBP 3.0 (2017: GBP 2.3) million was capitalised in the year with regard to other intangible assets which predominantly comprise computer software.

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 IT development costs and computer software. For further information on the movements in goodwill and intangible assets, see Note 11 on page 75.

Property, plant and equipment has increased significantly in the year driven by significant new additions. These include significant investments in new computer hardware of GBP 9.5 (2017: 5.4) million and substantial fit-out costs for new offices GBP 16.5 (2017: 12.9) million which has been a focus for the Group during the year, but should now decrease going forwards.

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

Other receivables increased to GBP 31.1 million from GBP 24.8 million in 2017 primarily due to increased regulatory deposits. Prepayments increased from GBP 13.7 million in 2017 to GBP 21.8 million in 2018 as a result of increased activity within the Group and timings of supplier payments. The movements in the tax balances in the consolidated balance sheet are influenced by the timing of dividend payments within the Group.

Significant liabilities on the balance sheet include trade and other payables of GBP 131.0 (2017: GBP 110.2) million. Accruals have increased significantly during the year due to increased activity and timings of supplier payments. Customer balances as at 31 December 2018 are GBP 62.3 (2017: GBP 57.5) million (see Note 17 on page 79).

Financing and cash flow

The Group continues to demonstrate the ability to generate strong operating cash flows and a total of GBP 198.9 (2017: GBP 203.1) million in cash was generated from operating activities during 2018. Operating cash flow before movements in working capital amounted to GBP 208.3 (2017: GBP 184.1) million for the full year.

Significant cash movements during the year were:

- In May, the Group paid out a significant dividend of GBP 125.6 (2017: GBP 70.6) million to its shareholders.
- In May, the Group purchased further treasury shares for GBP 14.6 million.
- The Group drew down additional borrowings of GBP 112.0 million in May 2018, and repaid a total of GBP 115.5 million of its borrowings over the course of the year. At 31 December 2018, GBP 194.3 (2017: GBP 195.6) million of the term and revolving facilities was utilised out of a total of GBP 224.2 million (2017: GBP 255.3). See Note 18 on page 80 for more information.

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

Total margin all products

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 FY	2017 FY	2016 FY	2015 FY
Total margin all products* (before free bets)	5.1%	4.9%	5.0%	4.9%	5.0%	4.8%	4.7%	4.7%

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

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 2019 AGM, see page 88.

Nomination Committee

The principal tasks of the Nomination Committee are to propose decisions to the Shareholders' meeting on election and remuneration issues 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 42. 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 and its management. The Kindred Group's Board of Directors is composed entirely of Non-executive Directors, of which the majority are independent.

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 41.

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 49 and 50.

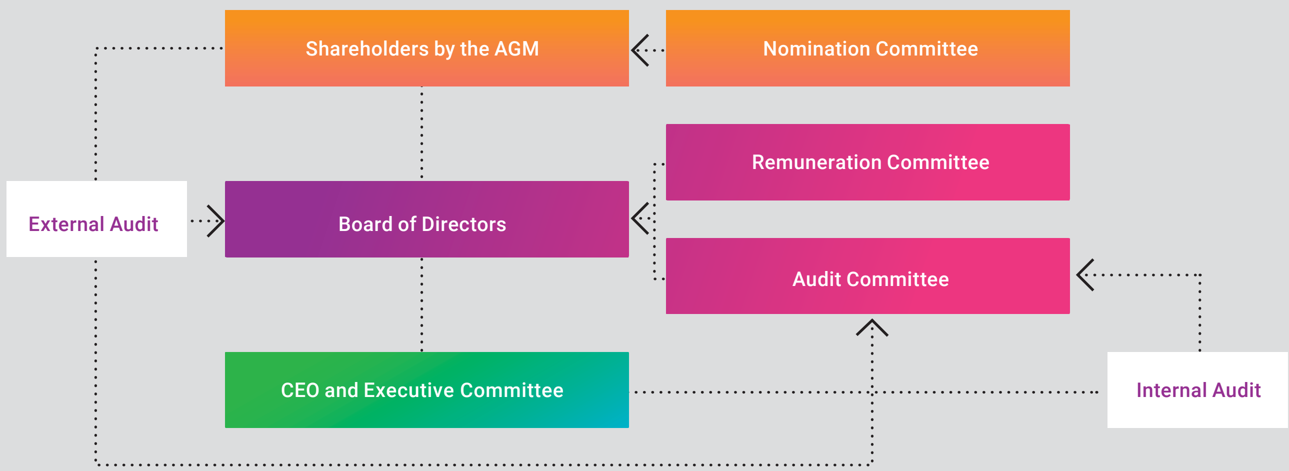
Chief Executive Officer and Executive Committee

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 which two are women.

Auditor

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

Corporate Governance model



Board of Directors

The Kindred Group's Board is comprised of Swedish, Danish and American citizens.

Board diversity by nationality

Anders Ström
Chairman of the Board

Member of the Nomination Committee

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. Board member of Kambi.

Previous assignments:
1999-2006 Business Development Director, Kindred Group. 1997-2000 CEO of Kindred Group.

Holding:
5,831,200 Kindred Group plc SDRs (through company).

Kristofer Arwin
Board member

Chairman of the Audit Committee

Swedish citizen. Born 1970. Board member since 2008. Independent. BSc in Business Administration and Economics from Stockholm University.

Current assignments:
Board member of listed company Addnode Group, since 2012, and also member of the Audit Committee. Chairman of TestFreaks AB. Adviser to currency trading company TMS Brokers, since 2014.

Previous assignments:
Founder of price comparison company Pricerunner and CEO between 1999-2005. Co-founder of TestFreaks, a reviews technology business, and CEO between 2006-2013. Board member of Alertsec AB 2007-2017. Board member of listed company Tradedoubler 2006-2013 and also member of the Audit Committee. Board member of Stagepool 2007-2012. Investment Manager at The Springfield Project, an early stage investor that twice a year invests in 10 start-ups, 2013-2015.

Holding:
10,084 Kindred Group plc SDRs.

Hélène Barnekow
Board member

Member of the Audit Committee

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

Current assignments:
CEO Microsoft Sweden. Board member of GN Store Nord A/S.

Previous assignments:
CEO Telia Sweden 2015-2018, CCO Telia Company 2014-2015. SVP Global Field & Partner Marketing EMC 2009-2014. Various positions with Sony Ericsson Mobile Communications 2001-2009.

Holding:
4,500 Kindred Group plc SDRs.

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

The mentioned Swedish Depositary Receipt (SDR) holdings include personal holdings, family holdings and holdings through companies in which Directors have an interest, and are as at 28 February 2019.

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

Holding:
120,740 Kindred Group plc SDRs.

Gunnel Duveblad
Board member

Member 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:
2002-2006 President EDS North Europe. 1977-2002 IBM.

Holding:
4,000 Kindred Group plc SDRs.

Stefan Lundborg
Board member

Chairman of the Remuneration Committee

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

Current assignments:
Chairman of the Board for Note Design Studio AB and Mastervice AB. Board member of G5 Entertainment and LOX Container Technology AB.

Holding:
517,600 Kindred Group plc SDRs.

Peter Friis
Board member

Danish citizen. Born 1972. Board member since 2014. Independent. BA in Communications from Roskilde University.

Current assignments:
VP, Google Northern Europe (Nordics and Benelux).

Previous assignments:
Nordic Director at Google.

Holding:
10,200 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.

Kindred Group's commercial engine is divided into two commercial functions: Region 1 with Australia, Belgium, France, UK and German speaking countries. Region 2 with the Nordics, Estonia, Romania, USA and Emerging and Eastern Markets.

Henrik Tjärnström
Chief Executive Officer

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:
1,415,907 Kindred Group plc SDR and 138,855 Performance Share Rights.

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.

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

Holding:
1,383 Kindred Group plc SDR and 73,362 Performance Share Rights.

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 the Payments department. Rhodri was appointed Chief Programme Officer in 2010 and Chief Strategy Officer in 2014. Since 1 January 2019 he is Chief Commercial Officer Region 2. He holds 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:
15,283 Kindred Group plc SDR and 75,244 Performance Share Rights.

Fredrik Kjell
Chief Product Officer

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

Fredrik has eleven 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 Ongame, Director of Product at Amaya (now The Stars Group), and Commercial Manager at NYX Gaming Group. Within Kindred Group, Fredrik held the position as Head of Gaming before being appointed Chief Product Officer.

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

Holding:
0 Kindred Group plc SDR and 45,941 Performance Share Rights.

The mentioned holdings include personal holdings, family holdings and holdings through companies in which they have an interest, and are as at 28 February 2019.

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 27,886 Performance Share Rights.

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. From 1 January 2019 she has led Kindred Group's customer centric efforts as Chief Experience Officer. Previously, she has managed Kindred Group's online and mobile gambling products, and led strategic and transformational change for the Group.

Holding:
15,624 Kindred Group plc SDR and 73,362 Performance Share Rights.

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 Tech strategy and operation globally. Marcus has worked in the IT industry since the mid-1990s, working as a Java developer, team lead, development manager and more.

Holding:
6,302 Kindred Group plc SDR and 73,362 Performance Share Rights.

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. From 1 January he is Chief Commercial Officer Region 1. Anne-Jaap is based in Malta.

Holding:
4,075 Kindred Group plc SDR and 35,284 Performance Share Rights.

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:
9,352 Kindred Group plc SDR and 73,362 Performance Share Rights.

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, or the code of the country in which its shares have their primary listing.

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 38 to 42 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, who are in turn elected at the Annual General Meeting (AGM).

The following Directors elected at the AGM on 15 May 2018 served during the year and subsequently, unless otherwise stated:

Anders Ström
Chairman

Kristofer Arwin
Non-executive

Hélène Barnekow
Non-executive

Peter Boggs
Non-executive

Gunnel Duveblad
Non-executive

Peter Friis
Non-executive

Stefan Lundborg
Non-executive

The emoluments and interests of the Directors are shown on page 50.

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 34 and 35, 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 Kristofer Arwin, Hélène Barnekow, Peter Boggs, Gunnel Duveblad, Peter Friis and Stefan Lundborg to be independent Non-executive Directors. Anders Ström is Chairman of the Board and is also a member of the Board of Kambi Group plc. Brief résumés of the Board can be found on pages 34 and 35.

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 42.

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

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, 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 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 responsibility

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 2018

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 2018 were matters related to innovation, information technology, product management, strategy and business plan, budgets, forecasts, key policies and the new regulations in the USA and in Sweden.

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.

In the Executive Committee, the CHRO 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 25 and the separate Sustainability Report for 2018.

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 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.

	Board[1]	Audit Committee	Remuneration Committee
Number of meetings held	16	4	4
Name			
Anders Ström, Chairman	12	–	–
Kristofer Arwin	15	4	–
Hélène Barnekow[3]	5	2	–
Sophia Bendz[2]	6	–	2
Peter Boggs	15	–	4
Nigel Cooper[2]	6	2	–
Gunnel Duveblad[3]	8	2	–
Peter Friis	11	–	–
Stefan Lundborg	15	–	4

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 Sophia Bendz and Nigel Cooper resigned from the Board of Directors at the 2018 AGM in May.

3 Hélène Barnekow and Gunnel Duveblad were appointed to the Board of Directors at the 2018 AGM in May.

Corporate governance statement continued

Remuneration and Directors' and Officers' liability insurance

The Annual General Meeting establishes the principles and the maximum amount of the 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 pages 49 and 50. None of the 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.

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 Chairmen 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.

The Board of Directors' report on internal control over financial reporting for the financial year 2018

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, 8 March 2019

Anders Ström
Chairman and Director

Kristofer Arwin
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 four times during the year and currently comprises three independent Non-executive Directors: Kristofer Arwin, Hélène Barnekow and Gunnel Duveblad. Nigel Cooper attended two of the meetings. The Committee is chaired by Kristofer Arwin, who has extensive management expertise as Chief Executive Officer (CEO) and Chairman. 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), also attended most of the meetings.

Responsibilities include monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. 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 a meeting of 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 2018 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.

The Committee considered management's assessment and the conclusions reached by the external auditors in this area as part of their audit. The Committee concluded that no impairment to reduce the carrying value of goodwill was required and sensitivity analyses would be 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 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 and 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, its sustainability practices and determines the scope of work undertaken by the CFO, the General Counsel and the Group Head of Risk. It receives reports from the CFO, with whom the results are discussed on a regular basis. The Group Head of Risk reports to the Audit Committee as required.

The Committee is also responsible for ensuring that an effective whistle-blowing procedure is in place.

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 contracts with third parties, monitored an ISO 27001 pre-certification audit and designed a whistle-blowing portal which will be put into service during the first quarter of 2019.

Senior management are responsible for following up on 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 Head of Risk and the Head of Internal Audit, are effective in monitoring the established systems. The Committee is responsible for making recommendations to the Nomination Committee in relation to the appointment of external auditors. It is responsible for monitoring the independence and objectivity of the external auditors, and for agreeing the level of remuneration and the extent of non-audit services.

Statutory audit and other 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 72. The provision of non-audit services, and tax compliance and routine taxation advice, 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 for the Nomination Committee is to submit proposals to the AGM on electoral and remuneration issues 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 2018 the Nomination Committee 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.

The Nomination Committee met eight times for the 2018 AGM. At the AGM on 15 May 2018, it was decided that the Nomination Committee for the 2019 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 2019 AGM consists of Evert Carlsson from Swedbank Robur Fonder (Chairman), Ossian Ekdahl from Första AP-fonden, Jonas Eixmann from Andra AP-fonden, Johan Strandberg from SEB Investment Management and Anders Ström, Chairman of the Board of Directors. The Committee met four times for the 2019 AGM.

Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 49 and 50.

General legal environment

Sustainable re-regulation remains a key focus for the Kindred Group.

The year 2018 was a milestone year for Kindred, securing another local licence, the latest one in Sweden, in support of its long-term strategy to operate in locally-regulated markets. While several local markets introduced or amended their local licensing regime in 2018 (Sweden, Spain, US), others have taken significant steps forward in their quest for local regulation (Netherlands) and more local licences are on the Kindred horizon. This, of course, increases the level of compliance complexity, in a landscape that remains fragmented, while the room for error has decreased substantially and the cost of getting it wrong has significant repercussions. In 2018, local enforcement efforts by maturing gambling regulators with expanding resources have increased. Enforcement can however never constitute a viable alternative to sustainable regulation. The EU Commission's 2018 evaluation of regulatory tools for enforcing online gambling rules confirmed that blocking measures have limited effectiveness and their compatibility with the fundamental freedoms of the EU Treaties remains questionable. A locally regulated offer that sufficiently meets the demands of the ever-maturing digital consumer is the only way to safeguard a high degree of consumer protection. Kindred continues to invest in stakeholder management to raise awareness about the dynamics of the industry and how its strong focus on tech and innovation can constitute a leading example for other digital actors.

On 4 April 2018, the EU Commission tasked the European Committee for Standardization (CEN) with producing non-binding compliance reporting rules in a bid to create a single standard set of data elements to be provided by online gambling providers to EU member state regulatory authorities. Kindred is closely following this project and supports the standardisation movement.

With the entry into force of the General Data Protection Regulation on 25 May 2018, Kindred implemented the necessary changes to its platform and websites, introduced internal training programmes and updated its policies accordingly. Kindred continues to work closely with the Malta Information and Data Protection Commission, its lead Supervisory Authority, as well as with national data protection authorities, to proactively identify and implement trends to secure ongoing compliance with data protection and privacy regulations.

On 9 July 2018, the 5th EU Anti-Money Laundering (AML) Directive entered into force and is to be transposed by Member States by 20 January 2020. The 5th AML Directive enhances the powers of EU Financial Intelligence Units and limits the use of pre-paid cards. The 6th AML Directive was published on 12 November 2018, complementing the criminal aspects of the 5th AML Directive and removing obstacles to cross-border judicial and police co-operation, and will apply to Member States from 3 June 2021 onwards. The European Commission is currently conducting a new supra-national assessment of the risks of money laundering and terrorist financing relating to cross-border activities, previously finding online gambling to be at high-risk exposure due to the non-face-to-face reality, the large volumes of transactions and the use of e-money, digital and virtual currencies. The outcome of the assessment will impact the national risk assessment held by national competent authorities and define the operator's customer due diligence requirements.

In March 2018, 127 countries, all members of the OECD/G20 Inclusive Framework, agreed to review the international tax system in order to properly address the tax challenges of the digital economy and work towards a global tax framework for companies operating digitally by 2020. At the same time (and at least until a global solution is in place), the European Commission is looking into its own digital taxation package which was presented on 21 March 2018 and introduces an interim 3 per cent digital services tax on revenues resulting from the provision of certain digital services and a digital permanent establishment. Several Member States have opposed the package for lack of ambition and consensus among Member States is required to move forward. Therefore, a number of individual Member States have introduced or are preparing their own digital tax regime for online advertising and multi-sided platforms: Italy introduced a 3 per cent revenue tax from January 2019 while France, Austria and Spain are working on legislative proposals in case an EU-wide solution falls through or ends up having a restricted scope. The UK will also introduce a new Digital Services Tax in April 2020.

Great Britain

With the appointment of a new CEO in April 2018 and the publication of its 2018-2021 roadmap "Making gambling fairer and safer", the Gambling Commission (GBGC) continued its "raising standards" regime throughout 2018 prompting operators to assess the compliance level of their businesses. The GBGC introduced several initiatives in 2018, including increased enforcement powers to fine and penalise advertisement breaches, the launch of the national self-exclusion online gambling register GAMSTOP in March 2018 and consultations on age and identity verification, the outcome of which will have to be implemented by early May 2019, with an additional consultation announced including affordability and account financial limits. On 29 October 2018, the Chancellor of the Exchequer announced that the Remote Gaming Duty will be increased from 15 per cent of Gross gaming revenue (GGR) to 21 per cent of GGR from 1 April 2019 to make up for the tax losses incurred due to the cut in maximum stakes to fixed-odds betting terminals (FOBTs) which will enter into force simultaneously. Kindred is closely monitoring Brexit discussions to anticipate and implement any upcoming changes on a timely basis.

The tough enforcement climate for social responsibility and money laundering failures continued in 2018. Several licensees, including Kindred (32Red), were fined for not protecting customers from gambling-related harm and not carrying out the required money laundering checks. In close collaboration with the GBGC, Kindred is subsequently strengthening its internal compliance function and is implementing remedial measures to improve and expedite affordability checks across its customer base.

General legal environment continued

The Netherlands

On 19 June 2018, in a bid to unlock the political standstill, the minister in charge of gambling reached a deal with the political parties holding a majority in the Senate about the definition of the "local establishment requirement" which was put forward in the October 2017 government coalition agreement. Under the new regime, licensed operators will be obliged to have a responsible gambling representative in the Netherlands. After responding to three sets of Senator questions throughout 2018, the Senate debated the remote gambling bill and approved it on 19 February 2019 with a clear majority, simultaneously introducing a two-year cooling-off period for operators that actively targeted the Dutch market and breached the applicable prioritisation criteria. The vote on the privatisation of Holland Casino has been delayed until further notice. Secondary legislation is currently under review following the public consultation held in September 2018. It will have to be discussed in Cabinet and Parliament before advice from the Council of State and notification to the EU Commission. Once these steps have been completed successfully the remote gambling bill can enter into force and the licensing process which, according to the Dutch Gaming Authority will approximately take six months, can start. Go live is therefore not expected before Q3/4 2020.

The Dutch Gaming Authority increased enforcement efforts in 2018 sanctioning several online operators for violation of the so-called prioritisation criteria, ranging from local marketing campaigns to Dutch language websites and the absence of geo-blocking measures. Several of these operators have appealed the decisions.

Belgium

On 22 March 2018, the Constitutional Court annulled the VAT levy on online gambling which was introduced in August 2016, finding that the federal government exceeded its competence and violated the federal loyalty principle by limiting the exclusive powers of the regions to levy gambling taxation. The Constitutional Court nevertheless upheld the consequences of the VAT levy for the past until publication in the Official Journal on 22 May 2018, citing "budgetary and practical" issues if operators would recover the VAT paid.

In the discussion about the legality of multi-product websites, the Constitutional Court partially annulled the Belgian Gambling Act in July 2018 to the extent it does not prohibit the cumulation of online licences via the same domain names and URL's, thereby forcing the Belgian legislator to undertake action to remove the discrimination. Legislative initiative remains outstanding.

On 25 October 2018, a Royal Decree introducing advertising restrictions and gameplay limits for online gambling and betting was published in the Official Journal and will enter into force in June 2019. The Royal Decree has in the meantime been challenged before the Council of State.

Sweden

Following the adoption of the remote gambling bill in the Parliament on 13 June 2018 and the opening of the licensing window on 1 August 2018, Kindred submitted its licence application on 10 August 2018. Kindred was among the first operators to be awarded a licence by Lotteriinspektionen on 30 November 2018 for five of its brands (Unibet, MariaCasino, Storspelare, Bingo.com and iGame) and successfully launched its .se websites on 1 January 2019. In addition to the introduction of the national self-exclusion register Spelpaus, a holistic cross-brand customer view and application of responsible gambling tools as well as mandatory player spending transparency contribute to the protective focus of the Swedish framework.

The government has appointed another inquiry into the Swedish gambling market to investigate the introduction of a horse racing levy and a sports right levy, IP-blocking measures and further restrictions on online casino and land-based slot machines. The government will also assess the adjustment of Svenska Spel, as state monopoly, to the new regulatory situation from a competition law point of view. The final report will be published no later than 31 October 2020. The Swedish Authority for Public Management will further evaluate the newly regulated market and publish bi-annual reports about marketing, problem gambling and financial revenues with a final report, proposing regulatory adjustment measures, due in 2022.

Norway

Despite the publication of a study by Menon Economics in August 2018 confirming that a well-designed Norwegian licensing model would be socio-economically profitable and in support of the government's policy objectives, actual re-regulation seems far away and the volatile enforcement climate towards payment service providers continued throughout 2018. A consultation on draft regulation requiring payment service providers to stop all payment transactions connected to foreign online gambling services was launched in April 2018 and subsequently notified to the EU Commission in June 2018. The regulation, which is openly questioned by the Norwegian central bank, is not expected to enter in force before Q2 2019. In May 2018, the Norwegian parliament adopted a proposal in favour of ISP blocking and advertisement restrictions, despite opposition from both the government and the minister in charge. The proposal is yet to be reformed into a legislative proposal. On 24 July 2018, some of Kindred's apps were removed from Apple's App Store and remain unavailable to date.

Several cases against the payment blocking measures are currently pending both on national level and before the EFTA Surveillance Authority: the complaint made by the European Gaming and Betting Association (EGBA) to the EFTA Surveillance Authority is still pending and further procedural steps have been taken in the case introduced by a payment service provider, Entercash, and EGBA against the Norwegian Gaming Authority (NGA) before the Oslo City Court. In November 2018, Kindred also launched a complaint before the Oslo District Court to challenge the breach of good governance principles by the NGA when imposing the payment blocking measures.

France

In October 2018, the National Assembly approved the first reading of the Française des Jeux privatisation bill (Loi Pacte) according to which the French government will maintain 20% ownership. The bill simultaneously consolidates the competences of the French regulator ARJEL but does not touch upon an expansion of the existing product scope to include online casino. As part of the discussions, the Senate also adopted a compromise proposal to change taxation for sport betting from 9.3 per cent of turnover to 54.9 per cent of GGR on 5 February 2019 but the National Assembly is yet to approve it. The bill, after discussion in Senate and the National Assembly, is expected to receive Parliamentary approval before the summer of 2019, after which the implementation ordinances will be drafted. In November 2018, a reform report on the Pari Mutuel Urbain (PMU) was presented to the government, suggesting turning it into a single state-owned monopoly and simplifying operations.

In September 2018, the Paris Court of Appeal found that PMU abused its dominant market position between 2010 and 2015 by not appropriately separating its retail and online horse race betting assets. Several online operators are expected to file multi-million euro claims to recover damages.

Denmark

Pursuant to a political agreement reached in July 2018, all bonuses are capped from 1 January 2019 and maximum wagering requirements apply. Gambling operators have also been tasked with setting up a voluntary code on advertising, including a TV watershed.

In the case initiated by a Danish customer in December 2015, the Court of Appeal overturned the December 2017 Court of First Instance ruling exonerating Kindred from any liability. The Court of Appeal held that, despite complying with Danish regulations and offering all required self-control tools, Kindred should have acted sooner to protect the customer. Kindred was ordered to reimburse the losses incurred by the customer from the moment it should have intervened according to the court. Kindred reimbursed the customer in accordance with the court ruling but appealed the case before the Supreme Court considering the wider discussion on a non-statutory duty of care.

Italy

In July 2018, the government introduced a total advertising ban, with a ban on sponsorships and all other forms of advertising from July 2019 onwards. On 24 December 2018, the government, as part of its 2019 budget exercise, increased gambling taxation from January 2019 onwards with a 2 per cent increase for sport betting (from 22 per cent to 24 per cent of GGR) and 5 per cent for online casino, poker, bingo and virtual betting (from 20 per cent to 25 per cent of GGR).

USA

Following the repeal by the US Supreme Court in May 2018 of the Professional and Amateur Sports Protection Act (PASPA), the federal law that banned the expansion of sports betting, several US states have introduced sports betting legislation. Kindred, via its US subsidiary, entered into a partnership with Hard Rock Hotel & Casino Atlantic City on 17 August 2018 for the offer of online casino and sports betting and submitted its licence application to the New Jersey Division of Gaming Enforcement and Casino Control Commission in the summer of 2018. Kindred is currently awaiting the allocation of its transactional waiver to go live in New Jersey. 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 to secure regulatory approval in Pennsylvania later in 2019.

Other

Several of Kindred's licensed markets have introduced tax increases or changes in 2018.

On 29 December 2018, the Romanian government passed an emergency ordinance introducing a 2 per cent deposit tax for online gambling as from 1 January 2019, adding to the existing 16 per cent GGR gambling tax.

On 14 October 2018, Ireland announced that the applicable betting duty would be doubled from 1 per cent to 2 per cent of turnover from 1 January 2019.

Australia introduced a point of consumption tax (between 8 per cent and 15 per cent of GGR depending on the state) in addition to the betting duties and goods and services tax paid which will enter into force on 1 January 2019 and is looking into the taxation of the digitalisation of the economy in Australia.

On 12 December 2018, Kindred applied for two general licences in Spain to offer online sports betting and casino. The application review is expected to take up to six months.

On 1 August 2018, the new Malta Remote Gaming Regulations came into effect, introducing a single B2C licence covering all products and reviewing the calculation of gaming taxes as well as the annual licence fees.

Responsible Gaming Day in the European Parliament in December 2018

Shares and share capital

Kindred Group plc's issued share capital as at 31 December 2018 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 Depositary Receipts

Kindred Group plc (the Company) is listed on Nasdaq Stockholm through Swedish Depositary 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 (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 2018

The Board of Directors has recommended a dividend of GBP 0.496 (2017: 0.551) per share/SDR, which is approximately SEK 5.92 (2017: 6.48, paid out 22 May 2018) with the exchange rate 11.940 GBP/SEK at 12 February 2019, to be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM) the dividend will be paid on 21 May 2019 and 21 November 2019 and amounts to a total proposed distribution of GBP 112.5 (2017: 125.6) million, which is 75 per cent of the Group's free cash flow for 2018. The Board has reviewed the projected cash requirements for 2019 and is proposing to increase the dividend for this year above 50 per cent of free cash flow. 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 (2017: nil).

Share purchase programme

At the AGMs from 2007 to 2018, 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 2018, 264,559 (2017: 286,572) 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 2018 was 230,126,200 of which 3,534,135 are held by the Company, representing 1.5 per cent of the total number of shares.

The Board can either cancel the shares (requiring further shareholder approval), use 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 81.60 having started the year at SEK 117.40. The lowest price during the year was SEK 79.60 and the highest price was SEK 139.00. As at 31 December 2018, Kindred Group plc had a market capitalisation of approximately SEK 18.8 billion equivalent to GBP 1.6 billion (2017: SEK 27.0 billion equivalent to GBP 2.4 billion).

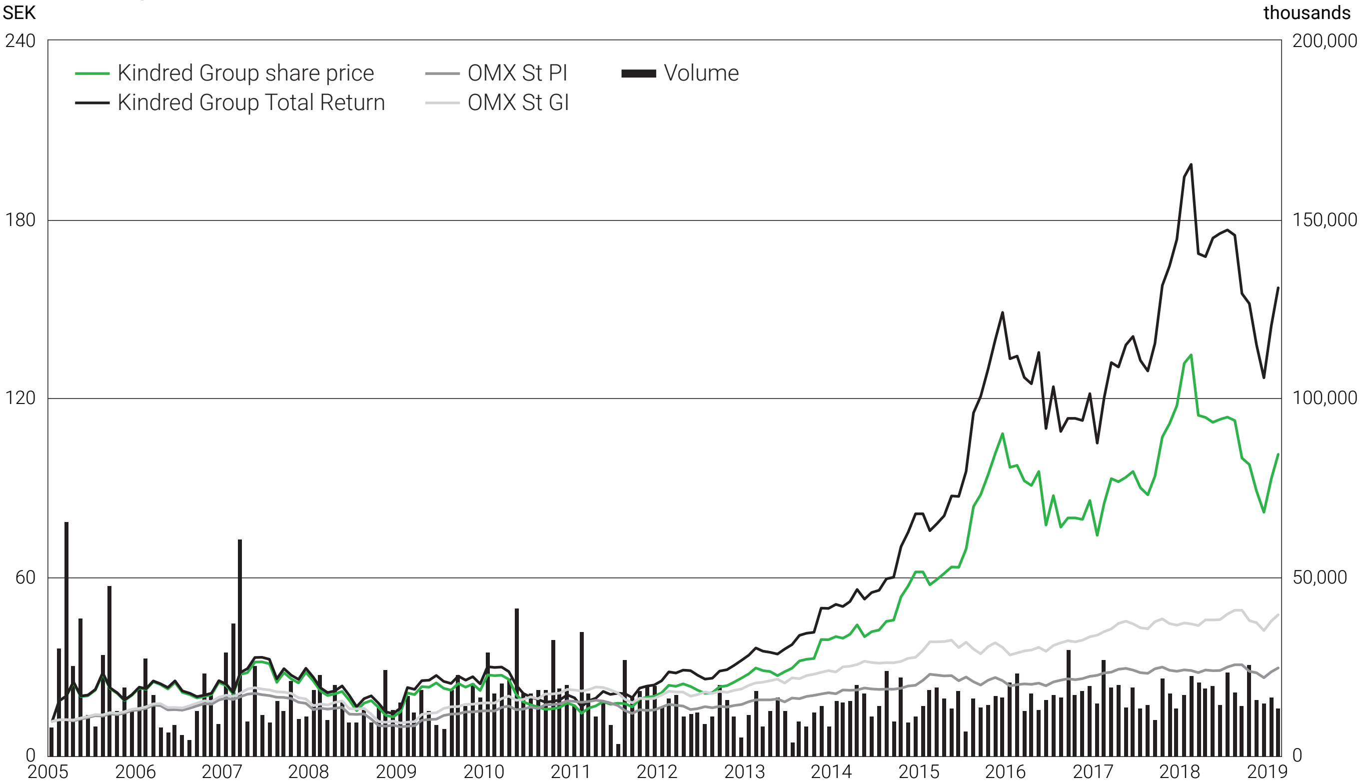
Ten-year summary[1]	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equity per share GBP	1.269	1.296	1.058	0.926	0.889	0.881	0.791	0.788	0.627	0.543
Equity per share after full dilution GBP	1.262	1.291	1.056	0.924	0.874	0.863	0.785	0.703	0.627	0.542
EBITDA per share GBP	0.893	0.792	0.527	0.337	0.513	0.283	0.235	0.215	0.195	0.187
Earnings per share GBP	0.580	0.516	0.366	0.244	0.414	0.179	0.142	0.159	0.144	0.120
Fully diluted earnings per share GBP	0.576	0.513	0.365	0.239	0.405	0.177	0.141	0.159	0.144	0.120
Unrestricted cash per share GBP	0.425	0.441	0.168	0.200	0.162	0.098	0.072	0.063	0.050	0.051
Cash flow per share GBP	0.002	0.289	-0.012	0.086	0.075	0.023	0.040	0.021	0.004	-0.054
Dividend per share GBP	0.496[2]	0.551	0.310	0.235	0.205	0.138	0.088	0.073	0.053	0.089
Return on average equity %	53	51	42	30	49	24	21	26	26	29
Equity: assets ratio %	39	41	54	53	70	68	64	68	65	58
Number of shares at year end	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	226,064,304
Fully diluted number of shares at year end	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	226,579,256
Average number of shares	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	223,643,712
Average number of fully diluted shares	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	223,913,904

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

Trading volumes

In 2018, there were 705,736 trades in Kindred Group plc's SDRs, representing a total value of SEK 5.2 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 2018, 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 2019

Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/Votes, %	Accumulated
Swedbank Robur Fonder	20,387,459	8.9%	8.9%
Första AP-fonden	19,373,664	8.4%	17.3%
Capital Group Companies	16,799,207	7.3%	24.6%
Skandia Liv & Skandia Fonder	9,619,869	4.2%	28.8%
Andra AP-fonden	9,471,851	4.1%	32.9%
SEB Investment Management	8,788,576	3.8%	36.7%
Columbia Acorn	8,001,002	3.5%	40.2%
Anders Ström through company	5,831,200	2.5%	42.7%
Nordea Fonder	3,984,046	1.7%	44.4%
Kindred Group plc1)	3,533,120	1.5%	45.9%
Lannebo Fonder	3,250,201	1.4%	47.3%
Tredje AP-fonden	1,597,741	0.7%	48.0%
Öhman Fonder	1,494,516	0.7%	48.7%
Others	117,993,748	51.3%	100.0%
Total	230,126,200	100%	

1 As a result of the share purchase programmes.

Ownership distribution at 28 February 2019

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/SDRs	Share capital/ votes %
1–10,000	21,667	12,912,279	6
10,001–100,000	343	10,401,127	4
100,001–500,000	80	19,326,460	8
500,001–1,000,000	33	24,411,194	11
1,000,001–	39	163,075,140	71
Total	22,162	230,126,200	100

Ownership structure at 28 February 2019

Source: Euroclear Sweden.

Organisation type/name	%
Swedish financial institutions	23
Other Swedish financial entities	9
Other Swedish legal entities	2
Non-Swedish owners	59
Swedish naturalised persons	7
Total	100

Share ownership data

On 28 February 2019, Kindred Group plc had 22,162 holders of SDRs.

On 28 February 2019 the Company's 12 largest owners represented 47.2 per cent of the capital and votes, as shown in the table above.

Remuneration Committee report

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

The Committee's report, which is unaudited, except where indicated, is set out below.

The Remuneration Committee

The Committee held four meetings during 2018, all of which were chaired by Stefan Lundborg and also attended by Peter Boggs. Sophia Bendz attended two meetings. The Chief Human Resources Officer (CHRO) 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 policy

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 need to be fair and reasonable in comparison with companies of a similar size, industry and international scope. The components of remuneration for executive managers comprise base salary, benefits, performance-related salary and long-term incentives.

The members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

The remuneration packages of senior managers

Senior managers receive base salaries based on position, responsibilities, performance and skills. The base salary is a fixed amount, payable monthly, which is usually reviewed annually in January.

Benefits are based on the requirements of the country where the manager is employed.

The performance-related salary is designed to support key business strategies and financial objectives and create a strong, performance-orientated environment. The performance targets are reviewed annually and are based on both quantitative and qualitative goals. The pay-out is conditional upon the Group achieving set financial targets. Thereafter, individual targets are mainly linked to financial objectives such as Gross winnings revenue and EBITDA. There is also a part which is based on delivery of specific projects and business critical processes. The 2018 performance-related salary included objectives relating to sustainability and customer experience. Achievement of targets is assessed on an annual basis. The amount of potential variable pay compared to basic salary varies depending on position and situation. All variable elements have a limit, which means that they cannot exceed a predetermined amount.

Under the standard annual cycle of bonuses for the CEO and other Executive Management, formal approval and payment of bonuses is typically completed after the publication of the results for the fourth quarter. Remuneration reported in the table over the page is the remuneration paid during 2018. Participation in long-term incentive schemes is based on position in the Group, performance and country of residence.

Equity awards are made through the Group's Performance Share Plan (PSP) which was introduced in 2013. They are granted under the terms of the PSP and are linked to the performance of the Group to further align senior management's interests with those of the shareholders. The PSP share awards outstanding at 31 December 2018 may generally only vest if the holder is employed by the Kindred Group at the date of vesting. Exceptions are made in special circumstances.

Developments in 2018

A new PSP grant was made in June 2018 to Kindred Group employees totalling 368,316 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 less marketing costs), free cash flow per share and EBITDA and will be measured on an aggregate basis between the full year 2018 and the full year 2020 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 2020.

In 2016, the Board approved a new 2020 long-term incentive plan (2020 LTIP) which gave all employees the opportunity to receive shares/SDRs in the Company at the end of 2020 subject to achievement of set financial targets. The 2020 LTIP has continued to operate in 2018 with share awards being granted quarterly to new employees. The total number of share awards outstanding at 31 December 2018 is 1,489,867.

The Remuneration Committee has reviewed all other components of Executive Management, namely base salary and performance-related salary, in line with external market benchmark data.

Vesting of 2015 Kindred Performance Share Plan (PSP)

In 2015 Kindred Group made two grants. The main grant was made in June 2015 and an additional grant was made in November 2015 in relation to an acquisition. The performance conditions were identical for both grants. In respect of the PSP grants made in 2015 all targets were achieved at greater than 100 per cent so the full value of the PSP grant vested. Details of the targets achieved were as follows:

Performance target	Target achieved
EBITDA	115%
Gross contribution	110%
Free cash flow	126%

Remuneration of the Board of Directors

All 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 Directors' retirement benefits or pension scheme, and thus no contributions are made in respect of any Director. All Directors have rolling service contracts without notice periods. The auditors are required to report on the information contained in the following two sections of this report on Directors' remuneration.

Total emoluments (audited)

All information concerning emoluments and interests of the 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 on the next page.

Remuneration Committee report continued

Directors	Fees/salary GBP 000	Other[1] GBP 000	2018 Total GBP 000	2017 Total GBP 000
Anders Ström, Chairman	256.3	–	**256.3**	268.4
Kristofer Arwin	83.3	–	**83.3**	77.0
Hélène Barnekow[3]	49.5	–	**49.5**	–
Sophia Bendz[2]	25.0	–	**25.0**	67.0
Peter Boggs	68.3	4.0	**72.3**	70.0
Nigel Cooper[2]	40.4	–	**40.4**	119.0
Gunnel Duveblad[3]	49.5	–	**49.5**	–
Peter Friis	56.3	–	**56.3**	55.0
Stefan Lundborg	75.0	10.0	**85.0**	71.0
	703.6	**14.0**	**717.6**	**727.4**
Executive Committee				
Henrik Tjärnström, CEO	1,236.5	–	**1,236.5**	1,343.9
Other Executive Management	2,525.4	–	**2,525.4**	2,328.6
Total	**4,465.5**	**14.0**	**4,479.5**	**4,399.9**

1 Other emoluments comprise additional amounts payable for consultancy.

2 Sophia Bendz and Nigel Cooper resigned from the Board of Directors at the AGM on 15 May 2018.

3 Hélène Barnekow and Gunnel Duveblad were appointed to the Board of Directors at the AGM on 15 May 2018.

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 2018 are set out below:

Directors	Ordinary shares/SDRs at 31 December 2018	Ordinary shares/SDRs at 31 December 2017
Anders Ström, Chairman	5,831,200	5,666,200
Kristofer Arwin	10,084	10,084
Hélène Barnekow	4,500	–
Peter Boggs	120,740	112,240
Gunnel Duveblad	4,000	–
Peter Friis	10,200	2,000
Stefan Lundborg	517,600	432,600
Total Directors	**6,498,324**	**6,223,124**

Executive Committee	Ordinary shares/ SDRs at 31 December 2018	Ordinary shares/ SDRs at 31 December 2017	2020 Long Term Incentive Plan Performance Rights at 31 December 2018	Performance Share Rights at 31 December 2018	2020 Long Term Incentive Plan Performance Rights at 31 December 2017	Performance Share Rights at 31 December 2017
Henrik Tjärnström, CEO	1,415,907	1,343,578	40,616	98,239	40,616	105,115
Albin de Beauregard	2,383	2,025	40,616	32,746	40,616	26,254
Britt Boeskov	15,624	8,927	40,616	32,746	40,616	35,038
Rhodri Darch	15,283	8,927	40,616	34,628	40,616	35,038
Gavin Hayward	9,352	4,459	40,616	32,746	40,616	32,110
Fredrik Kjell	–	–	30,716	15,225	1,015	8,166
Tommi Maijala	20,000	18,000	40,616	44,632	40,616	44,632
Marcus Smedman	6,302	2,491	40,616	32,746	40,616	32,110
Total Executive Committee	**1,484,851**	**1,388,407**	**315,028**	**323,708**	**285,327**	**318,463**
Total	**7,983,175**	**7,611,531**	**315,028**	**323,708**	**285,327**	**318,463**

Performance graph (unaudited)

Shown on page 47 is a performance graph that compares the Total Shareholder Return (TSR) of Kindred Group plc SDRs with the OMX Stockholm Price Index, this being the index where Kindred Group plc is listed and therefore the most appropriate comparison. TSR is defined as the return that shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time.

The closing price of the Company's SDRs at 31 December 2018 was SEK 81.60, and it ranged from SEK 79.60 to SEK 139.00 during 2018.

Stefan Lundborg
Chairman, 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 2018.

Principal activities

The Kindred Group is an online gaming business, with over 24 million registered customers worldwide as at 31 December 2018, 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 Europe's leading providers in moneytainment, operating in 20 different languages in more than 100 countries. The Kindred Group offers pre-game and live Sports betting (including horse racing betting), Poker, Casino & Games and Bingo through several subsidiaries and brands. The internet, accessed via mobile, tablet or desktop, is the main distribution channel for the Group's products.

While the Group's core markets are in Europe and Australia, it addresses global markets excluding only territories that the Group has consistently blocked for legal reasons. In 2018, Kindred decided to enter the US market and after the US Supreme Court ruled against PASPA in May, applied for an online licence in the state of New Jersey. Kindred Group is a founding member of the European Gaming and Betting Association, and member of 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 2018, Kindred reached over 40 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 13 to the consolidated financial statements.

Results and dividends

The consolidated income statement is set out on page 59 and shows the result for the year. The profit for the year was GBP 131.6 (2017: GBP 117.4) 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 (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 2018

The Board of Directors proposes a dividend of GBP 0.496 (2017: 0.551) per share/SDR, which is approximately SEK 5.92 (2017: SEK 6.48 paid out 22 May 2018) using the exchange rate 11.940 GBP/SEK at 12 February 2019.

More detail on the dividend for 2018 can be found on page 46.

Business review

A detailed Financial Review is set out on pages 30 to 32.

Details of Key Performance Indicators are set out on pages 18 and 19. For further information on risk management, refer to pages 26 to 29 and Notes 2C and 2D on pages 68 and 69.

Significant events during 2018

In January 2018, the Group received the results of an audit conducted by sports betting integrity audit company Ethisport. The audit gave Kindred a global rating of 70 per cent, classified as a 'very good' result, and also provided suggestions for further improvement. Moreover, as founding partner of ESSA, Kindred are proud to be working alongside the IOC in preventing match-fixing during the 2018 Winter Olympics. This is further evidence of the Group's commitment to tackling this issue in cooperation with all relevant stakeholders.

On 13 March 2018, MSCI again rated Kindred Group with its highest ESG rating "AAA".

On 22 March 2018, Kindred Group received a positive ruling in the Belgian Constitutional Court cancelling the imposed VAT on online gambling. Kindred remains committed to a sustainable regulation and sees the ruling as positive for consumer protection.

On 28 March 2018, Kindred Group joined forces with the All-in Diversity Project as part of the Group's sustainability work and ambition to transform gambling. The project is an industry-driven initiative to benchmark diversity, equality and inclusion for the betting and gaming sector.

In April 2018, Kindred Group signed a Memorandum of Understanding with FIFA. Under this agreement, Kindred Group will notify FIFA of any suspicious betting on matches it organises. For Kindred Group, this is a testament of our focus on co-operation between all relevant stakeholders in order to mitigate the risk on betting related match-fixing, and of our "See Something, Say Something" policy.

On 28 June 2018, Kindred Group signed an agreement with Svensk Elitfotboll to become the new main sponsor of Swedish Allsvenskan and Superettan, via the Unibet brand. The partnership, with a total duration of 12 years, will begin on 1 January 2020 and is worth SEK 1.8 billion.

On 17 August 2018, Kindred Group entered into an agreement with Hard Rock Hotel & Casino Atlantic City in New Jersey. This agreement spans 5 years with a possible extension of 5 years and is an important first steps for Kindred to offer online Sports betting and gaming in the US.

On 16 October 2018, Kindred Group organised the third annual Sustainable Gambling Day in Stockholm with 230 delegates listening to leading academics, researchers, gambling operators, psychologists, regulators and treatment agencies discussing how we can work together to secure a sustainable gambling industry.

On 12 December 2018, Kindred Group applied for a licence in Spain.

Significant events after the year end

On 1 January 2019, Kindred Group successfully went live under the 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, giving Kindred the ability to offer online and offline sports betting and online gaming in Pennsylvania.

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

Directors' report continued

Future developments

Although conscious of the potential impact of the macroeconomic situation in the Group's core markets, the Directors are confident in the Group's trading and financial prospects for the forthcoming financial year.

Directors and their interests

The following Directors elected at the AGM on 15 May 2018 served during the year and subsequently, unless otherwise stated:

Anders Ström	Chairman
Kristofer Arwin	Non-executive
Hélène Barnekow	Non-executive
Peter Boggs	Non-executive
Gunnel Duveblad	Non-executive
Peter Friis	Non-executive
Stefan Lundborg	Non-executive

The interests of the Directors are shown on pages 34 and 35.

Research and development

The Group capitalises significant costs in relation to the development of its core IT platform amongst many other projects. During the year the Group capitalised GBP 20.9 (2017: GBP 18.1) million of development expenditure, and expensed research costs of GBP 26.5 (2017: GBP 25.3) 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 Organisation'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 25.

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 2018 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 LLP 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, 8 March 2019

Anders Ström
Chairman and Director

Kristofer Arwin
Director

Independent auditors' report
To the Shareholders of Kindred Group plc

Report on the audit of the consolidated financial statements

Our opinion

In our opinion:

> Kindred Group plc's consolidated financial statements (the "financial statements") of the company and its subsidiaries (the "Group") give a true and fair view of the Group's financial position as at 31 December 2018, 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 EU; and

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

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

What we have audited

Kindred Group plc's financial statements, set out on pages 59 to 87, comprise:

- the Consolidated balance sheet as at 31 December 2018;
- the Consolidated income statement and the 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 significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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 opinion.

Independence

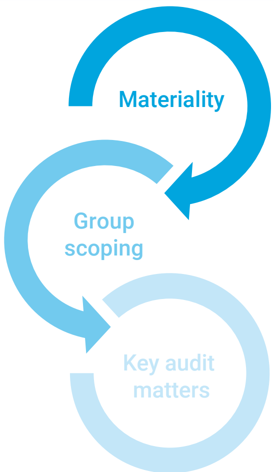
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of 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).

The non-audit services that we have provided to the Group, in the year from 1 January 2018 to 31 December 2018 are disclosed in note 4 to the financial statements.

Our audit approach

Overview



- Overall group materiality: GBP 7.5 million, which represents 5% of profit before tax (excluding certain items affecting comparability).

- 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 87% of Gross winnings revenue and 88% of Profit before tax.

- Impairment assessments for goodwill;
- Consideration of liabilities arising from non-compliance with laws and regulations; and
- Recognition and disclosure of tax charges and provisions.

Independent auditors' report
To the Shareholders of Kindred Group plc continued

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 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 7.5 million for 2018 (GBP 5.6 million for 2017).
How we determined it	5% of profit before tax excluding certain items affecting comparability.
Rationale for the materiality benchmark applied	We chose 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. Certain items affecting comparability have been excluded where we consider these to be non-recurring and not reflective of the Group's underlying performance. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

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

How we tailored our 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.

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, help us to determine the scope of our audit and the nature, timing, location and extent of our audit procedures.

On the basis of these considerations and together with our knowledge of the Group's business, the Group auditors, PwC UK and PwC Malta, engaged a number of component audit teams who have performed procedures as per the instructions from PwC UK and PwC Malta.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments for goodwill This key audit matter specifically relates to the goodwill associated with the acquisitions of Betchoice and 32Red. Betchoice now trades as Unibet Australia and was acquired in 2012. 32Red was acquired in 2017. Refer to page 41 (Audit Committee Report), note 2A (Summary of significant accounting policies), note 11 (Intangible assets). 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 282.7 million including amounts relating to the acquisitions of Betchoice (GBP 6.4 million) and 32Red (GBP 100.8 million). When performing the annual impairment review of goodwill as at 31 December 2018, management determined that the goodwill on Betchoice and 32Red was fully recoverable. In performing our audit, we have focused on this area as the preparation of these assessments involves a significant degree of judgment. We have formed our independent view of the recoverable amount of each of Betchoice and 32Red, based on our assessment of the assumptions used in management's cash flow forecasts and the fair value of the business.	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 then supplemented by specific procedures in relation to the various assumptions used. We assessed and concur with management's determination of the cash generating units (CGUs) for this year. We obtained the annual impairment assessments performed by management in respect of goodwill and compared the carrying value of each CGU (as defined in note 11) as at 31 December 2018 with the recoverable amount, which was determined by management through calculation of the value in use. We agreed the cash flow forecasts therein to the latest Board approved budgets. We evaluated the assumptions in the forecasts and considered the evidence in support of them, principally in relation to historical trends and actual performance in 2018. This included considering trends in gross revenue growth rates and EBITDA margin as well as the reasonableness of growth rates and costs in light of the market environment. 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. We also considered the risk adjusted discount rates used in the goodwill impairment assessments by comparing them with those of competitors. We found these to be within the reasonable range of our expectations. We performed sensitivity analysis on the level of cash flows, the risk adjusted discount rates and growth rates used in the impairment assessments. For both Betchoice and 32Red, if the forecast growth rate in revenue is not achieved or becomes unrealistic in future years and is not compensated by savings in planned marketing and operating costs, then an impairment charge may arise. Management has included additional sensitivity disclosure 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. Refer to note 11 (Intangible assets).

Independent auditors' report To the Shareholders of Kindred Group plc continued

Key audit matter	How our audit addressed the key audit matter
Consideration of liabilities arising from non-compliance with laws and regulations Refer to page 41 (Audit Committee Report), pages 43 to 45 (Legal Section) 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 cannot continue in certain territories.	We assessed how management monitor 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 also read, where relevant, external legal and regulatory advice sought by the Group. Further, we inquired of management and the Group's 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 judgmental 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.
Recognition and disclosure of tax charges and provisions Refer to page 41 (Audit Committee Report) and note 2B (Critical accounting estimates and assumptions). The Group operates across borders and is subject to different tax authorities and regulations. We focussed on this matter as the taxation environment (including corporation taxes and indirect taxes) is complex and can change quickly and could result in material exposure to liabilities.	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 considerable input from our tax experts across the various key jurisdictions in which the Group operates, including UK and Malta, we assessed the key judgments 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 that the overall position adopted in the financial statements and the related disclosures in respect of tax was reasonable.

Other information

The Directors are responsible for the other information. The other information comprises the Strategic report section on pages 1 to 32, the Governance section on pages 33 to 52 as well as Other Information relating to the Annual General Meeting and Definitions (but does not include the financial statements and our auditor's 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.

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 and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

The directors are responsible for the preparation of 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, 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.

Independent auditors' report To the Shareholders of Kindred Group plc continued

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 auditor's 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

We also have 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

This report, including the opinions, has been prepared for and only for the Group's members as a body in accordance with Section 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, 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 2018.

Appointment

We were first appointed as auditors of the Group on 5 October 2005 by the Directors of the Group. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 14 years.

Simon Flynn
Partner
8 March 2019

For and on behalf of PricewaterhouseCoopers
78 Mill Street
Qormi QRM3101
Malta

John Waters
Partner
8 March 2019

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH
United Kingdom

Consolidated income statement

(GBP m)	Note	Year ended 31 December 2018	Year ended 31 December 2017
Gross winnings revenue	3	**907.6**	**751.4**
Betting duties	3	-158.7	-113.6
Marketing revenue share	3	-50.0	-41.3
Other cost of sales	3	-146.7	-125.2
Cost of sales		**-355.4**	**-280.1**
Gross profit		**552.2**	**471.3**
Marketing costs	4	-189.0	-145.3
Administrative expenses	4	-189.1	-161.5
Underlying profit before items affecting comparability		**174.1**	**164.5**
M&A costs	4	–	-3.2
Management incentive costs relating to acquisitions	4	-0.9	-1.5
Accelerated amortisation of acquired intangible assets	4	-4.7	-9.2
Amortisation of acquired intangible assets	4	-11.3	-11.4
Foreign currency losses on operating items	4	-1.2	-1.5
Profit from operations	3	**156.0**	**137.7**
Finance costs	6	-4.6	-3.5
Finance income	7	0.4	0.3
Foreign currency loss on loan	2A	-2.0	-3.0
Share of (loss)/profit from associate	13	-0.3	0.5
Profit before tax		**149.5**	**132.0**
Income tax expense	8	-17.9	-14.6
Profit for the year		**131.6**	**117.4**
Earnings per share, GBP	10	0.580	0.516
Fully diluted earnings per share, GBP	10	0.576	0.513

More detailed definitions can be found on the inside back cover. The notes on pages 63 to 87 are an integral part of these financial statements.

Consolidated statement of comprehensive income

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Profit for the year	131.6	117.4
Other comprehensive income		
Currency translation adjustments taken to equity	-2.0	3.9
Total comprehensive income for the year	**129.6**	**121.3**

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 2018	As at 31 December 2017
Assets			
Non-current assets			
Goodwill	11	282.7	279.1
Other intangible assets	11	151.8	162.8
Investment in associate	13	1.9	2.1
Property, plant and equipment	12	37.4	24.7
Deferred tax assets	19	15.8	13.4
Convertible bond	23	6.8	6.8
Other non-current assets	2A	3.2	1.6
		499.6	**490.5**
Current assets			
Trade and other receivables	15	52.9	38.5
Taxation recoverable		43.0	37.9
Cash and cash equivalents	28	160.3	159.1
		256.2	**235.5**
Total assets		**755.8**	**726.0**
Equity and liabilities			
Capital and reserves			
Share capital	21	0.1	0.1
Share premium	21	81.5	81.5
Currency translation reserve	21	16.6	18.6
Reorganisation reserve	21	-42.9	-42.9
Retained earnings		236.7	240.9
Total equity attributable to the owners		**292.0**	**298.2**
Non-current liabilities			
Borrowings	18	149.3	133.0
Deferred tax liabilities	19	4.3	5.7
		153.6	**138.7**
Current liabilities			
Borrowings	18	45.0	62.6
Trade and other payables	16	131.0	110.2
Customer balances	17	62.3	57.5
Deferred income	14	5.4	4.4
Tax liabilities		66.5	54.4
		310.2	**289.1**
Total liabilities		**463.8**	**427.8**
Total equity and liabilities		**755.8**	**726.0**

The official closing middle rate of exchange applicable between the presentation currency and the euro issued by the European Central Bank as at 31 December 2018 was 1.118 (2017: 1.127).

The notes on pages 63 to 87 are an integral part of these financial statements.

The financial statements on pages 59 to 87 were authorised for issue by the Board of Directors on 8 March 2019 and were signed on its behalf by:

Anders Ström
Chairman and Director

Kristofer Arwin
Director

Consolidated statement of changes in equity

(GBP m)	Note	Share capital	Share premium	Currency translation reserve	Reorganisation reserve	Retained earnings	Total
Balance as at 1 January 2017		0.1	81.5	14.7	-42.9	190.1	243.5
Comprehensive income							
Profit for the year		–	–	–	–	117.4	117.4
Other comprehensive income							
Translation adjustment		–	–	3.9	–	–	3.9
Total comprehensive income		**–**	**–**	**3.9**	**–**	**117.4**	**121.3**
Transactions with owners							
Share awards – value of employee services	20	–	–	–	–	0.6	0.6
Equity settled employee benefit plan	20	–	–	–	–	1.9	1.9
Deferred tax credit relating to share award schemes		–	–	–	–	0.5	0.5
Disposal of treasury shares	21	–	–	–	–	1.0	1.0
Dividend paid	9	–	–	–	–	-70.6	-70.6
Total transactions with owners		**–**	**–**	**–**	**–**	**-66.6**	**-66.6**
At 31 December 2017		**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	20	–	–	–	–	0.7	0.7
Equity settled employee benefit plan	20	–	–	–	–	1.9	1.9
Treasury share purchase	21	–	–	–	–	-14.6	-14.6
Disposal of treasury shares	21	–	–	–	–	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**

The notes on pages 63 to 87 are an integral part of these financial statements.

Consolidated cash flow statement

(GBP m)	Note	Year ended 31 December 2018	Year ended 31 December 2017
Operating activities			
Profit from operations		156.0	137.7
Adjustments for:			
Depreciation of property, plant and equipment	12	13.0	7.2
Amortisation of intangible assets	11	33.8	31.1
Impairment losses recognised in the year	11	–	4.3
Loss on disposal of property, plant and equipment	4	0.5	0.1
Loss on disposal of intangible assets	4	0.3	0.2
Foreign currency gain on dividend		0.3	–
Share-based payments	20	2.2	1.6
Equity settled employee benefit plan	20	2.2	1.9
Increase in trade and other receivables		-15.8	-4.2
Increase in trade and other payables, including customer balances		21.4	39.1
Cash flows from operating activities		**213.9**	**219.0**
Net income taxes paid		-15.0	-15.9
Net cash generated from operating activities		**198.9**	**203.1**
Investing activities			
Acquisition of subsidiary, net of cash acquired		–	-155.6
Interest received		0.2	0.2
Interest paid		-3.7	-3.8
Purchases of other non-current assets		-1.8	-6.6
Purchases of property, plant and equipment	12	-26.0	-18.3
Development and acquisition costs of intangible assets	11	-23.5	-20.4
Net cash used in investing activities		**-54.8**	**-204.5**
Financing activities			
Dividend paid	9	-125.6	-70.6
Treasury share purchase	21	-14.6	–
Proceeds from borrowings	18	112.0	233.7
Repayment of borrowings	18	-115.5	-95.3
Net cash (used in)/generated from financing activities		**-143.7**	**67.8**
Net increase in cash and cash equivalents		**0.4**	**66.4**
Cash and cash equivalents at the beginning of the year		**159.1**	**89.4**
Effect of foreign exchange rate changes		0.8	3.3
Cash and cash equivalents at the end of the year	28	**160.3**	**159.1**

The notes on pages 63 to 87 are an integral part of these financial statements.

Notes to the consolidated financial statements

1: 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.

The Group is in a net current liability position as at 31 December 2018, predominantly due to the impact of its short-term borrowings. 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 these borrowings. The Group also has access to an unused revolving credit facility of GBP 44.9 million. The Directors have reviewed the financial position of the Group, together with its forecasted 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 twelve 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 2018 and adopted by the Group
The Group has applied the following standards for the first time for the financial year commencing 1 January 2018:

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the Group's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The adoption of IFRS 9 by the Group has not resulted in any material changes in relation to the classification, measurement and recognition of financial assets and financial liabilities other than additional disclosure in Note 14 on page 79.

IFRS 15 "Revenue from contracts with customers", replaces IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the previous notion of risks and rewards.

The Group has assessed the impact of IFRS 15 on its financial statements, which is limited to Poker Gross winnings revenue as all other Gross winnings revenue is measured under IAS 39. From this assessment, the Group has concluded there were no significant changes to the method by which Poker Gross winnings revenue was previously recognised under IAS 18.

The following amendments have also been applied for the first time for the financial year commencing 1 January 2018:

- Amendments to IFRS 2, "Share based payments", on clarifying how to account for certain types of share-based payment transactions.
- Annual improvements to IFRS Standards 2014-2016 Cycle.
- IFRIC 22, "Foreign currency transactions and advance consideration".

As these amendments merely clarify the existing requirements, they do not affect the Group's 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 2018 and not early adopted
The following standard has been issued but is not yet effective, and has not been early adopted:

IFRS 16, "Leases", sets out the principles for the recognition, measurement, preparation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). It will result in leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. It intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of GBP 83.8 million as detailed in Note 25 on page 85. Of these commitments, approximately GBP 0.4 million relate to short-term leases and a negligible amount to low-value leases which will both be recognised on a straight-line basis as an expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) of respectively and approximately GBP 75.8 million and GBP 75.2 million on 1 January 2019. Net current assets will be approximately GBP 10.8 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit before tax will decrease by approximately GBP 1.1 million for 2019 as a result of adopting the new rules. EBITDA, as reconciled in Note 29 on page 87 which comprises operating lease rentals, is expected to increase by approximately GBP 10.3 million. Depreciation of property, plant and equipment and finance costs are expected to increase by approximately GBP 10.2 million and GBP 1.2 million respectively.

Notes to the consolidated financial statements continued

1: Basis of preparation continued

Cash flows from operating activities are expected to increase by approximately GBP 11.3 million. Net cash used in investing activities and net cash (used in)/generated from financing activities are expected to decrease by approximately GBP 1.2 million and GBP 10.1 million respectively.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted continued
The following amendments have been issued but are not yet effective, and have not been early adopted:

- Annual improvements 2015–2017
- Amendments to IAS 19, "Employee benefits" on plan amendment, curtailment or settlement
- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of material
- IFRIC 23, "Uncertainty over income tax treatments"
- Amendments to IAS 28 "Investments in associates and joint ventures", on long term interests in associates and joint ventures

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.

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 enterprises 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 intercompany 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 66 and they are discussed further on page 78.

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, to the extent they are material, merger and acquisition transaction costs, management incentive costs relating to acquisitions, amortisation of acquired 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. Where it is not probable that open sports bets at the end of the financial period will be settled, the associated Gross winnings revenue is deferred and presented at fair value as deferred income on the balance sheet.

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
The Group's leases are currently all operating leases (leases in which a significant portion of the risks and rewards of ownership are retained by the lessor). Rentals payable under operating leases are 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 net profit or loss 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.

Retirement benefit costs and pensions
The Group does not operate any defined benefit pension schemes for employees or 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 probable 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 probable that sufficient taxable profit 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 profit or loss.

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

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, the ability and the internal resource to use the asset;
(iii) It is probable that the asset created will generate future economic benefits;
(iv) 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.

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

Other intangible assets continued
Intangible assets identified as a result of a business combination are dealt with at fair value in line with IAS 38, and are brought on to 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.

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, 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 loss. 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. If such a financial asset is acquired principally for the purpose of selling in the short term they are classified as current assets. If a financial asset is acquired with expected future cash flows or benefits over periods greater than 12 months they are classified as non-current assets.

(b) Financial assets at amortised cost
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise trade and other receivables, cash equivalents, and loan instruments of convertible loans in the balance sheet.

Those loans and receivables with maturities greater than 12 months after the balance sheet date are classified as other non-current assets. These predominantly comprise gaming and rental deposits.

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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. 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. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date 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 provision for impairment that is 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. Other receivables also include financial assets at fair value through profit or loss. 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 provision is the difference between the assets' carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate.

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 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, other payables and customer balances

Trade and other payables and customer balances are recognised initially at fair value 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 recognised at fair value with gains or losses recognised in the income statement.

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.

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.

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.

With 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 profit or loss for the period.

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

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.

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 66. 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 43 to 45. In such circumstances, the potential outcome can be often be unknown. The Group therefore routinely makes estimates of the financial impact using management's experience and current knowledge of the situation.

Valuation of intangible assets on acquisition

The Group exercises judgement in determining the fair value of acquired intangibles on business combinations. Such assets include brands, customer databases, domains and capitalised development expenditure. The judgements made are based on recognised valuation techniques such as the "relief from royalty" method for brands, recognised industry comparative data and the Group's industry experience and specialist knowledge. See Note 11 for additional information.

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.

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 of 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 2018 the rate of exchange of the euro strengthened against GBP by 0.8 per cent (from a rate of EUR 1.127 per GBP to a rate of EUR 1.118 per GBP). The rate of exchange of the Swedish krona weakened by 3.3 per cent (from a rate of SEK 11.095 per GBP to a rate of SEK 11.464 per GBP). These movements in some of the Group's principal trading currencies contributed to the overall foreign exchange loss on operations as shown in Note 4 on page 72.

Additional foreign exchange disclosures are contained in Note 17 on page 79.

As elements of the Group's borrowings at the end of the financial year are denominated in EUR and SEK (see Note 18 on page 80), there is a currency translation exposure related to that financial liability. Based on the exchange rate between these currencies and GBP at 31 December 2018, 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 1.4 million. Until such time as the loan becomes repayable such translation gains and losses are unrealised. On repayment these gains and losses are recognised in the income statement. 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.

At the year end, the Group does have access to multicurrency revolving facilities of EUR 102 million and GBP 68 million with a leading international bank 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 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 70.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding for the business. As at 31 December 2018, the current liabilities of the Group exceeded the current assets by GBP 54.0 (2017: GBP 53.6) 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 2018, the unused revolving loan facility available to be drawn on was GBP 44.9 (2017: GBP 59.7) million (see Note 18 on page 80). The Group also monitored adherence to debt covenants that related to the facilities detailed on page 80 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 390.4 (2017: GBP 364.5) million, GBP 241.1 (2017: GBP 231.5) million mature in less than one year and GBP 149.3 (2017: GBP 133.0) 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 14 and 16 for further information on the Group's financial liabilities.

	As at December 2018			As at December 2017		
(GBP m)	**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	5.4	–	–	4.4	–	–
Trade and other payables[1]	128.4	–	–	107.0	–	–
Customer balances	62.3	–	–	57.5	–	–
Borrowings	45.0	103.0	46.3	62.6	133.0	–
Total	**241.1**	**103.0**	**46.3**	**231.5**	**133.0**	**–**

1 Excluding non-financial liabilities.

2D: Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure both to reduce the cost of capital and to provide appropriate funding for expansion of the business.

The Group's capital structure consists of cash and cash equivalents, borrowings and total equity attributable to the owners.

The Group manages its capital on an ongoing basis by monitoring key ratios such as net debt/EBITDA and equity:assets ratio (see page 46). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group has a consistent record of positive operating cash flows as well as significant ability to manage the timing and extent of discretionary expenditure in the business.

Notes to the consolidated financial statements continued

2E: Fair value estimation

The carrying value less impairment provision 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 14 on page 79.

2F: Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Since the Group does not have significant trade receivables other than payment solution providers, the credit risk associated with its normal operations is principally in relation to fraudulent transactions as described in Note 2C on page 69.

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 2018 and 2017, based on publicly reported Fitch ratings, are as follows:

(GBP m)	As at 31 December 2018	As at 31 December 2017
AA-	44.3	48.4
A+	33.2	23.5
A	–	10.2
A-	–	0.6
BBB	14.5	15.6
BBB-	2.3	1.9
BB+	–	1.9
Not rated	65.5	56.9
Other	0.5	0.1
Total cash and cash equivalents	**160.3**	**159.1**

The Group continually monitors its credit risk with banking partners and did not incur any losses during 2018 as a result of bank failures.

"Not rated" 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.

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 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**

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2017 is as follows:

31 December 2017 ***(GBP m)***	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**
Gross winnings revenue	297.0	385.0	51.1	18.3	**751.4**
Betting duties*	-8.1	-96.1	-5.3	-4.1	**-113.6**
Marketing revenue share*	-17.3	-16.6	-4.7	-2.7	**-41.3**
Other cost of sales*	-59.0	-52.6	-11.2	-2.4	**-125.2**
Gross profit	**212.6**	**219.7**	**29.9**	**9.1**	**471.3**
Marketing costs					**-145.3**
Administrative expenses					**-161.5**
Items affecting comparability					**-26.8**
Profit from operations					**137.7**

*Betting duties, marketing revenue share and other cost of sales totals for both 2017 and 2018 have been reallocated between regions to better represent the origin of the transactions.

Product revenues

Gross winnings revenue by principal product groups:

(GBP m)	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Sports betting	435.6	346.5
Casino & Games	431.8	367.3
Poker	17.9	15.2
Other	22.3	22.4
	907.6	**751.4**

Notes to the consolidated financial statements continued

4: Expenses by nature

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Betting duties	158.7	113.6
Marketing revenue share	50.0	41.3
Other cost of sales	146.7	125.2
Marketing costs	189.0	145.3
Administrative expenses		
Fees payable to statutory auditors	0.8	0.8
Operating lease rentals	9.3	8.9
Depreciation of property, plant and equipment	13.0	7.2
Amortisation of intangible assets	17.8	14.8
Loss on disposal of property, plant and equipment	0.5	0.1
Loss on disposal of intangible assets	0.3	0.2
Employee costs	83.4	74.3
Research and development expenditure	26.5	25.3
Other	37.5	29.9
Total administrative expenses	**189.1**	**161.5**
Items affecting comparability		
M&A costs	–	3.2
Management incentive costs relating to acquisitions	0.9	1.5
Accelerated amortisation of acquired intangible assets	4.7	9.2
Amortisation of acquired intangible assets	11.3	11.4
Foreign currency losses on operating items	1.2	1.5
Total items affecting comparability	**18.1**	**26.8**

As explained within the accounting policy note on page 64, 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 2018, items affecting year-on-year comparison included:

> Management incentive costs of GBP 0.9 (2017: GBP 1.5) million in relation to the Group's acquisitions.
> As a result of the rationalisation of its brands and the migration of acquired brands to the Group's platform, the Group has taken a non-cash amortisation charge of GBP 4.7 (2017: GBP 9.2) million. For more information, please refer to Note 11.
> 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 75.

In addition to items seen in the current year, in 2017 items affecting year-on-year comparison included:

> Merger and acquisition costs associated with the acquisition of 32Red amounting to GBP 3.2 million.

Fees payable to the statutory auditors, PricewaterhouseCoopers, can be broken down as follows:

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Annual statutory audit	0.7	0.7
Other assurance services	0.1	0.1
	0.8	**0.8**

The annual statutory audit fee in 2018 includes fees for the local statutory audits of some of the Group's subsidiaries.

Other assurance services relate to sustainability reporting and permissible tax compliance work.

5: Employee costs

Employee costs can be broken down as follows:

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Wages and salaries	66.4	58.6
Share award charge – value of employee services (see Note 20)	2.2	1.6
Equity settled employee benefit plan (see Note 20)	2.2	1.9
Social security costs	8.9	9.4
Pension costs	3.7	2.8
	83.4	**74.3**

The remuneration of the Directors and Executive Committee is disclosed on page 50.

Average employee numbers are provided as below:

Average number of employees for the year	Year ended 31 December 2018	Year ended 31 December 2017
Finance, administration and management	387	322
Marketing (including trading)	478	475
Customer services	244	249
Research and development	302	271
	1,411	**1,317**

6: Finance costs

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Interest and fees payable on bank borrowings	4.6	3.5
	4.6	**3.5**

Foreign currency gains or losses on operating items are included within items affecting comparability.

7: Finance income

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Interest receivable on convertible bond and bank deposits	0.4	0.3
	0.4	**0.3**

8: Income tax expense

(GBP m)	Note	Year ended 31 December 2018	Year ended 31 December 2017
Current tax:			
Income tax expense		22.1	19.2
Deferred tax:			
Deferred tax credit	19	-4.2	-4.6
Total tax expense		**17.9**	**14.6**

Income tax in Malta is calculated at a basic rate of 35 (2017: 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 2018	Year ended 31 December 2017
Profit before tax	149.5	132.0
Taxation at the basic income tax rate of 35% (2017: 35%)	52.3	46.2
Effects of:		
Tax recoverable[1]	-45.6	-38.4
Overseas tax rates	-8.2	-6.5
Items of income/expenditure not taxable/deductible	9.4	3.9
Other	10.0	9.4
Tax expense	**17.9**	**14.6**

1 The tax recoverable of GBP 45,645,000 (2017: GBP 38,365,000) 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.

Notes to the consolidated financial statements continued

8: Income tax expense continued

The income tax expensed/(credited) directly to equity during the year is as follows:

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Current tax credit in relation to:		
Share-based payments	-0.1	-0.1
Deferred tax charge/(credit) in relation to:		
Share-based payments	0.2	-0.3
Total income tax recognised directly in equity	**0.1**	**-0.4**

9: Dividend

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Dividend paid GBP 0.551 per share (2017: GBP 0.310 per share)	**125.6**	70.6

The Board of Directors is proposing a final dividend in respect of the financial year ended 31 December 2018 of GBP 0.496 per ordinary share/SDR, which will absorb an estimated GBP 112.5 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 14 May 2019, the first instalment will be paid on 21 May 2019 to shareholders who are on the Euroclear Sweden register on 16 May 2019. The second instalment will be paid on 21 November 2019 to shareholders who are on the Euroclear Sweden register on 18 November 2019.

The Board has reviewed the projected cash requirements for 2019 and is proposing a dividend of 75 per cent of the Group's free cash flow for 2018. This is in line with the dividend policy to distribute surplus cash.

10: Earnings per share

The calculation of the basic and fully diluted earnings per share is based on the following data:

(GBP m)	Year ended 31 December 2018	Year ended 31 December 2017
Earnings		
Earnings for the purposes of basic earnings per share	**131.6**	117.4
Earnings for the purposes of fully diluted earnings per share	**131.6**	117.4
Number of shares		
Weighted average number of outstanding shares for the purposes of basic earnings per share	**227,043,853**	227,652,726
Effect of dilutive potential ordinary shares – share awards	**1,304,455**	1,059,833
Weighted average number of outstanding shares for the purposes of fully diluted earnings per share	**228,348,308**	228,712,559
Earnings per share GBP		
Earnings per share	**0.580**	0.516
Fully diluted earnings per share	**0.576**	0.513

The nominal value per share is GBP 0.000625.

11: Intangible assets

(GBP m)	Note	Goodwill	Other intangible assets: Development costs	Computer software	Customer databases	Brands and other	Total
Cost							
At 1 January 2017		184.9	85.9	12.9	28.7	60.9	**188.4**
Additions		–	18.1	2.3	–	–	**20.4**
Additions – through business combinations	22	96.9	–	0.3	15.3	62.9	**78.5**
Disposals		–	-0.5	–	–	–	**-0.5**
Currency translation adjustment		1.6	–	0.1	0.4	1.3	**1.8**
At 31 December 2017		**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**
Accumulated amortisation							
At 1 January 2017		–	64.3	7.4	19.1	3.7	**94.5**
Charge for the year		–	15.3	3.0	8.1	4.7	**31.1**
Impairment losses recognised in the year		4.3	–	–	–	–	–
Disposals		–	-0.3	–	–	–	**-0.3**
Currency translation adjustment		–	0.1	–	0.3	0.1	**0.5**
At 31 December 2017		**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**
Net book value							
At 31 December 2018		**282.7**	**29.8**	**2.8**	**7.6**	**111.6**	**151.8**
At 31 December 2017		279.1	24.1	5.2	16.9	116.6	162.8

Goodwill balances related 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 65.

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 65.

Customer databases recognised as a result of previous acquisitions are amortised over three years.

Notes to the consolidated financial statements continued

11: Intangible assets continued

Impairment review

Goodwill

Goodwill is allocated by management to cash-generating units for the purpose of impairment testing. 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 arose. The units to which goodwill is monitored are reviewed for appropriateness each year and are outlined below:

CGU	*(GBP m)*	Description
Group operations	169.8	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 originally purchased businesses are no longer separately identifiable.
Solfive	5.7	The acquisition of Solfive (acquired 12 December 2011) has continued to operate on a substantially separate basis in 2018 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at 31 December 2018.
Betchoice	6.4	The acquisition of Betchoice (acquired 29 February 2012) has continued to operate on a substantially separate basis in 2018 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at 31 December 2018.
32Red	100.8	The acquisition of 32Red (acquired 9 June 2017) has continued to operate on a separate platform in 2018. It is therefore considered to be a separate cash-generating unit at 31 December 2018.
Total	**282.7**	

The total goodwill of GBP 282.7 million as at 31 December 2018 was tested for impairment on a value-in-use basis, based on the 2019 budget approved by the Board and extrapolated pre-tax projections over four years allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry comparatives.

Based on the Group's impairment review, no indication of impairment has been identified on the separate cash-generating units. In carrying out its assessment of the goodwill, the Board believes there are no cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment, except for Betchoice and 32Red. In relation to these two acquisitions, if the forecast growth rate in Gross winnings revenue is not achieved in future years and is not compensated by savings in planned marketing and operating costs, then an impairment charge may arise. A decrease in EBITDA of 90 per cent in the first five years would lead to the recoverable amount of the Betchoice cash-generating unit equalling its carrying amount. A decrease in EBITDA of 36 per cent in the first five years would lead to the recoverable amount of the 32Red cash-generating unit equalling its carrying amount.

The recoverable amount of all cash-generating units exceeds the total carrying amount by 6 to 8 times.

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 2018				At 31 December 2017			
	Group operations	Solfive	Betchoice	32Red	Group operations	Solfive	Betchoice	32Red
EBITDA margin/per cent	21.9 – 23.8	12.7 – 13.8	0.0 – 18.7	2.9 – 20.5	24.0 – 26.8	9.7 – 19.3	0.0 – 13.5	20.0 – 22.6
Risk adjusted discount rate/per cent	10.0	10.0	13.0	10.0	10.0	10.0	13.0	10.0
Long-term growth rate/per cent	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Brands and other intangible assets

Other intangible assets that have indefinite useful lives and are subject to annual impairment reviews include significant brands acquired through business combinations and key trading domains either acquired through business combinations or separately purchased.

As with goodwill, the brands and other intangible assets with indefinite useful lives are allocated by management to cash-generating units for the purpose of impairment testing. The cash-generating units to which other intangibles are monitored are reviewed for appropriateness each year and are outlined below:

Intangible asset	CGU	*(GBP m)*	Description
Maria brand, Bingo.com domain, certain iGame brands and iGame domains	Group operations	47.6	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.
32Red and Roxy Palace brands	32Red	62.7	The 32Red and Roxy Palace brands are part of the 32Red acquisition and have therefore been allocated to the 32Red cash-generating unit.
Total		**110.3**	

The total other intangible assets of GBP 110.3 million as at 31 December 2018 were tested for impairment on a value-in-use basis, based on the 2019 budget approved by the Board and extrapolated pre-tax projections over four years allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry comparatives.

In 2017 management took the decision to discontinue the Stan James brand and 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 at 31 December 2017 and was amortised over the eighteen-month period to 31 December 2018. GBP 4.2 million of amortisation has been recognised in 2018 within accelerated amortisation of intangible assets in the consolidated income statement.

Based on management's review, there is no indication of impairment on any of the separate cash-generating units. In carrying out their assessment of the brands and intangible assets, the Board believe there are no cash-generating units, other than Betchoice and 32Red, where reasonably possible changes to their assumptions exist that would give rise to impairment.

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 2018		At 31 December 2017	
	Maria brand, Bingo.com domain, certain iGame brands and iGame domains	32Red and Roxy Palace brands	Maria brand, Bingo.com domain, certain iGame brands and iGame domains	32Red and Roxy Palace brands
EBITDA margin/per cent	21.9 – 23.8	2.9 – 20.5	24.0 – 26.8	20.0 – 22.6
Risk adjusted discount rate/per cent	10.0	10.0	10.0	10.0
Long-term growth rate/per cent	2.0	2.0	2.0	2.0

12: Property, plant and equipment

(GBP m)	Note	Computer hardware	Office equipment, fixtures and fittings	Total
Cost				
At 1 January 2017		19.7	5.5	**25.2**
Additions		5.4	12.9	**18.3**
Additions through business combinations	22	0.7	0.1	**0.8**
Disposals		-0.2	-2.1	**-2.3**
Currency translation adjustment		0.2	0.1	**0.3**
At 31 December 2017		**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**
Accumulated depreciation				
At 1 January 2017		8.8	3.7	**12.5**
Charge for the year	4	6.1	1.1	**7.2**
Disposals		-0.2	-2.0	**-2.2**
Currency translation adjustment		0.1	–	**0.1**
At 31 December 2017		**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**
Net book value				
At 31 December 2018		**12.5**	**24.9**	**37.4**
At 31 December 2017		11.0	13.7	24.7

Notes to the consolidated financial statements continued

13: Subsidiaries and associated companies

Details of the Group's principal subsidiaries at 31 December 2018 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%
Star Matic BVBA	Belgium	100%
Global IP and Support Services LP	British Virgin Islands	100%
Kindred IP Limited	British Virgin Islands	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%
Global Leisure Partners Limited	Malta	100%
iGame Holding plc	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 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)	Year ended 31 December 2018	Year ended 31 December 2017
Carrying value at 1 January	2.1	1.6
Share of (loss)/profit from associate	-0.2	0.5
Carrying value at 31 December	**1.9**	**2.1**

14: Financial instruments

The carrying value of the Group's financial assets and financial liabilities approximated to their fair values at the year end. At 31 December 2018, other receivables of GBP 31.1 (2017: GBP 24.8) million were considered to be fully performing. Because of the nature of its business, the Group does not carry any provision for impairment of receivables. The Group does not hold any collateral as security for its receivables.

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 and loss of GBP 0.2 (2017: GBP 0.1) million. Financial assets at fair value through profit and loss consist of the embedded option on the convertible bond of GBP 0.2 (2017: GBP 0.1) million (see Note 23 on page 85).

The Group's financial liabilities consist of borrowings and other current liabilities at amortised cost, except for liabilities at fair value through profit and loss of GBP 5.4 (2017: GBP 4.4) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at the balance sheet date of GBP 5.4 (2017: GBP 4.4) million.

IFRS 13 requires management to identify a three-level hierarchy of financial assets and liabilities at fair value. As noted above, the financial assets at fair value are immaterial and the financial liabilities at fair value have been measured using inputs based on unobservable market data (defined as level three by IFRS 13). A reasonable change in assumptions would not give rise to a material change in value.

15: Trade and other receivables

(GBP m)	**As at 31 December 2018**	**As at 31 December 2017**
Due within one year:		
Other receivables	31.1	24.8
Prepayments	21.8	13.7
	52.9	**38.5**

Trade and other receivables do not include material items that are past due or impaired.

16: Trade and other payables

(GBP m)	**As at 31 December 2018**	**As at 31 December 2017**
Due within one year:		
Trade payables	24.5	21.9
Other taxation and social security	2.6	3.2
Other payables	2.7	0.6
Accruals	101.2	84.5
	131.0	**110.2**

Included in accruals are provisions of GBP 20.4 (2017: GBP 19.9) million. Main provisions are operation-related and tax-related: GBP 10.0 (2017: GBP 9.3) million and GBP 7.2 (2017: GBP 8.5) million respectively.

17: Customer balances

Customer balances of GBP 62.3 (2017: GBP 57.5) 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 2018	**As at 31 December 2017**
EUR	54%	49%
SEK	9%	9%
NOK	7%	8%
DKK	5%	5%
USD	2%	3%
GBP	13%	17%
AUD	4%	4%
Other	6%	5%
	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.

Notes to the consolidated financial statements continued

18: Borrowings

(GBP m)	As at 31 December 2018	As at 31 December 2017
Non-current		
Bank borrowings – due in 1-2 years	103.0	30.0
Bank borrowings – due after more than 2 years	46.3	103.0
Current		
Bank borrowings – due within 1 year	45.0	62.6
Total borrowings	**194.3**	**195.6**

The carrying amounts of the Group borrowings are denominated in the following currencies:

(GBP m)	As at 31 December 2018	As at 31 December 2017
GBP	128.0	163.0
EUR	24.7	18.6
SEK	41.6	14.0
Total borrowings	**194.3**	**195.6**

In February 2017, Kindred Group plc agreed new term and revolving facilities ("the facilities") held with a leading international bank. The original facilities agreement was subsequently amended and restated in May 2018, comprising:

(i) a GBP 110.0 million term loan ("the Term Loan");

(ii) a EUR 110.0 million revolving facility "A" ("Revolving Facility A"). On 31 December 2018, in line with the facilities agreement, Revolving Facility A was subsequently reduced to EUR 102.0 million; and

(iii) a GBP 68.0 million revolving facility "B" ("Revolving Facility B").

The borrowings are unsecured. As at 31 December 2018 the balance of the facilities utilised was GBP 194.3 (2017: GBP 195.6) million out of a total of GBP 224.2 (2017: GBP 255.3) million. The fair value of the borrowings equals the carrying amount, as the impact of discounting is not material.

Repayments
The Term Loan is repayable in equal bi-annual instalments of GBP 15.0 million, which started on 31 December 2017 and end on 31 December 2019. The Term Loan needs to be repaid in full by 23 February 2020, being three years from the date of the original facilities agreement. Both Revolving Facility A and Revolving Facility B are to be repaid in full on the last day of each respective interest period. Revolving Facility A is required to be repaid in full by 15 May 2021 and Revolving Facility B needs to be repaid in full by 23 February 2020.

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. The Applicable Margin for: (i) the Term Loan (drawn in GBP) is 2.00 per cent per annum; (ii) any Revolving Facility A Loan is 0.75 per cent per annum; and (iii) a Revolving Facility B Loan drawn in GBP is 1.75 per cent per annum, and drawn in an optional currency is 1.35 per cent per annum.

Covenants
The facilities agreement is also subject to financial undertakings, principally in relation to debt service ratio and other certain customary covenants which will regulate Kindred and its subsidiaries' ability to, amongst other things, incur additional debt, grant security interests, give guarantees and enter into any mergers. At 31 December 2018 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

(GBP m)	Cash and cash equivalents	Borrowings due within one year	Borrowings due after more than one year	Total
Net borrowings at 1 January 2017	89.4	-54.6	–	**34.8**
Cash flows	66.4	95.3	-233.7	**-72.0**
Transfers	–	-103.3	103.3	**–**
Foreign exchange movements	3.3	–	-2.6	**0.7**
Net borrowings at 31 December 2017	**159.1**	**-62.6**	**-133.0**	**-36.5**
Cash flows	0.4	115.5	-112.0	**3.9**
Transfers	–	-97.9	97.9	**–**
Foreign exchange movements	0.8	–	-2.2	**-1.4**
Net borrowings at 31 December 2018	**160.3**	**-45.0**	**-149.3**	**-34.0**

19: 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:

(GBP m)	Note	Unremitted earnings	Property, plant and equipment	Tax losses	Intangible assets	Other	Total
At 1 January 2017							
Deferred tax liabilities		–	–	–	-2.4	-1.8	**-4.2**
Deferred tax assets		2.6	0.5	4.7	–	1.1	**8.9**
Credit/(charge) to income for the year	8	2.9	-0.1	-0.2	0.5	1.5	**4.6**
Movement for the year in relation to acquisitions	22	–	–	–	-1.8	–	**-1.8**
Credit directly to equity	8	–	–	–	–	0.3	**0.3**
Transfer to currency translation reserve		–	–	-0.1	–	–	**-0.1**
At 31 December 2017							
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**

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:

(GBP m)	As at 31 December 2018	As at 31 December 2017
Deferred tax liabilities	-4.3	-5.7
Deferred tax assets	15.8	13.4
Net assets	**11.5**	**7.7**

The deferred tax balances include deferred tax assets of GBP 8.5 (2017: 5.5) million that are expected to be recovered within 12 months.

At 31 December 2018, the Group had unutilised trading tax losses of GBP 56,352,000 (2017: GBP 49,833,000) and other unutilised tax losses of GBP 874,000 (2017: GBP 1,094,000) available for offset against future profits. The amount of unutilised trading tax losses as at 31 December 2018 for which a deferred tax asset has been recognised is GBP 15,375,000 (2017: GBP 14,755,000). 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.

Notes to the consolidated financial statements continued

19: Deferred tax continued

The trading tax losses for which no deferred tax asset has been recognised arose principally from unutilised trading tax losses of Kindred France SAS 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 39,960,000 (2017: GBP 31,264,000) 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 2018 for which deferred tax assets have been recognised is GBP 20,837,000 (2017: GBP 21,324,000). This includes a deductible temporary difference in respect of unexercised share options for the amount of GBP 3,008,000 (2017: GBP 3,414,000), of which GBP 251,000 (2017: GBP 1,483,000) has been credited directly to equity. A deferred tax asset has not been recognised for other deductible temporary differences of GBP 5,927,000 (2017: nil).

20: Share-based payments

The Group operates a number of share-based payment schemes as set out within this note. During 2018, 264,559 share awards vested from within the 2015 Group Performance Share Plan and the 20+20 All Employee Share Plan. The total charge for the year relating to employee share-based payment plans was GBP 4.4 (2017: GBP 3.5) million.

All-employee long-term incentive plan
In 2015 the Kindred Group Board approved a change to the all-employee 100 per cent cash-settled incentive plan. The change enabled all Group employees at 26 May 2015 to elect to receive a fixed long-term incentive bonus in shares instead of cash, in order to meet demand for wider employee share ownership.

In accordance with the change of a 100 per cent cash-settled incentive plan under IAS 19, the Group recognised a share-based payment charge from June 2015 in relation to those who elected to receive shares and reclassified the provision for the 100 per cent cash-settled scheme before June 2015 to equity. On 22 March 2017, the equity-settled employee benefit plan vested and 107,004 share awards were distributed to employees as SDRs.

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 2018 in relation to the 2020 LTIP was GBP 2.2 (2017: GBP 1.9) 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.

Across both June 2018 and November 2018, the full value of the 2015 PSP grants vested. The assessment of the actual business performance against the target conditions demonstrated that all targets over the three financial years 2015-2017 have been achieved at greater than 100 per cent. The total number of share awards vested was 232,296.

Performance targets	Target achieved
EBITDA	115%
Gross contribution	110%
Free cash flow	126%

On 1 June 2018, the Kindred Group granted 368,316 new PSP awards to senior management and key employees ("2018 PSP"). These grants will vest after June 2021 and are subject to achieving business performance targets over the three financial years 2018-2020 and continued employment. The targets for these plans were set and approved by the Remuneration Committee and the Board of Directors in May 2018. The total amount expensed is recognised over the vesting period of the plan, which is three years.

The total charge recognised in 2018 in relation to the Group's PSPs was GBP 2.2 (2017: GBP 1.6) million; of this amount GBP 0.5 million was recognised in relation to the new 2018 PSP.

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:

	PSP awards[1] (pre-share split)			PSP awards[1] (post-share split)			2020 LTIP awards (post-share split)
Grant date	**30 Sep 2014**	**30 Jun 2015**	**5 Nov 2015**	**30 Sep 2016**	**3 Jul 2017**	**1 Jun 2018**	**3 Oct 2016**
Average share price prior to grant GBP	–	–	–	–	–	–	–
Exercise price GBP	–	–	–	–	–	–	–
Number of employees	91	100	14	123	149	178	1,125
Shares under award	31,848	38,464	2,430	411,713	423,197	368,316	1,481,866
Vesting period (years)	3.50	3.50	3.50	3	3	3	4
Expected volatility %	23	18	25	32	29	25	32
Award life (years)	3.50	3.50	3.50	3	3	3	4
Expected life (years)	3.50	3.50	3.50	3	3	3	4
Risk-free rate %	–	–	–	–	–	–	–
Expected dividends expressed as dividend yield %	3.57	4.15	2.71	3.29	3.61	5.68	3.28
Fair value per award GBP	27.18	34.17	55.07	6.46	7.70	8.17	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.

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 2018 is shown below:

PSP	**2018 Number**	**2017 Number**
Outstanding at 1 January	1,049,041	861,321
Vested	-232,296	-179,568
Granted	368,316	423,197
Lapsed	-94,252	-55,909
Outstanding at 31 December	**1,090,809**	**1,049,041**

2020 LTIP	**2018 Number**	**2017 Number**
Outstanding at 1 January	1,576,878	1,474,761
Vested	-32,263	–
Granted	288,385	336,109
Lapsed	-343,133	-233,992
Outstanding at 31 December	**1,489,867**	**1,576,878**

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 1.8 years.

Dilution effects

437,385 share awards lapsed or were cancelled during 2018. If all share-based programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 1,612.92 (2017: GBP 1,641.20) by the issue of a total maximum of 2,580,676 ordinary shares (2017: 2,625,919 ordinary shares), corresponding to 1 per cent (2017: 1 per cent) of the capital and votes in the Company.

Notes to the consolidated financial statements continued

20: Share-based payments continued

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 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 (including an Executive Director) of a Participating Company.

Grant of awards
Awards may be granted at the discretion of the 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 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.

21: Share capital and reserves

a) Share capital

(GBP)	**As at 31 December 2018**	**As at 31 December 2017**
Authorised:		
1,600,000,000 (2017: 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 (2017: 230,126,200) ordinary shares of GBP 0.000625 each	**143,829**	**143,829**

As at 31 December 2018, the total amount of issued shares in Kindred Group plc was 230,126,200 with a par value of GBP 0.000625. Of these, 3,534,135 shares are held by the Group as a result of previous purchase programmes. When these shares are purchased or subsequently sold, the impact is reflected within retained earnings.

On 17 May 2018, the Board of Kindred Group plc decided to start exercising the purchase mandate, which was approved at the Annual General Meeting on 15 May 2018. Under this mandate, on 17 and 18 May 2018, 1,500,000 SDRs were purchased at a total price of GBP 14,653,399.

During 2018, the total amount of purchased shares that were used in connection with the vesting of Group share plans was 264,559:

> Across March, April and September 2018, 32,263 shares were used in connection with the vesting of the 20+20 All Employee Share Plan.

> Across June and November 2018, 232,296 shares were used in connection with the vesting of the 2015 performance share plan.

During 2017, the total amount of shares purchased that were used in connection with the vesting of Group share plans was 286,572:

> In March 2017, 107,004 shares were used in connection with the vesting of the all-employee long-term incentive plan.

> In November 2017, 179,568 shares were used in connection with the vesting of the 2014 performance share plan.

b) Share premium
There was no movement in share premium in 2018, nor in the previous year.

c) Reorganisation reserve
This reserve of GBP -42.9 (2017: 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 16.6 (2017: GBP 18.6) million is a non distributable reserve.

22: Business combinations

32Red
On 6 June 2017, the Kindred Group acquired 100 per cent of the issued share capital of 32Red plc and its subsidiaries ("32Red") for a cash consideration of GBP 175.6 million.

At the date of acquisition, the net assets of 32Red were GBP 78.1 million and goodwill of GBP 97.5 million was recognised on the Kindred Group's balance sheet. During 2017, within the measurement period following acquisition, the net assets of 32Red at acquisition were increased by GBP 0.6 million and the goodwill was reduced to a total of GBP 96.9 million at 31 December 2017.

During the remaining measurement period in 2018, the net assets of 32Red have decreased by GBP 3.9 million following reassessment of the fair value of its liabilities at acquisition. The final goodwill on the acquisition of 32Red amounts to GBP 100.8 million.

The balance sheet of 32Red at the date of acquisition and the reconciliation of the carrying amount of goodwill at the beginning and end of the current reporting period are set out below:

(GBP m)	Carrying values pre-acquisition	Provisional fair value on acquisition	Measurement period adjustments	Provisional fair value as at 31 December 2017	Measurement period adjustments	Final fair value as at 31 December 2018
Intangible assets	7.5	78.5	–	78.5	–	78.5
Property, plant and equipment	1.0	0.8	–	0.8	–	0.8
Trade and other receivables	4.0	2.5	–	2.5	–	2.5
Cash	12.7	12.7	–	12.7	–	12.7
Trade and other payables	-6.6	-11.7	0.6	-11.1	-3.9	-15.0
Customer balances	-2.9	-2.9	–	-2.9	–	-2.9
Deferred tax liabilities	–	-1.8	–	-1.8	–	-1.8
Net assets acquired	**NA**	**78.1**	**0.6**	**78.7**	**-3.9**	**74.8**
Goodwill	NA	97.5	-0.6	96.9	3.9	100.8
Consideration	**NA**	**175.6**	**–**	**175.6**	**–**	**175.6**

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 2018 was GBP 0.2 (2017: GBP 0.1) million. There is no indication of impairment of the convertible bond at that date.

24: Capital and other commitments

The Group has entered into contracted non-current asset expenditure of GBP 4.5 (2017: GBP nil) million as at 31 December 2018.

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.

The total of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(GBP m)	As at 31 December 2018	As at 31 December 2017
No later than one year	9.6	6.6
Later than one year and no later than five years	45.4	47.3
Later than five years	28.8	35.9
	83.8	**89.8**

Operating lease payments represent rent payable by the Group on properties in Malta and other territories.

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 pages 49 and 50. As at the year end, GBP 13,000 (2017: GBP 13,000) was owed to the Directors in respect of these services.

As disclosed in Note 13, Kindred Group plc has a 35% 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 product as well as some related development. During the year ended 31 December 2018 the following related party transactions were entered into with the Relax Gaming Group:

> During 2018, various subsidiaries of Kindred Group plc received services from subsidiaries of Relax Holding Limited. The total amount of services procured in 2018 amounted to GBP 7,239,590 (2017: GBP 4,742,726). At 31 December 2018, the remaining balance owed by the Group was GBP 89,453 (2017: GBP 70,353 to the Group).

> In February 2018, Kindred Group plc also entered into a loan facility agreement with 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. 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 2018, the remaining balance owed to the Group was GBP 488,362 (2017: GBP nil).

Other related party transactions during the year ended 31 December 2018 totalled GBP 320,724 (2017: GBP 22,246).

> GBP 59,488 (2017: GBP 13,816) 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 nil (2017: GBP nil) as at 31 December 2018.

> During 2017, GBP 8,430 of legal services were provided by Hodgson Bilton. A former Non-executive director in 32Red plc is a partner in Hodgson Bilton. Following their resignation from 32Red plc on 30 September 2017, Hodgson Bilton is no longer considered a related party.

> In 2015, 32Red provided an interest-free loan of GBP 84,000 to a member of its senior management team, to assist with a property purchase in Gibraltar. The loan was paid off in full in February 2018. At 31 December 2018, the remaining balance owed to the Group was GBP nil (2017: GBP 60,000).

During the year, the Group signed a new contract with Kambi Group plc for the provision of Sportsbook services, as well as an amended and restated contract in relation to the convertible bond (see Note 23). Anders Ström, Chairman of the Board for the Kindred Group, is also on the Board for Kambi Group plc and, although he is deemed to have significant influence, does not hold control over either party. For this reason, the Group does not consider Kambi Group plc to be a related party. The Kindred Group's Board also has special measures in place to ensure that any conflicts of interest that may arise in relation to any Director are handled in a correct and appropriate manner. Special measures include, among other things, that in such situations the Director in question may not participate in the Board's handling of the matter (see page 38). As a result Anders Ström did not participate in the Kindred Board's handling of the contract with Kambi Group plc.

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 43 to 45.

28: Cash and cash equivalents

Included within the total cash and cash equivalents balance at 31 December 2018 of GBP 160.3 (2017: GBP 159.1) million is GBP 17.4 (2017: GBP 17.2) 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.

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 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.

(GBP m)	Note	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	28	**160.3**	**159.1**
Less: customer balances	17	-62.3	-57.5
Unrestricted cash		**98.0**	**101.6**
Less: borrowings	18	-194.3	-195.6
Net debt		**-96.3**	**-94.0**

(GBP m)	Note	Year ended 31 December 2018	Year ended 31 December 2017
Profit from operations		**156.0**	**137.7**
Depreciation of property, plant and equipment	12	13.0	7.2
Amortisation of intangible assets	11	33.8	35.4
EBITDA		**202.8**	**180.3**
M&A costs	4	–	3.2
Management incentive costs relating to acquisitions	4	0.9	1.5
Underlying EBITDA		**203.7**	**185.0**
Gross winnings revenue		907.6	751.4
EBITDA margin		**22%**	**24%**
Underlying EBITDA margin		**22%**	**25%**

(GBP m)	Note	Year ended 31 December 2018	Year ended 31 December 2017
Profit from operations		156.0	137.7
Adjustments for:			
Depreciation of property, plant and equipment	12	13.0	7.2
Amortisation of intangible assets	11	33.8	35.4
Loss on disposal of property, plant and equipment		0.5	0.1
Loss on disposal of intangible assets		0.3	0.2
Foreign currency gain on dividend		0.3	–
Share-based payments	20	2.2	1.6
Equity settled employee benefit plan	20	2.2	1.9
Operating cash flow before movements in working capital		**208.3**	**184.1**
Movements in trade and other receivables		-15.8	-4.2
Movements in trade and other payables, including customer balances		21.4	39.1
Income taxes paid		-15.0	-15.9
Purchases of property, plant and equipment	12	-26.0	-18.3
Purchases of intangible assets	11	-23.5	-20.4
Items affecting comparability[1]		0.9	4.7
Free cash flow		**150.3**	**169.1**

1 Items affecting comparability excludes amortisation of acquired intangible assets and foreign currency loss on operating items.

30: Subsequent events

On 2 January 2019, the Kindred Group repaid GBP 15.0 million of its borrowings.

On 17 and 28 January 2019, the Kindred Group repaid SEK 51.7 and 35.0 million respectively of its borrowings.

On 18 January 2019, the Kindred Group repaid EUR 5.0 million of its borrowings.

On 18 February 2019, the Kindred Group repaid SEK 110.0 million of its borrowings.

Annual General Meeting

The Annual General Meeting (AGM) of Kindred Group plc will be held at 10.00 CEST on 14 May 2019, 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 2019 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 12.00 CEST on 9 May 2019, by filling in the enrolment form provided at www.kindredgroup.com/AGM, "Registration form for AGM 2019". 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 2019.

Dividend

The Board of Directors proposes a dividend of GBP 0.496 (2017: 0.551) per share/SDR, which is approximately SEK 5.92 (2017: 6.48 paid out 22 May 2018) with the exchange rate 11.940 GBP/SEK at 12 February 2019, to be paid to holders of ordinary shares and SDRs. If approved at the AGM, the dividend is expected to be distributed on 21 May 2019 and 21 November 2019 and amounts to a total proposed distribution of GBP 112.5 (2017: 125.6) million, which is 75 per cent of the Group's free cash flow for 2018. The Board has reviewed the projected cash requirements for 2019 and is proposing for this year to maintain the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

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 2019 on the following dates:

Interim Report January – March, on 24 April 2019
Interim Report January – June, on 24 July 2019
Interim Report January – September, on 25 October 2019
Full Year Report 2019, on 12 February 2020

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.

Earnings per share, fully diluted: Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the fully 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 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 shares, fully diluted: 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.

FSC www.fsc.org MIX Paper from responsible sources FSC® C016486

This Report is printed on materials which are FSC® certified from well-managed forests.

These materials contain ECF (Elemental Chlorine Free) pulp and are 100% recyclable.

luminous

Design and production
www.luminous.co.uk

Kindred Group plc
Level 6, The Centre
Tigne Point, Sliema TPO 0001, Malta.
Tel: +356 2133 3532
Company No: C39017.
Registered in Malta.

Registered office
c/o Camilleri Preziosi,
Level 2, Valletta Buildings
South Street, Valletta VLT 1103, Malta.

www.kindredgroup.com

Kindred Group plc Annual Report and Accounts 2018