kindred

Kindred Group plc
Annual Report and Accounts 2020

Delivering value through our data-driven approach.

Data and relationships – our keys to success

Kindred prides itself on being a trusted source of entertainment to nearly 30 million customers worldwide and on contributing positively to society. Our success is built on offering a truly personal, seamless and sustainable experience to our players and the long-term relationships that flow from this approach.

We use data to adapt to market changes; develop new and engaging products; and launch in new territories. Compliance and sustainability have always been core strategic enablers for us, while through operational efficiency and platform excellence, we achieve greater scalability.

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www.kindredgroup.com

This document is the English original. In the event of any discrepancy between the original English document and the Swedish translation, the English original shall prevail.

Highlights

Gross winnings revenue
GBP
1,130.2m
+24%

Betting duties
GBP
231.0m
+13%

Marketing expenditure
GBP
257.2m
-1%

EBITDA[1]
GBP
274.2m
+114%

Profit before tax
GBP
193.1m
+188%

Earnings per share
GBP
0.728
+191%

Free cash flow per share[1]
GBP
1.162
+451%

Our brands

32Red, bingo.com, CASINOHUONE, kolikkopelit, MARIACASINO, OTTO KASINO, STORSPILLER STORSPELARE, UNIBET, VLAD CAZINO

Strategic and operational highlights
- Continued our US expansion with sportsbook launched in Indiana.
- Launched the "Pay 'N' Play" product, Otto Kasino.
- The Kindred platform handled more than 60 million transactions in a single day during December 2020 (across all products).

Financial summary
- Achieved all-time highs in Gross winnings revenue, EBITDA and earnings per share for the financial year 2020, thanks to our scalable business model, continued focus on cost control and growth in active customers.

Responsible business highlights
- Achieved 18 audit certifications across all licensed activities, as required by the licence terms, with no failures in compliance noted.
- Together with Zafty Intelligence, developed an app to help players monitor their gambling behaviour in real time.
- Improved our CDP (Carbon Disclosure Project) score from B- to B in 2020.

Responsible gambling highlights
- Reiterated the ambition that zero per cent of our revenue is derived from harmful gambling by 2023. Read more on this on page 20.
- Launched PS-EDS 2.0 (Player Safety – Early Detection System 2.0), based on the international diagnostic manual for mental health, DSM-5.

1 Refer to note 29 on pages 88 and 89 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

Kindred at a glance

Over the last 20 years, Kindred has brought together some of Europe's most successful online gambling brands – forming one of the largest online gambling companies in the world. We have business operations in Europe, Australia and the USA, offering nearly 30 million customers a great form of entertainment in a safe, fair and sustainable environment. Based on online revenues, Kindred is now the world's fourth-largest online operator.

Gambling macro trends defining our future

The online gambling industry is part of the wider transformation of digital entertainment, creating a more accessible and tailored customer experience. The digitalisation of societies shifting consumer behaviour from offline to online, together with local market regulation across Europe and the USA, is opening up new opportunities for operators who have the ability to capitalise on, and adapt to, these trends.

A growing industry under transformation

The online gambling industry emerged in the mid-1990s when retail sports betting and casino games became available on computers, and today the online gambling market is estimated to be 20[1] per cent of the total global gambling market. Even after almost 30 years the shift from offline to online can be considered as being in its early days, with the online industry growing at an annual pace of approximately 11 per cent while growth in the offline industry is broadly flat.

Locally regulated markets foundation for long-term profitability

In recent years we have witnessed a major shift across Europe in terms of the transition from dot.com to dot.country, meaning that markets are adopting a local licence system, with the Netherlands expected to be the next market to follow in 2021. Increased focus on control mechanisms, restrictions and tighter regulation have been put in place in an attempt to curb excessive gambling. Operators have adapted to a new market reality and work with stakeholders to ensure that the level of channelisation – the share of customers who choose to play with locally licensed operators – remains high in a digital environment where the alternative is only ever one click away. Over time, we expect an increasing share of Kindred's revenue and profit to come from locally regulated markets.

1 H2GC 1 Jan 2021.

Digitalisation unlocks new opportunities

With the introduction of 5G mobile systems in the USA and Europe, gambling will truly become a new form of entertainment for a wider audience. We will experience gambling in new ways and probably see a new form of gamification in society. At the same time, technological developments can help make gambling safer, more secure and more sustainable than ever before. Innovation in technology, marketing and data offer huge opportunities to get even closer to our customers and provide world-class digital entertainment. We believe a successful business is about futureproofing our operations to be economically, socially and environmentally sustainable in the long term.

A global reach

The company was founded as Unibet in 1997 on the principle that there is always a better way to operate in the gambling sector to ensure a truly great experience – we think of it as Kindred being run by players, for players. We hold local gambling licences in Australia, Belgium, Denmark, Estonia, France, Germany (Schleswig-Holstein), Ireland, Italy, Romania, Sweden, the UK and the USA (Indiana, New Jersey and Pennsylvania).

Our team of almost 1,600 employees, representing 62 nationalities across 13 offices, have worked together every day to deliver the best and safest possible gambling experience for our customers. The ambitious work has continued during the COVID-19 pandemic despite the fact that the vast majority of our employees have been working from home since early March.

Our diverse product and geographical mix provide flexibility

Kindred is one of the world's leading online gambling operators with a diverse geographical footprint. Our customer database of nearly 30 million registered players distributed across several continents together with our multi-product portfolio, provide stability and lower risk exposure. Our leading position means we have the scale to invest in the marketing and technology that is required to support growth and compliance. That scale also places us in a good position to participate in industry consolidation.

In 2020, as a Group, we have provided pre-game and live sports betting products, casino & games and bingo, generating GBP 1,103.2 million in Gross winnings revenue which represents annual growth of 24 per cent.

Stepping into the US market

In the wake of the ruling overturning the Professional and Amateur Sports Protection Act (PASPA) in 2018 in the USA, we have seen states begin to legalise and regulate online sports betting and casino, opening the doors to a potentially huge market. Today, Kindred holds local licences in Indiana, New Jersey and Pennsylvania. During 2021, Kindred is planning to enter Illinois and Iowa, and if successful in the October 2020 sports betting tender, Virginia.

Kindred is well placed to capture a meaningful share of the huge potential of the US market. We entered the market in 2019 and have already established a strong foothold in a territory which has the potential to become the largest locally regulated market in the world. We know that we perform well under regulation and so we view the USA as a substantial long-term growth opportunity.

Strategic priorities

A scalable and efficient business model supports further growth

Our ambition is to build a company that is generating healthy and sustainable profit in locally regulated environments. To achieve this, we put great focus on a scalable and efficient business model, enabling us to expand operations and absorb costs to support further profitable growth in locally regulated markets. Our proprietary platform allows us to adapt to both customer needs and local regulation while providing a safe and stable environment in which to play. It also enables Kindred to expand into new markets with limited impact to business operations, giving us the flexibility to scale up or down when needed.

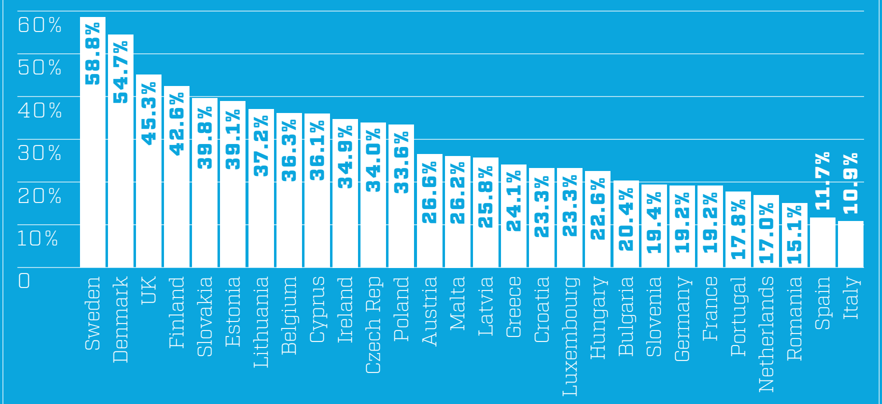
Differentiation through CX

In a digital environment the customer is King or Queen. The ability to choose a provider of choice is at the customer's fingertips and only one click away. Any digital company in any digital industry must provide a superior customer experience in order to compete. Differentiation through a unique experience remains a key part of Kindred's business model, offering a great customer journey and unique product aspects such as exclusive games and a tailored sportsbook lobby.

A strong focus on sustainability

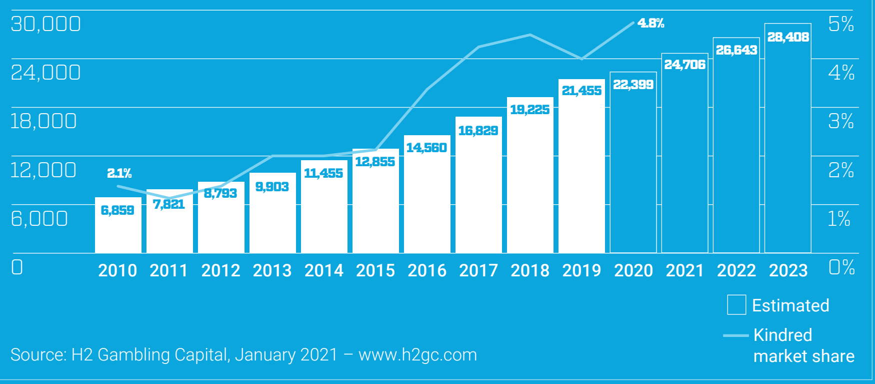
Kindred has a sector-leading approach towards responsible gambling with the vision of offering a 100 per cent enjoyable experience. Our ambition is to ensure that our operations always meet the highest professional, compliance and ethical standards. Our focus on sustainability contributes to long-term profits, reduces volatility and uncertainty, and strengthens our ability to attract and retain the best talent. It also allows close cooperation with regulators and other stakeholders.

Online % share of total gross gaming revenue for 2019



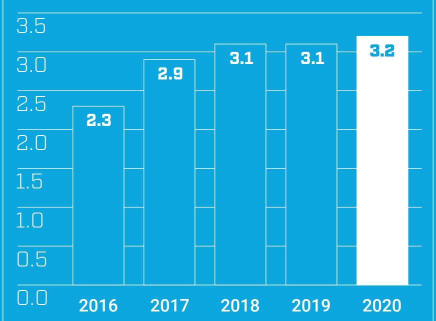
Source: H2 Gambling Capital, January 2021 – www.h2gc.com

European online market excluding state lotteries (GBP bn)



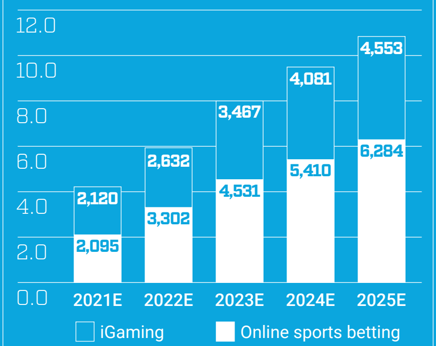
Source: H2 Gambling Capital, January 2021 – www.h2gc.com

Kindred yearly active customers (millions)



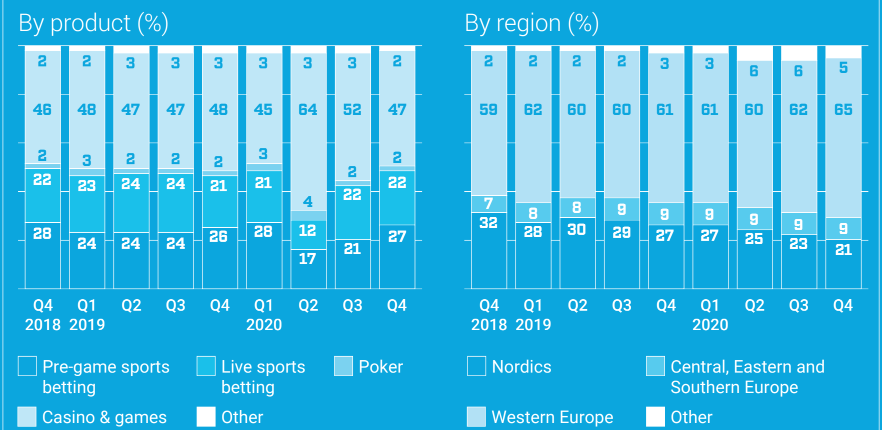
Online gambling growth

Projected US online sports betting and iGaming gross gaming revenue (USD bn)



Source: VIXIO Gambling Compliance estimates. December 2020

Kindred product and regional split of Gross winnings revenue



Chairman’s statement

For almost 25 years Kindred and its brands have been delivering a proven and hugely successful platform for gambling and gaming. And we continue to do so.

Hard work from our teams and dedication to our business model are both significant and necessary factors for achieving this feat. However, though essential as foundations, it is only when they are viewed with all Kindred’s other business attributes that you can truly appreciate our accomplishments.

Close scrutiny will reveal that our platform is easily adaptable to local circumstances, preferences, gambling and betting traditions, and to regulation. This is, of course, based on our familiarity with all local aspects of gambling and gaming. We know very well the inclinations of the many-faceted gambling and betting communities in our different markets, and we have an in-depth knowledge and understanding of the legitimate requirements of the national and local authorities and regulators. This is the practical, business manifestation of our heritage tagline: “By players, for players”.

Building on this approach, Kindred has been able to grow mostly organically because we know the demands of players. And having developed our technology based on this knowledge, we have had almost no need to grow by larger acquisitions. Furthermore, based on our knowledge of our players, we have been extraordinarily successful in integrating the few larger acquisitions we have executed. I still have fond memories of the acquisition of, and merger with, MrBookmaker back in 2005. As well as being a great deal for us, that gave us our profitable and durable presence in Belgium and France, it extended our pool of valuable talent which supported our push for growth.

Our position in the market and our extensive and profound familiarity with the regulations and regulators in our different jurisdictions have earned us the privileged position of being the driving force in shaping public authority regulation as well as in formulating viable self-regulating initiatives for our sector.

Particularly as I will not stand for re-election to the Board of Directors in 2021, this is one of the achievements that I will most proudly take away with me from Kindred. Though I will no longer be actively engaged in the company I founded, I will always follow the exploits of Kindred and those of my wonderful colleagues.

One of the great things about Kindred is that our work does not start and end with our services to our players and the regulatory policies we help initiate for an increasingly better gambling and betting experience for all stakeholders. We support the development of different sports, into which we channel resources through the fees we pay and licences we buy, and via our sponsorship arrangements. We also offer employment and we develop specialisations and technology for the benefit of many other sectors. We are proof of the ability to successfully act as a responsible contributor to society in a sector with many known pitfalls and vulnerabilities.

We do all this with sustainable profitability, for our shareholders and other stakeholders. Kindred’s success has been beneficial to shareholders, it is true. But more than that, Kindred has been a “workhorse” for society – we pay over double the amount in taxes that we pay out in shareholder dividends. To illustrate, since 2016, Kindred has, in its different jurisdictions, incurred GBP 905.2 million in taxes against paying out GBP 362.7 million in dividends.

That, more than anything else, shows how Kindred stands proud in executing corporate citizenship.

Anders Ström
Founder and Chairman of the Board
Kindred Group plc

“ Kindred believes a successful business is about future-proofing operations to generate profit and value in the long term. ”

Anders Ström
Founder and
Chairman of the Board

Chief Executive Officer's review

Taking the opportunities offered by accelerated structural changes in Kindred's markets, while building a winning strategy for the future.

"Our teams around the world have worked incredibly well in the new environment, both in dealing with the challenges of the pandemic and in driving efficiency."

Henrik Tjärnström
CEO

Kindred delivered an exceptional team performance in the most extraordinary year that any of us have lived through.

Teamwork – the foundation of our success

Any reflection on 2020 must start with appreciation of the fantastic work that has been delivered by Kindred's teams in Europe, Australia and the USA. As the COVID-19 pandemic unfolded in the first weeks of the year, our people had to manage massive changes to their personal and professional lives, at a time when the world's economies were in turmoil. As financial markets crashed and the sports calendar was almost wiped out between March and June, Kindred's teams kept focus on our customers and our business, adapting our way of working and our cost base in a way that would have seemed impossible in "normal" times.

Continued market share gains

The challenge for digital specialists like Kindred is to ensure that we take this opportunity and continue to expand our market share across all our regions. Our results in the second half of 2020 indicate that we are on track to do this, but we always keep focus on the challenges of the future, so we are highly motivated to continue to deliver market share gains in 2021. It is very encouraging to see that over the course of 2020, locally regulated markets have grown at a faster pace than "dot com" markets. I am equally pleased that in the Swedish market, we adapted our business and delivered significantly improved results in the second year after the new regulations were introduced. In Australia, our performance has gone from strength to strength throughout 2020. This has been driven by a continued increase in activity and improvements in our own proprietary racing product.

Accelerating structural changes in a new market reality

As business and society adapted to the effects of the pandemic, a common theme across many industry sectors was increased structural change in consumer behaviour. For the last 20 years, there has been a gradual transition from the "bricks and mortar" world of betting shops, arcades and casinos towards the digital alternative. This has motivated rapid growth in the digital sector, even though the overall amount spent on gambling, in line with general economic development, has grown at a much slower rate.

A digital marketplace

One of the key drivers in our sector is the shift from offline gambling to online gambling, a shift that virtually every industry has gone through as the world adapts to the digital dynamic of today. In 2020, when physical gambling locations were either closed or restricted and when consumers' concern for their safety was paramount, we saw a quantum leap in migration towards the digital sector. Some may have considered that this was a temporary change, but evidence from the second half of 2020, when social restrictions were relaxed a little, suggests that this change is more permanent.

The transformation to locally regulated markets continues

An increasing share of Kindred's revenue and profit will, over time, be derived from locally regulated markets. In addition to our current locally regulated markets, the coming months are expected to see the launch of new regulations in the Netherlands. As we have seen in similar local regulatory launches, there is often a short-term negative impact, but in the longer term as the market stabilises and grows, the opportunities for market leaders are substantial. It normally takes 18 to 36 months for a market to re-establish to pre-regulation levels, following initial margin pressure due to betting duties, compliance costs and marketing investments. There still remain various uncertainties as to how the regulation will unfold. Subject to the relevant license approval and complying with Dutch requirements, Kindred is committed to become a sustainable partner in the Dutch society.

Strong development in the US market

While regulation in some territories in Europe has been challenging, the state-by-state opening of the US market is a reminder that regulation is also the biggest opportunity in this sector.

Kindred launched in New Jersey and Pennsylvania in late 2019, so 2020 was the first full year of operations, albeit disrupted by the impact of COVID-19. In Pennsylvania, we have grown rapidly and secured 4.2 per cent market share in a fast-growing online market. We expected our development in New Jersey to be slower because this was a long-established market with more competition, but we have made steady progress. In late 2020, we launched in Indiana and in February 2021 we announced a partnership to secure market access to California and Arizona. In each state, our focus is on building a loyal and stable customer base in the first instance, as it is through acquiring scale that the opportunity comes to grow profits in the medium term.

Our strategy for the US market remains to focus on specific states where we believe that the combination of market dynamics and Kindred's offer will allow us to be successful. For 2021, we plan to launch in Illinois under the terms of our market access agreement with Penn National Gaming and in Iowa in partnership with Caesars Entertainment. The rate of organic revenue growth in the USA that we have delivered from a standing start is extremely rapid (much faster in one year than we achieved in the first three years of targeting the UK market, for example). I am very confident that we are building a winning team in the USA through a combination of European expertise and local talent. I consider the USA to be the most exciting opportunity Kindred has had in my ten years as CEO and believe that our strategy to focus on selected states will be key to long-term success.

Review of the strategic direction

During the second half of 2020, we performed our annual review of the Group's strategy. We will continue to focus on locally regulated markets with the USA, Europe and Australia as key areas. We will continue building Kindred into a scalable and efficient organisation throughout. Through thrilling and engaging experiences built around our products, we can differentiate ourselves. In this way, we can continue to deliver sustainable growth for our shareholders.

Our journey towards zero

Last year I announced that we had set up an ambition to reach zero revenue from harmful gambling by 2023. We are now the first gambling operator to report the share of revenue that is derived from high-risk customers. These figures will be updated quarterly and published on the Kindred Group's website together with a measurement of the effectiveness of the sustainability work. The aim is to increase the understanding of our long-term sustainability work and contribute to a safer gambling experience.

At this point, I would especially like to pay tribute to my good friend and colleague Anders Ström, who announced in December that he will not seek re-election to the Board in 2021. Anders founded the original Unibet business in 1997 and has been both the figurehead and the passionate heart of this business ever since. His vision of "By players, for players" lives on throughout Kindred in our commitment to provide the best experience to our customers, both for Unibet and the other brands in our portfolio.

And, of course, I want to thank all the Kindred people for their incredible efforts in 2020. Our people are spread over multiple locations and it has been very difficult to meet in person for most of the year, yet everyone showed, and continues to show, fantastic teamwork in managing our response to the pandemic.

And now we can look forward to almost two years of exciting sports events!

Henrik Tjärnström
CEO

Malta, 12 March 2021

GBP **1,130.2**m
Gross winnings revenue

GBP **274.2**m
EBITDA

Exciting sports calendar ahead

Major sports leagues have returned faster than expected

We are currently seeing strong pent-up demand for sports and entertainment from our customers.

Average daily sportsbook turnover has increased rapidly since mid-May and was a record high during 2020.

January
NHL season start
Men's Handball World Championship 2021
Masters snooker

February
Australian Open
Super Bowl
Six Nations

March
F1 season start

April
MLB season start
Masters golf
World Snooker Championship

May
French Open
Champions League Final
NBA Playoffs
Ice Hockey World Championship 2021
PGA Championship
Giro d'Italia
Eurovision

June
U-21 Euro 2021
Euro 2020
Copa America 2020
Wimbledon
US Open golf

July
Tokyo 2020 Olympics
The Open golf
Tour de France

August
Premier League season start
US Open tennis

September
Champions League season start
NFL season start

October
ICC T20 World Cup
League of Legends World Championships 2021 (Esports)

November
ATP Finals/WTA Finals
UK Championship snooker
CS:GO Major Championship Fall (Esports)

December
PDC World Darts Championship

Business model

Kindred's strategic direction and business rest 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 areas are articulated as:
Always the best deal and products
Ability to achieve results
Licence to operate
The areas are broken down into 11 focus areas, allowing us to operate a scalable, successful and sustainable business. The three areas are described on the next page.

Always the best deal and products

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

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

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

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

Ability to achieve results

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

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

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

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

Scalable & 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.

Revenue model

The model shows how Gross winnings revenue, adjusted for costs, capital investments, movements in working capital, tax and lease payments, flows through to free cash flow[1] that is available to distribute to shareholders as a cash dividend and/or to use for share purchases.

Gross winnings revenue is generated across all of Kindred's brands, products and markets. Across all products, Kindred's margin was approximately 4.9 per cent in 2020 (meaning that the average pay-back ratio to our customers was 95.1 per cent).

Sports betting

Casino & games

Poker

Bingo and other games

Costs and other adjustments
Costs include all of Kindred's costs of sales and operating expenses, such as betting duties, marketing and administrative expenses.

Other adjustments include corporate taxes paid in our various territories as well as capital investments in new technology and lease payments for our offices.

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

Free cash flow[1]
Represents the surplus cash generated by the business for the financial year after all cash outflows required for operations and maintaining capital assets. This surplus is available both to finance continued investment and can also, subject to the proposal of the Board and approval by the shareholders, be distributed to Kindred's owners.

Free cash flow is defined as cash flow from operations excluding movements in customer balances, less cash flow from investment activities (including acquisitions) and payments for lease liabilities.

- Free cash flow[1]

Distribution to Kindred's owners
In 2020, the Board of Directors has revised the Group's dividend and share purchase policy.

The new policy is to generate a stable ordinary dividend in absolute GBP-denominated terms and, over time, complement dividends with share purchases. The total pay-out of dividends and share purchases will be based on an assessment taking into account Kindred's financial position, capital structure and future investment needs, including acquisition opportunities. The total pay-out ratio of dividends and share purchases should over time equal about 75 per cent of free cash flow.

The proposed dividend for 2020 amounts to GBP 0.330 (2019: GBP nil) per share/SDR.

- Dividend
- Share purchases
- Retained earnings

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

1 Refer to note 29 on pages 88 and 89 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance to the IFRS.

DATA-DRIVEN APPROACH

Customer-centred

Kindred's purpose is to offer players entertainment on a platform that is safe and secure. Our success is built on long-term sustainable relationships with our players. Our aim is for customers to have more fun for a longer time – it's a mutually beneficial approach.

The importance of customer experience at Kindred

The online gaming sector offers plenty of choice to consumers – we aim to ensure consumers choose a Kindred brand over the competition through our focus on what matters to our customers the most.

Kindred's robust customer feedback infrastructure allows our players to tell us what "moves the needle" for them, what they like about their experience and what could be improved. We survey approximately 160,000 players per year across 200 different aspects of their gaming experience. This information allows us to constantly ensure we are offering experiences that meet our customers' needs.

Ultimately, we know that investing in customer experience directly generates customer loyalty and contributes to sustainable growth.

Customer experience – at the heart of Kindred

In 2019, Kindred underwent a transformation organising the core delivery process around seven customer experiences: "Join & Leave", "Pay & Withdraw", "Play Sports", "Play Gaming", "Be in Control", "Get Help", and "Get Communication & Rewards". Working alongside these experience teams are data and insights stakeholders feeding the voice of the customer into the heart of the decision-making funnel.

Through our customer surveys and predictive analytic models, we understand the key drivers of the customer experience that are performing well and those we need to improve in order to meet our customers' expectations.

READ MORE ONLINE
https://www.kindredgroup.com/news--insights/2020/kindred-cx-how-the-play-gaming-experience-delivers-on-speed-trust--relevancy/

Kindred CX: How the "Play Gaming" experience delivers on Speed, Trust & Relevancy
Jonas Harglin, Experience Owner Play Gaming

How much are customer experience improvements worth?

Most companies track customer metrics such as satisfaction scores, but how many can answer the question: which customer improvements will provide the most return on investment?

At Kindred, we have a three-tiered approach to analysing our customer survey feedback.

1. We track satisfaction scores for nearly 200 aspects of our players' experience with us.
2. We have developed an algorithm that tells us which of these 200 aspects are most important to customer loyalty. Areas which are highly important to retaining players and have low satisfaction scores are prioritised.
3. We have built our award-winning customer experience revenue simulator tool in-house, which allows us to project impacts on revenue from customer experience improvements – a powerful tool for project prioritisation.

Kindred's unique ability to detect customer pain points and drive the improvements that we know matter most to our players, while ensuring maximum return on investment, sets us apart within the industry.

Overcoming the challenges of 2020

Keeping our finger on the pulse of the customers' expectations has never been more important than in 2020. With the customer truly at the heart of our business model, each experience team was able to understand and track shifting player expectations and adapt our product during the pandemic to ensure customer trust and satisfaction never wavered.

We have not only been able to maintain high customer trust during the pandemic, but our survey data shows us that customer trust has never been higher across our brands.

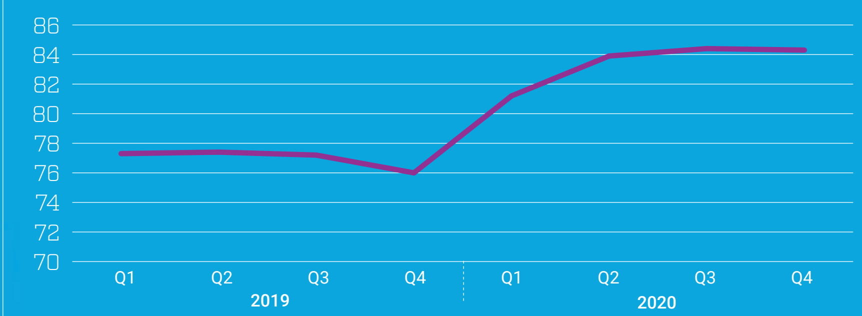
87 per cent of our players agreed we offered them a trustworthy gaming experience in the fourth quarter and in 2020 we managed an all-time high percentage of players telling us that they trust that Kindred brands will keep them in control of their gambling.

Throughout the year our customers were treated to consistent improvements to our best-in-class gaming product. Improved site speeds, the addition of cutting-edge payment providers across our markets and a more tailored approach to communication, contributed to a growth in customer satisfaction during the year. We are optimistic that we will see this trend continue well beyond 2020 thanks to our experience delivery model.

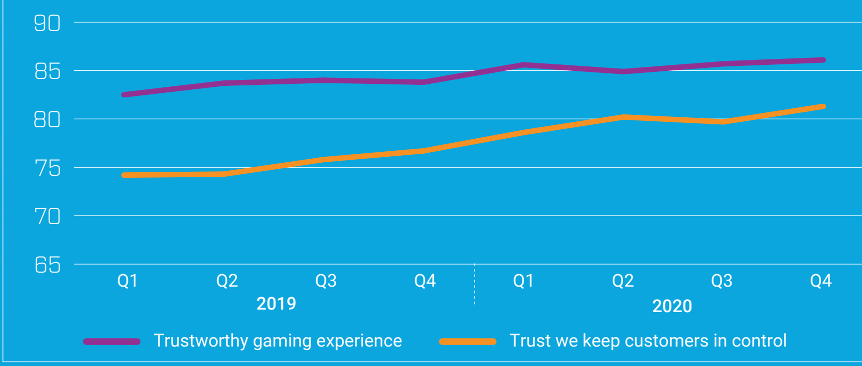
86.4 points

The satisfaction of Kindred customers in their account verification journey in Q4 2020. This has improved by 13 points since Q4 2019.

Overall customer satisfaction



Customer trust in our brands



DATA-DRIVEN APPROACH

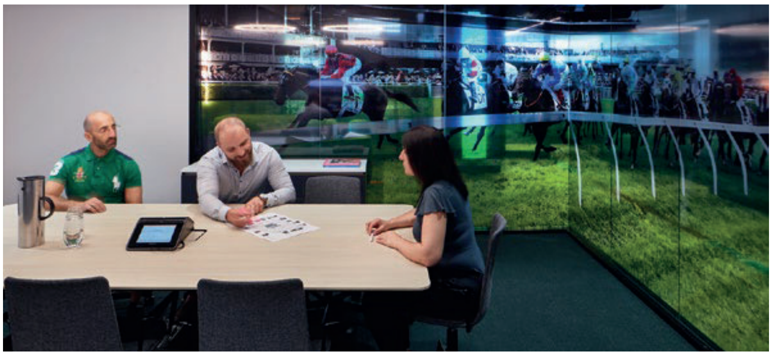
Insights-led

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 already here.

"Be in Control"

The scope of the "Be in Control" experience is vast. It is first and foremost about keeping our customers' gambling activity under control so that it always remains enjoyable. It is about allowing our customers to verify themselves so that their experience stays uninhibited. It is also about putting our customers in control of their personal data so that they can be confident of their privacy. It is about providing them with easy visibility of their activity so that they are able to track and learn from their own data. Last but not least, "Be in Control" is about enabling customers to be in charge of what they want to see and receive so they only receive information that is relevant to them.

Leveraging on our AI/machine learning capabilities, we have built the next generation of our Player Safety – Early Detection System, PS-EDS 2.0. It has its foundations in academic research and diagnosis criteria for gambling disorders.



READ MORE ONLINE
https://www.kindredgroup.com/news--insights/2020/kindred-cx-how-the-be-in-control-experience-is-turning-compliance-into-a-competitive-edge/

Kindred CX: How the "Be in Control" experience is turning compliance into a competitive edge
Snehal Richter, Experience Owner Be in Control

Being transparent and engendering trust

The "Play Gaming" experience embraces a customer "outside-in" approach to how the business operates, organises, designs and delivers change that directly relates to customers playing our games. These include casino, live casino, bingo and poker products. The "Play Gaming" experience is to be fast and stable, tailored to individual needs, and must be recognised as trustworthy by players. Our competitors offer many of the same games we offer, so to stand out we must wrap the best possible gaming experience around these games. It must be easy for customers to find the games and tournaments they are interested in, with rapid loading times and seamless access to any features they need in-play, all while demonstrating that everyone has a fair chance of winning.

For our customers, a trustworthy "Play Gaming" experience is about being guaranteed a fair chance of winning, knowing the chances of winning in a certain game, or knowing what to do to withdraw bonus winnings. But it might also mean easily seeing one's gaming statistics, seeing when, on what, and how much other customers are winning, or knowing what to do to participate in and win a tournament.

Clearly showing to our casino players the percentage return-to-player figure and the volatility of our games (i.e. the amount of risk inherent in a specific game) is a valued way of being more transparent. Ensuring customers are presented with transparent and accurate information relating to any gaming reward wagering requirements also goes a long way towards building trust.

Our customers' trust is vital to retaining their loyalty across all our brands and in all markets. This definitely applies to the "Play Gaming" experience. Customers need to know that their funds and data are safe with us, that our products are reliable and that we live up to, or even exceed, regulatory standards.

"Pay & Withdraw" experience delivers on relevancy, speed and trust

Payments have historically been an area in which Kindred excels, with customer satisfaction scores (i.e. CSAT) being measured systematically since 2014. But keeping up with the competition, the fast-moving area of financial technology and increasing customer expectations, is a continuous challenge.

Since 2019, payments have been governed as one of Kindred's seven main experiences. This new and innovative organisational set up allows us to embed in the experience several functional and support areas such as customer analytics, user experience research, web analytics and data that all contribute to a better understanding of our customers. Having a robust customer experience measurement framework in place for the "Pay & Withdraw" experience is also key to understanding whether we are improving the quality of the experience. With the transformation having launched last year, the new model has already delivered some promising results.

The below example relates to the recent launch of Swish withdrawals in Sweden. It shows how the specific CSAT score that measures the customer's perception of the speed of withdrawals improved in the third quarter when the Swish pay-out solution was launched.

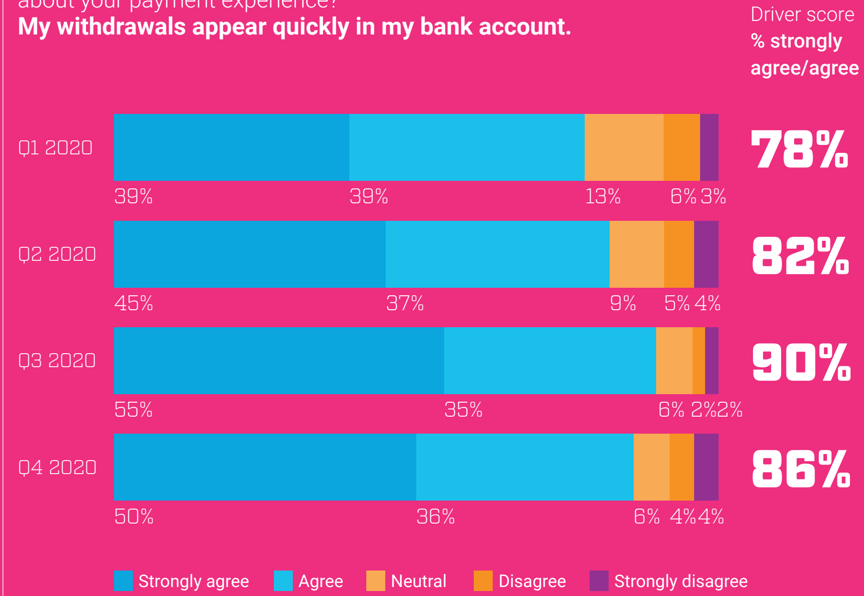
87 points

Overall withdrawal satisfaction for Swedish customers.

Speed of withdrawals (Bingo.com, Highroller, Maria Casino & Unibet)

To what extent would you agree or disagree with the following statements about your payment experience?

My withdrawals appear quickly in my bank account.



DATA-DRIVEN APPROACH

Growing market

Kindred is well placed to capture a meaningful share of the huge potential of the US market. Last year, Kindred entered the US market and has already established a strong foothold there, a market which has the potential to become the largest locally regulated market in the world.

Unibet in the USA

It has been 30 months since the US Supreme Court's Professional and Amateur Sports Protection Act (PASPA) repeal and the sports betting landscape has changed drastically, with customers in more than 20 states being able to place legal sports bets in the USA.

It quickly resulted in more than 30 operators shifting their focus towards the USA – from "bricks and mortar" casinos, daily fantasy operators and online operators from Europe to Australia, the competitive landscape quickly intensified.

Shortly after the PASPA repeal, Kindred made its first moves in the USA, signing a market access agreement with Hard Rock in New Jersey and establishing its US HQ in New York.

The Unibet brand choice was obvious, aligned with Kindred's ambition to build one of the strongest global gaming brands. By the first anniversary of the PASPA repeal, Unibet had accepted its first US customers.

Looking to build on its 20 plus years of European experience and success, the US team was built on the backbone of European senior leaders combined with US expertise.

By the end of 2020, Unibet was operating online and retail sports betting and gaming in three states – New Jersey, Pennsylvania and Indiana – and has conditional access to nine other states which, in total, are home to one third of the US population.

55,125
active customers in 2020

GBP **23.8**m
Gross winnings revenue

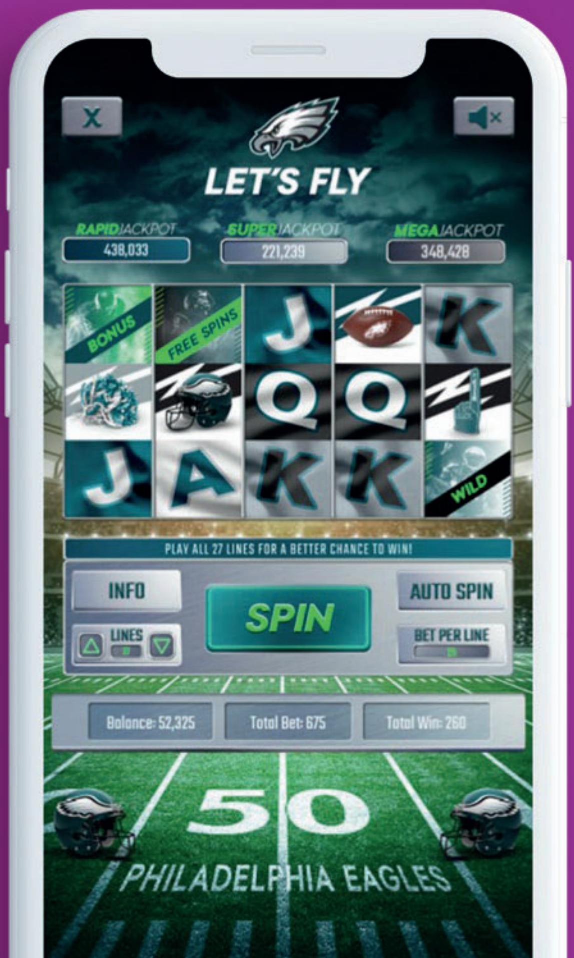
READ MORE ONLINE
kindredgroup.com/about/our-brands

Partnerships and innovation

Partnering with leading local sports brands has always been a key part of Unibet's marketing strategy in all markets, more so in the USA where the Unibet brand started with no awareness. Partnering with New Jersey and Pennsylvania sport brands was key to building customer trust.

In 2019, Unibet announced partnerships with three top professional teams in the USA: New Jersey Devils (NHL), Philadelphia Eagles (NFL) and Philadelphia Union (MLS).

Beyond the standard sponsorship assets Unibet always seeks to innovate, and in 2020 announced the first ever US professional-sports-themed casino games in partnership with the Philadelphia Eagles.



The USA represents a major growth opportunity and we are still at the beginning of our journey.

December 2017
Supreme Court PASPA hearing.

Kindred's decision to enter the USA following the Supreme Court positive outlook.

April 2018
Incorporation of Unibet Interactive Inc. in Delaware.

May 2018
Supreme Court repeals PASPA, paving the way for states to regulate sports betting.

June 2018
Unibet establishes HQ in Manhattan, New York. By the end of 2018, Unibet has four staff based in the USA.

September 2018
Unibet announces the first agreement in the USA, with Hard Rock Hotel & Casino Atlantic City to enter New Jersey.

January 2019
Unibet announces a second market access agreement, this time with Mohegan Sun to enter Pennsylvania.

May 2019
Unibet launches the online casino product in New Jersey, and accepts its first US customers.

August 2019
Unibet opens its second office in the USA, in Cherry Hill, New Jersey, which hosts the customer service and risk and fraud operations.

September 2019
Unibet completes the online offering in New Jersey, by adding the sports betting product.

Later the same month, Unibet launches its first retail sports betting operations in the USA at Mohegan Sun Pocono Casino in Pennsylvania.

November 2019
Unibet launches its online sports betting and casino products in Pennsylvania.

December 2019
Unibet enters a multi-state agreement with Caesars Entertainment which grants access to Indiana and Iowa and potentially other states pending regulation.

By the end of 2019
Unibet employs 26 staff across its two offices.

March 2020
Unibet launches its second retail sportsbook in the USA, in Allentown, Pennsylvania.

July 2020
Unibet launches in Indiana, its third state in the USA.

September 2020
Unibet announces a multi-state market access agreement with Penn National Gaming, granting access to the regulated state of Illinois and conditional access to Ohio pending regulation.

October 2020
Unibet launches the first ever professional-sports-themed casino games in the USA.

December 2020
Unibet Interactive employs over 45 people in the USA.

February 2021
Unibet partners with The Quechan Tribe of the Fort Yuma Indian Reservation to gain access to two key states – Arizona and California.

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.

Financial

GBP 1,130.2m
Gross winnings revenue

2020	1,130.2
2019	912.8
2018	907.6
2017	751.4

Definition
Gross winnings revenue (GWR) on sports betting is defined as the net gain or loss from bets placed. For casino & games, GWR is defined as the net gain from bets placed and for 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
Impressive GWR growth of 24 per cent in comparison to the prior year, and reaching over GBP 1 billion. Sports betting GWR increased by 12 per cent and other products GWR by 35 per cent as the Group benefited from its diverse product offering and active customer growth.

GBP 274.2m
EBITDA[1]

2020	274.2
2019	128.1
2018	202.8
2017	180.3

Definition
Profit from operations before depreciation, amortisation and impairment losses.

Performance
Strong GWR growth combined with continued focus on cost control across all areas of the income statement has resulted in notable EBITDA growth of 114 per cent from the prior year. The Group has dedicated itself to building a scalable business model which will be vital for future growth and EBITDA generation and it is already reaping the benefits from its efforts during 2020.

GBP 0.728
Earnings per share[1]

2020	0.728
2019	0.250
2018	0.580
2017	0.516

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

Performance
The positive impact on EBITDA has flowed down the income statement, with earnings per share increasing by 191 per cent from the prior year and continuing to add shareholder value.

GBP 20.7m
Capital expenditure on intangible assets

2020	20.7
2019	41.4
2018	23.5
2017	20.4

Definition
Capital expenditure on intangible assets (see note 11 on page 77).

Performance
Removing the impact of the capitalisation of gaming licence costs in 2019 (GBP 14.9 million to enter the US market), expenditure on intangible assets has decreased slightly from the prior year. The Group continues to invest heavily in the development of the Group's platform, in order to deliver the best technology to our customers, however the decrease is a result of the planned reduction in employee headcount and consultants during 2020, as well as slightly lower levels of capitalisation than expected.

GBP 0.330
Dividend per share

2020	0.330
2019	0.0
2018	0.496
2017	0.551

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 of Directors has agreed on a new dividend and share buyback policy (see page 46). In line with this, the Board has proposed a dividend of GBP 0.330 per share for the financial year 2020. This is to be approved at the 2021 Annual General Meeting (AGM) and is expected to equal a total dividend of approximately GBP 75 million.

For the financial year 2019, the Board of Directors withdrew its previous dividend recommendation following the uncertainty caused by COVID-19 at the beginning of 2020.

GBP 1.791
Equity per share

2020	1.791
2019	1.017
2018	1.269
2017	1.296

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

Performance
In 2020, equity per share increased given the strong results and the fact that no dividend was paid during 2020 (for the financial year 2019) as explained within the dividend per share section.

Non-financial

6%
Other operating expenses, share of GWR[1,2]

2020	6
2019	8
2018	8
2017	9

Definition
Other operating expenses as a percentage of GWR. Other operating expenses primarily comprise consultancy, facilities and travel costs.

Performance
The Group's drive for cost control has proven itself a success in 2020. Optimisation of consultancy expenditure across the Group as well as some natural temporary decreases in both facilities and travel costs, as a result of COVID-19 restrictions, have resulted in a reduction in other operating expenses. Together with the significant growth in GWR this has resulted in a drop of 2 percentage points from the prior year.

GBP 1.162
Free cash flow per share[2,3]

2020	1.162
2019	0.211
2018	0.682
2017	0.722

Definition
Net cash generated from operating activities, excluding movements in customer balances, less cash flows from investment activities (including acquisitions) and lease payments divided by the number of ordinary shares at the balance sheet date.

Performance
The significant increase from the prior year is primarily the impact of the increase in EBITDA in the year which has boosted the Group's operating cash flows.

1,781,617
Active customers in the last quarter of the year

2020	1,781,617
2019	1,603,903
2018	1,568,574
2017	1,329,124

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

Performance
All-time high active customer numbers achieved in the fourth quarter of 2020, with growth of 11 per cent from the fourth quarter of 2019. Despite a dip in active customers during the year, as a result of the impact of COVID-19 on sporting events, the Group benefited thereafter from optimisation of its marketing strategy and expenditure and was supported by the acceleration of the transition from offline to online as a result of the pandemic.

18%
Operating margin[1]

2020	18
2019	8
2018	17
2017	18

Definition
Profit from operations as a percentage of GWR.

Performance
Following temporary pressures in the prior year on both GWR and costs, the operating margin has now returned to a more normalised level. As a result of these pressures, the Group communicated that it would take action and focus on cost efficiency measures. As can be seen in the above results the Group has actioned this during 2020 and believes it has taken substantial steps in building a scalable business model in preparation for future industry changes.

1 2017 and 2018 figures were reported prior to the adoption of IFRS 16 "Leases" on 1 January 2019 and are therefore not directly comparable to 2019 and 2020 figures.

2 Refer to note 29 on pages 88 and 89 for the reconciliation of the Group's alternative performance measures to the most directly comparable measures reported in accordance with IFRS.

3 The comparative free cash flow balances used in the above calculations have been updated to remove certain items affecting comparability which are included within net cash generated from operating activities.

82%
Percentage of Kindred employees who say "Kindred is a Great Place to Work"

2020	82
2019	88
2018	87
2017	82

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

Performance
Kindred has continued to focus on building a best-in-class employee experience in 2020. It has, however, been an extremely challenging year due to the pandemic, remote working and the previously communicated personnel restructuring programme, which naturally impacts employee engagement. Despite this, we have increased the frequency of our feedback cycle, implemented initiatives to enable employees to keep connected and feel supported throughout this period, and continued to invest in leadership development, mental health and wellbeing. Although our score decreased in 2020, it is still very positive considering the challenges faced.

Sustainability at Kindred

Our sustainability strategy defines Kindred Group's sustainability priorities and sets our ambitions and commitments within five priority areas: Responsible Gambling, Maintaining integrity, Running a compliant business, Being Kindred and Contributing to our communities.

Transforming gambling

Our vision is to make gambling 100 per cent enjoyable, for everyone. In 2020, we revised our purpose statement to better reflect our long-term ambitions. Our new purpose is to "transform gambling by being a trusted source of entertainment that contributes positively to society."

We strive to give players a superior experience while helping them feel safe and secure. By investing in behavioural research, predictive artificial intelligence (AI) technologies, a thriving sports ecosystem and local community initiatives, we bring value to society, contributing to improved health, wellbeing and positive long-term outcomes.

We know that doing the right thing and earning trust sustains our business, supports the industry and widens our impact. In order to succeed, we engage with a diverse range of stakeholders. Collaborations and partnerships are key to deliver on our sustainability strategy.

Ensuring sustainable growth

Sustainability is at the heart of Kindred's business operations and we see great value in delivering sustainable growth and shared value for our customers, shareholders, employees and the communities around us. Our focus on driving a sustainable business ensures that we keep our legal and social licence to operate and maintain our customers' trust. Having healthy, long-lasting customer relationships and being a positive contributor to our communities gives us a clear competitive advantage. By improving this advantage, and acting in a responsible way today, Kindred safeguards the ability to do good business tomorrow.

Our priority areas

We believe a successful business stems from future-proofing operations to be economically, socially and environmentally sustainable in the long term. For us, this means making continual improvements and taking responsibility for our operations – and constantly striving for change for the better. This is why we set a high standard for our sustainability work, including long-term ambitions and bold commitments.

Five priority areas help us navigate:

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

Sustainability highlights 2020

In 2020, we launched an exciting collaboration with Zafty Intelligence using AI to tackle problem gambling.

We are happy to share that our CDP (formerly Carbon Disclosure Project) score has improved to a B.

Our bug bounty programme has been made public on the HackerOne platform to make our brand websites safer.

We are proud to become the first gambling operator to develop and launch a public KPI to openly track progress on the percentages of Gross winnings revenue derived from harmful gambling.

52%

reduction in CO_2e emissions per employee.

Together with the European Football for Development Network, we launched Fair Sport 4 All, educating football clubs across Europe on anti-match-fixing procedures.

During 2020, we became part of the first pan-European code of conduct on responsible advertising for online gambling published by European Gaming and Betting Association (EGBA).

An internal support programme, called Kindred Hive, has been developed to support all colleagues working from home and improve mental health during the pandemic.

To play our part in limiting global warming, we have set Science Based Targets for our emissions by 2023.

Ambitions and commitments

To push our sustainability work forward, Kindred has defined three long-term ambitions:

- By 2023, we want to derive 0% Gross winnings revenue from harmful gambling
- By 2023, we want to achieve a 50/50 gender split in our senior management team
- By 2023, we are committed to procuring 100% of our electricity from renewable sources of energy

Short-term commitments for each priority area are also elaborated. Yearly, we report on our sustainability progress and achievements.

Materiality update in 2020

During the autumn of 2020 we have completed our second materiality assessment. The assessment helps us define, determine and prioritise the governmental, social and environmental topics that matter most to us and our key stakeholder groups. Similar to the 2017 assessment, responsible gambling and player protection, cyber security, customer data integrity and anti-money laundering are categorised as the most material topics. The stakeholder dialogues took the shape of in-depth interviews and surveys of five markets. Customers, employees, owners, investors, business partners and industry associations were involved in the process.

External accreditations and membership

- MSCI ESG Ratings – AAA
- Carbon Footprint Standard
- Nasdaq – ESG Transparency Partner
- CDP – B
- Great Place To Work – UK
- Great Place To Work – Australia
- Best Workplace in Tech – UK

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 2020 SUSTAINABILITY REPORT, COPIES OF WHICH ARE AVAILABLE ON OUR CORPORATE WEBSITE, **www.kindredgroup.com**

Alignment with the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a collection of 17 global goals that form a blueprint to achieve a better and more sustainable future by 2030. Kindred has identified three priority SDGs, the ones Kindred contributes to the most, and four supporting SDGs. During the beginning of 2020 we defined targets for each SDG and linked these to our own sustainability KPIs. Read more about this in our 2020 Sustainability Report.

Responsible Gambling

Maintaining integrity

Running a compliant business

Being Kindred

Contributing to our communities

Responsible Gambling

Gambling should only ever be entertainment.

The majority of customers enjoy our offering in sports betting, casino and other games in the way it is intended. However, this means that a small percentage of our customers do not use our products in the way they are meant to be used.

We fully acknowledge our responsibilities as a gambling operator, and we are committed to doing all that we reasonably can to prevent and minimise any harm caused by gambling. Working together across the industry is key, along with developing improved technology and sustainable regulations that ensure customers stay within licensed markets.

In 2020, we have taken important steps to realise our ambition to reach zero revenue derived from harmful gambling by 2023. Player safety is top priority and the most discussed topic for most gambling operators. However, there is very little real data on this matter. To facilitate a fair, transparent and honest discussion, we decided to become the first gambling operator to openly report the share of revenue derived from high-risk customers.

The figures are updated regularly and published on our website together with a measurement of the effectiveness of the Group's sustainability work. Additionally, we have continued to develop our player monitoring system PS-EDS (Player Safety – Early Detection System) which detects early signs of problem gambling.

In October 2020, Kindred Group organised the fifth Sustainable Gambling Conference, based on the simple idea of connecting the brightest minds across disciplines to discuss how we can work together to secure a sustainable gambling industry. Due to the pandemic, 2020's conference took place online with almost 700 registered attendees, all focused on how the online gambling industry can take advantage of technological advancements to build a more sustainable future.

In 2021, Kindred will partner with the European Association for the Study of Gambling (EASG) to launch the 'Bettor Time' app to its customers. The app can help identify early signs of problem gambling to its users. Bettor Time has been developed by Zafty Intelligence, a leading company in mobile mental health assessment, using proprietary machine learning software to identify unique changes in user behaviour associated with mental health issues.

Finally, we work closely with a broad range of stakeholders to investigate new and innovative ways to expand our responsible gambling efforts. We have seen that collaboration between researchers and operators can significantly enhance research in the area of responsible gambling and we are involved in a range of research studies and sponsor a number of PhD programmes.

Highlights

Making gambling 100 per cent enjoyable

12%
of our customers use non-mandatory control tools

76%
of our customers adopt a healthier approach to gambling after the first detection

690
registered attendees for the 2020 Sustainable Gambling Conference

97%
of employees completed training on responsible gambling

Maintaining integrity

Integrity rests on two pillars: sports betting integrity and integrity in Kindred's platform in terms of cyber security and customer data protection.

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

We operate a bug bounty programme, through which we invite selected security researchers to test the security of our various brand websites to discover vulnerabilities before they are exploited by malicious entities. We made this programme public in February 2020 on the HackerOne platform and we are constantly trying to expand its scope to cover all our externally-facing brands and services.

At Kindred, we know that collaboration is key in the fight against match-fixing. We collaborate with governing bodies, industry associations, sports clubs and authorities to share data and experience. Kindred has, together with the European Football for Development Network (EFDN), our community partner, launched Fair Sport 4 All, focused on anti-match-fixing. For more information on Kindred's approach to combatting match fixing, please see page 24.

As a digital company, adhering to data protection best practices and laws, such as the General Data Protection Regulation (GDPR), is one of our highest priorities. This is reflected in our internal Privacy and Data Protection Policy, which covers all customers, channels, brands, products, platforms, suppliers and transactions. It is crucial for our ongoing business success that our employees are diligent and observant. Every year, all Kindred employees and contractors must pass mandatory training in cyber security and information security. On top of this, all employees and contractors undergo mandatory training on what the GDPR means for our business, policies and processes. In 2020, the rate of completion for our information security training was 97 per cent.

Highlights

We always strive to behave with integrity and fairness in everything we do to maintain the trust of our customers, the regulators and society as a whole

97%
of employees completed training on information security

61
vulnerabilities identified

19
suspicious sports betting events reported by Kindred

10
employees appointed to be certified Privacy Champions

Running a compliant business

Compliance is a prerequisite for our business, and we are subject to strict rules and provisions in the countries and regions in which we hold licences.

Our ambition is to ensure that in a highly regulated industry, our operations always meet the highest professional, compliance and ethical work standards. With every local licence having its own specific legal, operational and commercial requirements, Kindred invests heavily in compliance and governance functions. We currently have more than 150 employees within our business working directly with this aspect of our operations. During 2020, Kindred undertook 18 regulatory audits across all its licensed activities as required by the terms of its licences (2019: 17), with all open points closed.

We take crime prevention very seriously. Our systems and controls are designed to keep money launderers and other criminals away from our platform across multiple jurisdictions. We require all employees to participate in regular anti-money laundering (AML) training, and we provide further training targeted at those groups who are tasked with detecting and preventing money laundering. Further, Kindred has a Group Money Laundering Reporting Officer who provides the CEO with regular reports on individual cases.

As a digital business, all transactions are conducted online. We have several systems monitoring each single transaction to determine risk and require high-risk customers to provide their source of funds. Higher-risk activity is checked by a dedicated team trained to de-risk the situation by appropriate customer due diligence and necessary actions. If a customer's activity level is determined to be high risk, an Internal Risk Report is raised and, if following further internal investigations there are indications of money laundering attempts, we raise a report to the National Financial Investigation Unit in the specific market.

Highlights

We strive to ensure that our operations always meet the highest professional, compliance and ethical standards

GBP 272m
generated to governments in tax (corporate taxes, VAT, betting duties and payroll taxes)

18
regulatory audits with all open points closed

60%
gross winnings revenue from locally regulated markets

439
suspected cases of money laundering raised by Kindred to authorities

Being Kindred

Kindred's long-term success is driven by our people. Attracting and retaining the best people to support and drive Kindred's long-term strategic objectives, purpose and business operations, remains a key priority. A significant element of this is to offer a best-in-class employee experience.

We foster a learning culture by investing in employee development from day one. We have a strong internal network to deliver facilitator-led and peer-to-peer development opportunities. The "Kindred Academy" provides employees with the opportunity to acquire new in-depth skills, expertise and knowledge, as well as expand their internal and external network.

In 2020, we launched our leadership programme, the Kindred Alchemy programme. The programme has strict diversity criteria in place to ensure that the gender balance of applicants is fair, and leadership capabilities on which is it built have been verified by an external expert to ensure they are bias free.

2020 has been an extraordinary year in many regards. The COVID-19 pandemic has resulted in employees having to work from home, meaning that Kindred as an employer has faced a new type of challenge and responsibility – ensuring everyone is doing well without being able to meet in person.

To support our employees, we rolled out a global support programme called Kindred Hive. The concept of the Hive is that everyone can contribute and support each other in a social setting. It consists of core modules built around core habits to thrive and survive in lockdown. It is built around psychological safety and gives employees tools to analyse and improve their mental wellbeing and that of those around them. Networks such as Black, Asian, Minority Ethnic & Allies, LGBTQ+ & Allies, Parents and Solo workers have been formulated as well. Campaigns for these networks are under construction and will roll out in 2021.

Highlights

Become one of the world's highest-ranked companies for employee engagement

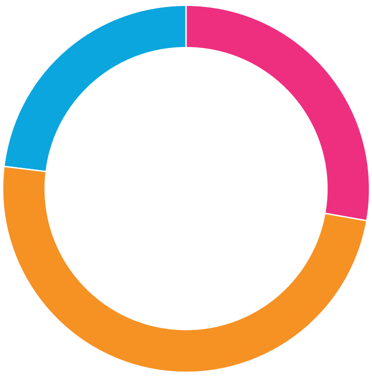
1,144,686
share awards granted to our employees

95%
feel they are treated fairly regardless of age, race and sexual orientation

62
nationalities

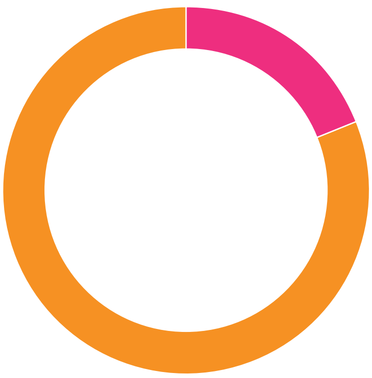
2020 employee age breakdown (%)

<30 years	28%
31–40 years	49%
41+ years	23%



2020 employee gender breakdown – senior management (%)

Female	19%
Male	81%



Contributing to our communities

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

We do so by engaging in meaningful partnerships with local and global organisations, as well as working towards securing 100 per cent of our purchased energy from renewable resources by 2023 wherever we can.

As a company operating solely online, our climate impact mainly comes from energy usage and business travel. We report on our emissions annually using a third party, to be compliant with the Greenhouse Gas Protocol Corporate Standard. We disclose our environmental impact in our annual Sustainability Report and through CDP (formerly the Carbon Disclosure Project). Our CDP score indicates the Group's ability to monitor and quantify its carbon emissions. In 2020, Kindred received a score of B, which is an improvement from last year (2019: B-).

We have also set Science Based Targets for our emissions. The targets have been developed with support from external experts, and they are aligned to the guidelines published by the Science Based Target Initiative (SBTi).

In 2020, our brands and offices undertook several initiatives to support their local communities in the wake of the pandemic, for example by donating all the profits from the virtual Grand National to NHS Charities Together in the UK. In Malta, the resident catering team prepared approximately 30,000 meals to local hospitals, the homeless across the island via the Knights of Malta, and migrants.

As part of the sponsorship of the Swedish Elite Football leagues, Kindred concluded its payment of SEK 20 million throughout the year to the football clubs as part of the "Hemmaklubben" initiative to help fund further development in each club.

Highlights

Equip the communities in which we operate with the knowledge and resources to build a better future

52%
reduction in CO_2e emissions per employee

100%
of our reported CO_2e emissions were offset

Our resident catering team in Malta, ready to deliver 600 meals to local health workers dealing directly with COVID-19.

Kindred Group CO_2 emissions

	Tonnes of CO_2e		
	2019/20[1]	2018/19[1 2]	2017/18[1 2]
Scope 1 – Operation of site facilities (tonnes CO_2e)	44.3	111.0	12.1
Scope 2 – Grid electricity purchased (tonnes CO_2e)	1,939.1	2,260.9	2,329.4
Scope 3 – Indirect emissions including travel (tonnes CO_2e)	855.3	3,882.2	3,938.2
Total	**2,838.7**	**6,254.1**	**6,279.7**
CO_2e ratio (tonnes per employee)	1.76	3.73	4.29
CO_2e ratio (tonnes per GWR GBP million)	2.64	6.85	6.93

1 To ensure CO_2e data is collected on a timely and accurate basis, the CO_2e reporting year is a month ahead of the financial year.

2 In 2019/20, the employee headcount has been measured as at 30 November 2020 to align with the CO_2e reporting year while the emissions have been calculated with more accurate emissions factors meaning that the comparative metrics shown above for 2017/18 and 2018/19 have been recalculated accordingly. Read more about the emissions factors in the sustainability notes in the 2020 Sustainability Report.

Sports betting integrity at Kindred

Kindred sees match-fixing as a sustainability focus area.

Billions of people from around the world have a passion for participating in and spectating sport. However, if the unpredictability of sporting events is compromised this passion is in severe jeopardy. Betting-related match-fixing creates an increasing risk to our industry by bringing the honesty of sporting events into question. This not only leads to a loss of interest in our betting product but ultimately may cause the whole sports betting entertainment chain to suffer.

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

Kindred operates under the "See something, say something" approach. Suspicious betting activity will always be reported along three lines: to the relevant local authority, to the relevant sports' governing body and to the International Betting Integrity Association.

The IBIA (formerly known as ESSA), is the integrity body of the regulated betting industry and reports aggregated findings on suspicious betting events to regulators and sports governing bodies. The IBIA works closely with many of the world's leading sport federations, such as the International Olympic Committee, FIFA and UEFA. Moreover, the IBIA has signed Memoranda of Understanding (MoU) with gaming regulators to make sure relevant intelligence is shared with the respective authorities as soon as possible. In 2020, 270 events were deemed to be suspicious and were reported to the authorities.

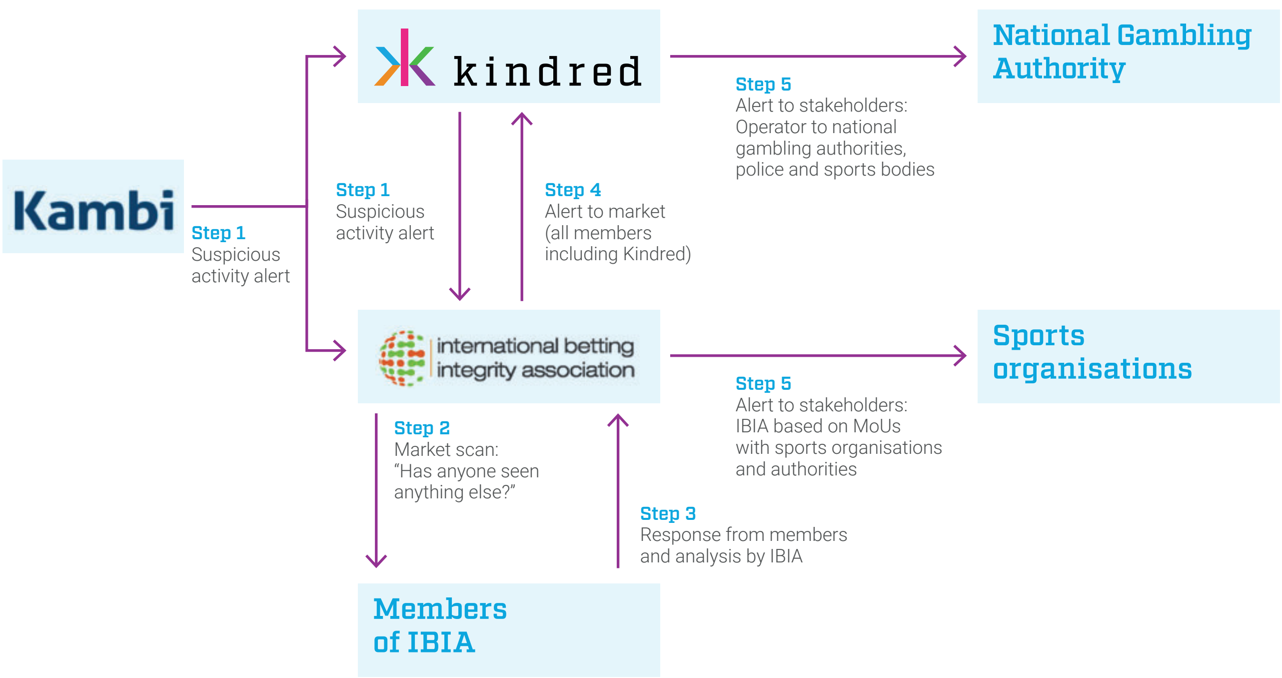
Evidence from IBIA Monitoring & Alert Platform serves as the basis for an informed policy approach. In-depth research reports and position papers are regularly shared with policymakers.

Throughout the years IBIA has also supported the education of players and other sporting personnel as this is key to protecting the integrity of sport.

During 2020, the partnership Kindred launched in 2019 with the European Football for Development Network has continued with the aim of promoting the power of football as a tool for social development. As Community Partner, Kindred will work with EFDN on the Fair Sport 4 All project, which aims to educate professional football players on sports betting integrity in order to prevent match-fixing among the 70+ members of the EFDN community.

To Kindred, a positive contribution to society is vital. Sponsorship agreements not only give Kindred a way of bringing funding to sports but also an opportunity to work together with sports to develop integrity. 2020 was the first year of a six-year sponsorship of Swedish Elite Football, the most comprehensive sponsorship agreement Kindred has ever entered into. The collaboration with the top two Swedish football leagues entails the appointment of an integrity officer in every club along with dedicated training in responsible gambling and sporting integrity. Raising standards among, and further educating all stakeholders will result in the preservation of the integrity within sports.

Schematic of analysis and reporting of suspicious betting activity



Risk and risk management

With constant uncertainty across the world due to COVID-19, and the gambling industry continuing to face several challenges, the importance of risk management remains crucial for Kindred Group. Good risk management allows the Group to have increased confidence in achieving desired outcomes, constraining risks at acceptable levels and making informed decisions about new opportunities. This leads to less disruption, reduced uncertainty and improved decision making in its evolving risk profile.

Risk governance

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

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

Prudent management Responsible for taking a holistic view of the Group's risks and assessing risks across all areas of the business in a consistent manner.

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

Continuous Assessment Risk function continuously reviews risks to take into account changes in market circumstances and developments within the Group's operating areas.

Frequent Monitoring Risk function liaises closely with key stakeholders to continuously monitor risks.

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

Risk management process

Kindred Group's risk management process stipulates that a risk assessment is carried out annually. The annual risk assessment started in August and the Risk Management function worked together with the business to conduct a risk assessment across the Group and capture the relevant risks.

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

Risk mitigation is assigned to the relevant stakeholder in the organisation to implement relevant actions with the assistance and support of the Risk Management function.

This enables the Group to:

- map and anticipate identifiable risks and regularly update assessments;
- prioritise risks against Group strategy and risk appetite;
- allocate risk mitigate actions;
- develop and implement policies; and
- provide training and support and regularly check the effectiveness of the process.

Principal risks

The Kindred Group divides its principal risks into general risks and industry-specific risks. General risks can be broken down into the following areas:

- Strategic
- Operational
- Financial (see note 2C on pages 70 and 71)
- Compliance

Risks are identified using the process described in the diagram below

	Risk Management and key stakeholders	Audit Committee	Kindred Group's Board	Risk Management and Internal Audit teams
Aug/Oct	**Risk assessment** Identify and assess key risks for the Kindred Group **Risk monitoring** Work with stakeholders on update of risk	**Review of key risks and risk management process** Review of Internal Audit plan Review the revised Internal Audit plan Discuss updates with the Internal Audit functions		
Nov/Dec	**Risk mitigation plans** Work with stakeholders on risk mitigation plans	**Approval of annual Internal Audit plan** Update and add audit projects if necessary Add a bit of spice like others Review of 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/Apr	**Risk monitoring** Work with stakeholders on update of risk	**Review of key risks and risk management process** 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
May/Jul	**Risk monitoring** Work with stakeholders on update of risk	**Review of key risks and risk management process** 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

Principal risks and uncertainties

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

1. Strategic risk

Risk	Mitigation
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 sustainable business.	The Group maintains ongoing dialogue with regulators and policymakers in its core markets, providing input on new or updated regulation to help create a sustainable regulatory environment that is aligned to customer demand and the cross-border digital market reality. The Group's compliance with existing regulation is embedded in the wider organisation and tested regularly by external agencies.
Third-party dependency Lack of control over availability of external suppliers gives rise to risk of either business disruption or sub-optimisation. As the industry evolves, the risk of supplier concentration increases. If key suppliers acquire dominant or monopoly positions, this creates a risk of uncontrolled price increases.	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.
Brand reputation Kindred has built a reputation throughout the years based on strong foundations, including its commitment to being a responsible partner with a focus on compliance, safe gambling, and player sustainability. This ultimately creates a safe and secure gambling experience for Kindred's customers through its many brands. Brand reputation is in everything Kindred does and, to an extent, to the industry in general. While it is a broad and unpredictable risk, such risk can ultimately affect revenue, investments and shareholder value.	The Group remains a leading actor within the industry, especially in terms of responsible gambling, through several initiatives focusing on safe gambling and player sustainability. It will now, however, also focus its efforts in several other areas including brand perception studies, brand reputation surveys and other industry analysis as well as continuing to develop key initiatives in its key markets to help mitigate any brand reputation risk.

2. Operational risk

Risk	Mitigation
External security intrusion attempts Either as a result of a cyber-attack or internal security weakness, the Group's customer data, including sensitive data such as passwords and/or banking details, could leak into the public domain.	The Group is ISO 27001 certificate compliant and will continue to improve its policies and procedures with technology advancements. The Group is committed to attracting and retaining the best talent within its IT Security department, prioritising security tasks and projects, and to training and educating all employees as required.
Failure in recruiting or retaining key staff Failure to recruit or retain existing key staff can lead to difficulties in achieving the Group's 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. Initiatives are also carried out, through the Group's sustainability framework, to meet the Group gender diversity objectives.
Failure to adapt to new operational realities COVID-19 has reminded everyone that such risk is very real and can change the Group's operational realities quickly. The risk of the Group failing to adapt and find innovative ways to operate can result in a negative impact on employee engagement and attrition.	In terms of COVID-19, the Group established a task force and is continuously monitoring the situation across all countries and offices in which the Group operates. This has enhanced efficiency and effectiveness whilst keeping a safe and secure environment for all employees.
Failure to execute strategic objectives in new markets There are many operational challenges associated with entering new markets which may mean the Group may fail to meet its strategic objectives for that market. These include unforeseen operational uncertainties and complexities and greater competition than anticipated.	The Group has a vast wealth of experience of entering new, regulated markets and can draw upon this knowledge and expertise as required. Although external factors are also at play, the Group ensures it has dedicated teams for new markets focusing on both operational matters and providing the best customer experience.

3. Financial risk

Risk	Mitigation
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, US dollar and Australian dollar. Certain events 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.	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. To mitigate the risk of exposure to foreign currency movements, hedge accounting has been considered and is to be implemented in 2021. The Group 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.
Odds/trade The risk that the Group will lose money on its business due to unfavourable outcomes or match-fixing 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. The sportsbook product is also subject to regular reviews to verify genuine play and bet placement to ensure there is no indication of fraud. Any suspicious activity is reported to the relevant regulatory bodies.
Transition into newly regulated markets The Group sees this transition as positive for the industry and, though it anticipates that greater costs will naturally impact profitability in the short term, there is a risk of unforeseen costs or a delay in the time taken to return to pre-regulation profitability. This could result from unexpected regulatory requirements and costs, channelisation levels or product and marketing limitations.	The Group can draw upon the significant knowledge and experience it has gained from previous markets which have moved to local regulation. The Group also continuously works with stakeholders to ensure new regulation is sustainable whilst also providing a great customer experience.

4. Compliance risk

Risk	Mitigation
Tax The Group operates in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different tax authorities towards the interpretation of local tax rules.	The Group maintains active and continuous engagement with tax advisors, industry peers and associations to be informed about new legislation in order to best plan the necessary mitigation for risks deriving from such changes.
Regulatory compliance and governance complexity Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on the Group's results and additional costs may be incurred in order to comply with any new laws or regulations.	Group governance, including compliance, sustainability and security, is core to our operations which are designed to meet the highest professional, compliance and ethical standards. The Group is committed towards compliance and implementing any changes or requirements on time, as required. The Group also does mandatory training for all stakeholders as part of our training and awareness campaign.
De-risking of customers The Group needs to de-risk its customers, in line with its legal obligations. However, if this is not carried out properly (for example, human error in the de-risking process) the Group can be subject to fines and/or sanctions. It also can impact the customer journey (if a seamless experience is not maintained).	The Group continues to develop tools and automate processes to flag higher risk customers, and action to de-risk them is taken as appropriate Other controls in place include near-real-time alerts of risk indicators on customer accounts, a holistic customer data view, creating synergies between player sustainability teams and other departments and educating and training the work force on relevant requirements.

5. Industry-specific risk

Risk	Mitigation
Negative public perception of the industry Constant negative media attention towards the industry drives adverse policy decisions with stricter rules and/or increased enforcement. Such risk might also impact the Group's ability to attract and retain talent, or the Group's gender diversity objectives.	The Group continues its commitment towards open dialogue with regulators, industry stakeholders and the wider society, focusing on compliance, social responsibility, player sustainability and responsible gambling. More information can be found in the Group's Sustainability Report.

Financial review

All-time highs in Gross winnings revenue and EBITDA, as the Group shows resilience in the face of a global pandemic and reaps the benefits of its scalable business model.

Overall Group performance

2020 was a record year for the Kindred Group across many of its key performance metrics. EBITDA was up an impressive GBP 146.1 million (+114 per cent) from the prior year to GBP 274.2 million and earnings per share was up by 191 per cent to GBP 0.728.

Despite the emergence of COVID-19 during the year, the Group has successfully navigated the uncertainty that this caused for so many businesses across the globe. The impact was felt early on as many sports events were postponed or cancelled. However, Kindred's diverse business model meant that the impact on its top line was partially mitigated by solid growth across its other product offerings. As the year progressed sports events returned, and, despite the initial impact, active customers for the year increased by 3 per cent to 3.2 million, a solid achievement considering the impact of the pandemic. Active customers for the fourth quarter even reached an all-time high level which overall has resulted in a notable 24 per cent increase in Gross winnings revenue from the prior year.

Further down the income statement, the Group has also demonstrated careful management of its costs, as expected due to the previously communicated cost control initiatives. Focus on the optimisation of expenditure, as well as some natural and temporary decreases in operating expenses as a result of COVID-19, have supported the significant increase in EBITDA and the Group is confident that the scalable business model it has built will continue to deliver benefits in the future.

The US market has also continued to be a core focus for the Group during the year. Gross winnings revenue of GBP 23.8 (2019: GBP 1.7) million has been achieved and, whilst as a new market it naturally has a negative impact on the Group's EBITDA at the beginning, Kindred's expectation is that the investments made now will enable the business to continue to build its sustainable active customer base which will drive future growth in this market.

As a result of the remarkable 2020 results, the Group has also achieved an all-time high in free cash flow for the year and ended the year in a net cash position.

Gross winnings revenue

Total Gross winnings revenue in 2020 reached GBP 1,130.2 (2019: GBP 912.8) million, meaning the Group surpassed GBP 1 billion for the first time in its history. Gross winnings revenue from sports betting increased by 12 per cent to GBP 488.1 (2019: GBP 435.5) million for the year. Other products (defined below) saw even greater growth for the year, increasing Gross winnings revenue by 35 per cent to GBP 642.1 (2019: GBP 477.3) million as the Group capitalised on its diverse product offering whilst the sporting calendar was limited as a result of COVID-19.

The Group also continues to deliver on its strategic aim for sustainable growth from locally-regulated markets, with Gross winnings revenue from these markets amounting to 60 (2019: 59) per cent of the total Group Gross winnings revenue, a slight increase from the prior year.

Gross margin on sports betting and all products

The gross margin for total sports betting in 2020 after free bets was 9.4 (2019: 8.4) per cent, coming in higher than the Group's long-term average sports betting margin of 8.8 per cent (see graph on next page).

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

The gross margin for all products in 2020 before free bets was 4.9 (2019: 5.1) per cent.

Cost of sales

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

Betting duties for the full year 2020 amounted to GBP 231.0 (2019: GBP 204.3) million, an increase of 13 per cent from the prior year. Despite the share of Gross winnings revenue from locally-regulated markets remaining fairly consistent with the prior year, the absolute value increase in these revenues leads to a natural increase in betting duties. Betting duties have, however, grown at a lower rate than Gross winnings revenue due to the market mix. France, for example, which has a higher rate of betting

	31 December 2020					31 December 2019				
GBP m	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**
Sports betting	95.8	330.1	39.1	23.1	**488.1**	86.7	299.9	36.9	12.0	**435.5**
Other products – casino & games, poker and other	172.4	375.3	62.7	31.7	**642.1**	171.9	255.6	42.1	7.7	**477.3**
Gross winnings revenue	**268.2**	**705.4**	**101.8**	**54.8**	**1,130.2**	**258.6**	**555.5**	**79.0**	**19.7**	**912.8**
Betting duties	-26.8	-169.2	-15.7	-19.3	**-231.0**	-23.6	-165.9	-10.1	-4.7	**-204.3**
Marketing revenue share	-11.7	-31.1	-6.1	-4.7	**-53.6**	-13.8	-27.3	-5.5	-2.2	**-48.8**
Other cost of sales	-52.9	-97.1	-18.7	-11.7	**-180.4**	-53.9	-77.8	-15.4	-4.0	**-151.1**
Gross profit	**176.8**	**408.0**	**61.3**	**19.1**	**665.2**	**167.3**	**284.5**	**48.0**	**8.8**	**508.6**
Marketing costs					**-203.6**					**-210.9**
Administrative expenses					**-224.1**					**-219.0**
Items affecting comparability					**-31.7**					**-7.8**
Profit from operations					**205.8**					**70.9**
Profit before tax					**193.1**					**67.1**
Profit after tax					**165.2**					**56.6**
Earnings per share (GBP)					**0.728**					**0.250**

duties, was one of the most negatively impacted markets as a result of COVID-19, given only sports betting is available to customers.

Other cost of sales has also grown at a lower rate than Gross winnings revenue as the Group achieves cost efficiencies in product commissions thanks to its scalable operations.

Marketing costs

During 2020, marketing costs were GBP 203.6 (2019: GBP 210.9) million. Marketing expenditure has decreased from the prior year as the Group benefits from the rationalisation of its marketing strategy as well as the natural consequences of the uncertainties and impact of COVID-19 which created a temporary reduction in spend during 2020. Despite this drop in marketing spend during the pandemic, Kindred's share of voice has increased throughout 2020.

Administrative expenses

During 2020, total administrative expenses were GBP 224.1 (2019: GBP 219.0) million. This total includes the following:

- GBP 109.7 (2019: GBP 96.1) million of salary costs. Whilst the Group's previously announced cost control initiatives have resulted in a 6 per cent reduction of headcount during 2020, lower than normal capitalisation of development costs and adjustments to variable compensation driven by the strong Group performance have resulted in the increase from the prior year.
- GBP 63.7 (2019: GBP 73.6) million of other operating expenses. This comprises predominantly consultancy and facilities' costs. The significant decrease from the prior year is a result of the Group's successful drive for cost control as well as some temporary decreases in both facilities and travel costs as a result of COVID-19 restrictions.
- GBP 26.4 (2019: GBP 25.0) million of depreciation, spanning property, plant and equipment and right-of-use assets.
- GBP 24.3 (2019: GBP 24.3) million of amortisation (excluding amortisation on acquired assets defined below in items affecting comparability). This primarily represents amortisation of capitalised development costs (representing salary costs for those working on the development and enhancement of the platform).

Note 4 in the financial statements on pages 74 and 75 provides more analysis of administrative expenses, as well as items affecting comparability detailed below.

Items affecting comparability

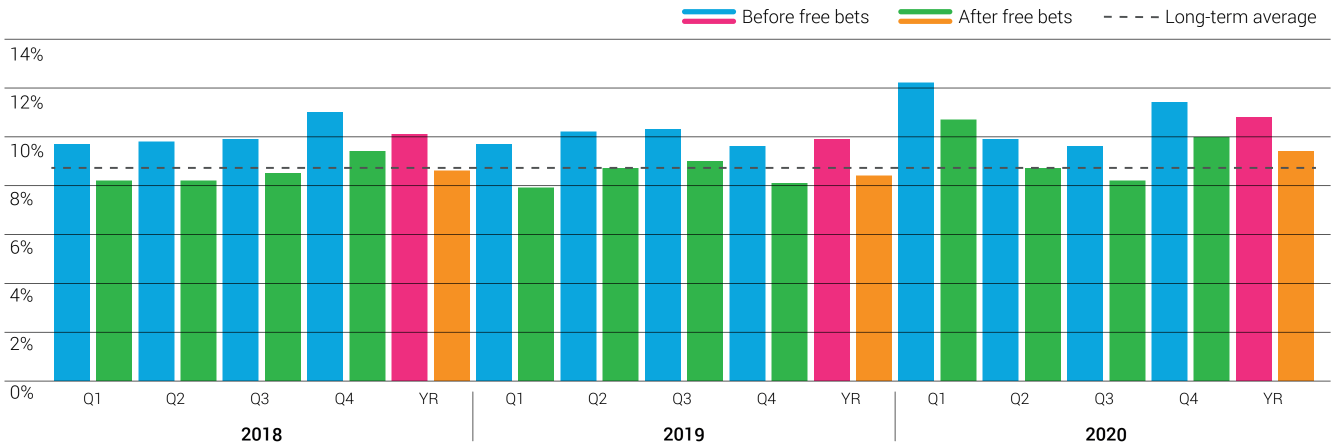
The Group defines items affecting comparability as those items which, by their size or nature in relation to the Group, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparison of the Group's results between years. In 2020, items affecting comparability included the following:

- Management incentive costs of GBP 0.4 (2019: GBP 0.2) million relating to previous Group acquisitions.
- Personnel restructuring costs of GBP 4.2 (2019: GBP 1.7) million. As previously communicated, the Group is striving for improved cost and operational efficiencies, which has resulted in continued headcount reduction throughout 2020 (by 6 per cent to 1,564 employees at the end of 2020), as the Group ensures it is appropriately structured for the future.
- A disputed regulatory sanction relating to the decision by the Swedish Gambling Regulator to issue the Group with a fine of SEK 100.0 million (GBP 8.0 million). See note 4 on pages 74 and 75.
- GBP 7.8 (2019: GBP 2.0) million of goodwill impairment. GBP 3.9 (2019: GBP 2.0) million being the impairment of Betchoice goodwill, following the Group's assessment of its fair value as a result of COVID-19 and GBP 3.9 million against goodwill that arose from the Guildhall acquisition in 2008, as a result of the Group rationalising its brand portfolio. Both goodwill balances are now fully written down and both charges are non-cash and have no impact on free cash flow. For more information see note 11 on pages 77 to 79.
- Amortisation of acquired intangible assets of GBP 9.9 (2019: GBP 5.9) million, which is the charge on IFRS 3 "Business combinations" acquired assets over the useful life of the asset, included as part of the Group's total amortisation charge shown in note 11. Included within this charge for 2020 is accelerated amortisation of GBP 6.9 million relating to those brands that the Group has decided to discontinue during 2020, in order to benefit from focusing resources on its remaining brands and to reduce organisational complexity.
- A foreign currency loss on operating items of GBP 1.4 (2019: gain of GBP 2.0) million.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2020 were GBP 274.2 (2019: GBP 128.1) million. Profit from operations for the full year 2020 was GBP 205.8 (2019: GBP 70.9) million, an increase of 190 per cent. The result was impacted by several key factors, as explained in the summary of the overall Group performance.

Sports betting gross margin (2018 – 2020)



Total margin all products (2018 – 2020)

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2020 FY	2019 FY	2018 FY
Total margin all products* (before free bets)	5.2%	4.7%	4.2%	5.3%	4.9%	5.1%	5.0%

* Includes sports betting and casino & games, but excludes poker rakes and other revenues.

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

Net finance costs (consisting of finance costs offset by finance income) amounted to GBP 5.8 (2019: GBP 6.6) million for 2020. This primarily comprises interest and fees on borrowings which amounted to GBP 4.9 (2019: GBP 5.4) million for 2020.

The foreign currency gains and losses on borrowings relate to the revaluation of the Group's multicurrency facilities. For the full year 2020 this amounted to a loss of GBP 8.7 (2019: gain of GBP 2.9) million. To mitigate the risk of exposure to foreign currency movements hedge accounting is to be implemented in 2021.

Profit after tax

Profit after tax for the full year 2020 was GBP 165.2 (2019: GBP 56.6) million, an increase of 192 per cent. The effective tax rate for the full year 2020 is broadly in line with the prior year.

Development and acquisition costs of intangible assets

Intangible assets comprise development costs, computer software and licences. In 2020, intangible assets of GBP 20.7 (2019: GBP 41.4) million have been capitalised.

For the full year 2019, licence costs of GBP 14.9 million for entering the US market (predominantly Pennsylvania) were capitalised while there have been no such costs in 2020.

Capitalised development costs primarily represent capitalised salary costs for those working on the development and enhancement of the platform. In 2020, development expenditure of GBP 20.4 (2019: GBP 25.0) million was capitalised. The decrease in costs capitalised when compared to the prior year is due to the planned reduction in employee headcount, and consultants during 2020, as well as slightly lower levels of capitalisation than expected. During 2020, this development is driving economic benefit through adapting to local licensing requirements, customer experience improvements, data analytics and information mining.

Balance sheet

The Group retains a strong balance sheet at the end of 2020, reflecting both the Group's growth and its ability to manage working capital. The Group is now in a net cash position of GBP 104.7 (2019: net debt position of GBP 155.0) million at 31 December 2020 as a result of the strong results and cash flow generation in 2020 and the Board's decision to withdraw its proposal to pay out a dividend during 2020.

The most significant non-current assets on the Group's balance sheet are goodwill and intangible assets. Intangible assets comprise assets acquired as a result of business combinations (such as brands, customer databases and domain names) as well as capitalised development costs, computer software and long-term gaming licences. For further information on the movements in goodwill and intangible assets, see note 11 on pages 77 to 79.

Property, plant and equipment has decreased during the year as additions are more than offset by the corresponding depreciation charge. Right-of-use assets, recognised for the first time as a result of the adoption of IFRS 16 in 2019, have also decreased during the year as, again, the depreciation charge outweighs remeasurements to the carrying value of some of the assets during the year.

Aside from cash (discussed in the next section), the current assets on the balance sheet relate to other receivables and prepayments, which have not moved significantly during the year, and taxation. Taxation comprises corporate tax refunds due from tax authorities and the increase from the prior year is due to the timing of the receipt of these refunds.

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

Kindred Group plc has a syndicated multicurrency facilities agreement with several Nordic banks. The facilities comprise a GBP 120.0 million bullet term loan and a GBP 160.0 million revolving loan facility, both repayable at the end of the three-year facility term on 23 July 2022. As at 31 December 2020, GBP 119.0 (2019: GBP 225.4) million of the facilities was utilised out of a total of GBP 280.0 (2019: GBP 280.0) million. See note 20 on pages 83 and 84 for more information. For more information on the movements in borrowings in the year, see the cash flow section.

Lease liabilities have decreased during the year as repayments of the liability are offset by interest, foreign exchange movements and remeasurements of some of the lease liabilities during the year.

Trade and other payables amounted to GBP 162.1 (2019: GBP 126.6) million at 31 December 2020. The significant increase from the prior year is a result of increased activity at the end of 2020 when compared to 2019, which has increased accrual levels, for example in relation to commissions, betting duties and employee bonuses, amongst others. Provisions have increased from GBP 11.8 million at the end of 2019 to GBP 21.8 million at the end of 2020. This is primarily the result of the disputed regulatory sanction, explained further in the items affecting comparability section and note 4 on pages 74 and 75.

Customer balances amounted to GBP 77.5 (2019: GBP 67.4) million at the end of the year. See note 19 on page 83 for more information. Tax liabilities have increased by GBP 73.7 million from the prior year due to the timing of corporation tax payments.

Cash flow

GBP 316.1 (2019: GBP 120.3) million in cash was generated from operating activities during 2020. The increase is primarily the result of significantly improved underlying performance (operating cash flows before movements in working capital increasing by GBP 145.9 million when compared to the full year 2019) boosted by positive net working capital movement of GBP 34.7 million. This is mainly attributable to higher supplier and betting duty accruals (as a result of the increased activity during the year), timing of corporation tax payments, and the Swedish fine of GBP 8.0 million from the first quarter which remains disputed, and unpaid, yet fully provided for in the numbers above.

Cash flows used in investing activities in 2020 were GBP 25.5 (2019: GBP 56.6) million. The decrease from 2019 is a result of the reduction in capital investments, predominantly in relation to US gaming licences and capitalised development costs, as explained in the relevant section on development and acquisition costs of intangible assets above.

Other significant cash movements during 2020 were the repayment of GBP 115.1 (2019: GBP 92.8) million of borrowings. During 2019, there were also drawdowns of GBP 130.0 million, whilst there were no such drawdowns in 2020. A dividend totalling GBP 112.5 million was also paid out during 2019, however, as explained further on page 46, the proposal by the Board to pay out a dividend during 2020 was withdrawn as a result of the uncertainty surrounding COVID-19.

The Group's ability to generate strong operating cash flows, together with the option to utilise the facilities it has available, gives flexibility for the Group to continue to consider a range of strategic opportunities and manage its liquidity accordingly.

Kindred as an investment

Kindred is a leading global online gambling operator in a large and growing market. We are committed to continuing our growth journey in both Europe and the USA, the latter being an opportunity which will be prioritised in the coming years. Our size, solid track record of growth and structured approach to sustainability have provided us with economies of scale and the ability to deliver sustainable profitable growth and strong cash flows.

A large and growing underlying market

Kindred operates in the global online gambling market which includes live and pre-game sports betting, casino & games, poker and bingo. Sports betting and casino & games are the two largest product segments and estimated to make up 49[1] and 28[1] per cent respectively of the total global online market. Total Gross winnings revenue for the global online gambling market was estimated to be over GBP 53 billion[1] in 2020, with an expected compounded annual growth rate (CAGR) of 9[1] per cent between 2020 and 2025. The rapid growth rate can be largely attributed to the shift from offline to online gambling, a trend that has accelerated in the wake of the COVID-19 pandemic. The online gambling market was estimated at 20[1] per cent of the total global market in 2020. The market is also characterised by fragmentation, consolidation and the trend of more countries moving towards local regulation to protect tax income and address harmful gambling habits. In 2020, some 69[1] per cent of the total global market value is estimated to have originated from regulated markets.

One of the world's leading online gambling operators with a diversified business model

Kindred is the world's fourth largest online gambling operator in terms of Gross winnings revenue and has nearly 30 million registered customers across many countries. Our revenue is diversified, both from a product and a geographical perspective, which provides a stable base and multiple growth opportunities. By utilising Kindred's strong brands and attractive products across our markets, we continue to grow our customer database and gain market share. Through our data-driven approach and strong focus on customer experience our objective is to retain our customers over a long period of time and build sustainable relationships. Kindred's strong market position also makes it possible for Kindred to take an active role in consolidation of the large, and still fragmented, online gambling industry.

A solid foundation for continued long-term profitable growth

Kindred has a track record of strong revenue growth with a CAGR of 23 per cent between 2010 and 2020, which can be compared with 11[1] per cent for the global online market. The global online market is relatively resilient to macroeconomic development, which can be illustrated by an estimated 11[1] per cent growth in 2020 despite the pandemic's negative effect on the world economy. The accelerated shift to online gambling, regulatory developments and M&A activities create opportunities for Kindred to grow and continue to gain market share. Kindred's large customer base, strong market position and technical platform capacity are the solid foundations required for seizing these opportunities. The transformation to locally regulated markets continues, and we are confident that these markets will allow for solid and sound long-term growth. Kindred has delivered on its strategic aim of sustainable growth as our share of Gross winnings revenue from locally regulated markets has increased from around 31 per cent in 2015 to 60 per cent in 2020 and we expect this to increase going fowards. In addition, we have completed, on average, one M&A transaction per year to support our organic growth, and we expect this activity to continue in the future.

Well positioned to grow the US into one of our largest markets

Although Europe is our home market, and still offers significant growth opportunities for Kindred, we have a clear objective to also increase revenues in other markets. In 2020, almost USD 3 billion[2] of the global online market is estimated to have originated from the USA, while this only amounts to around 4 per cent of the global online market it also represents nearly triple the amount of USD 1 billion[2] for 2019. As most states are expected to open up for online gambling in the coming years, the market is expected to grow rapidly with estimates that the value of the US online gambling market could be almost USD 11 billion[3] by 2025. The market clearly has the potential to be the world's largest online gambling market and Kindred has the products, processes and resources required to capitalise on this significant growth opportunity. Kindred entered the US market in 2019 and has already established a foothold in the market in 2020, reaching GBP 23.8 million in Gross winnings revenue. This is a modest 2 per cent of Kindred's total revenues but a substantial increase from the GBP 1.7 million in 2019. Our strategy in the USA is focused on organic expansion, entering states where we can achieve a meaningful market share and where entry costs are reasonable. Our immediate focus is on expansion in the Northeast and Midwest regions, while we continue to explore selective opportunities across the USA. As of February 2021, we have conditional access to up to 12 states, covering one third of the US population. Our ambition is to be live in six states by the end of 2021 and to grow the USA into one of Kindred's largest markets in the next couple of years.

Determined focus on sustainability

Sustainability is a way of life at Kindred. Our ambition is to ensure that our operations always meet the highest professional, compliance and ethical standards. Kindred's focus on sustainability contributes to long-term profits, reduces volatility and uncertainty, and strengthens our ability to attract and retain the best talent. It also allows close cooperation with regulators and other key institutions. Our efforts have been awarded because in 2016 Kindred Group became the first online operator to receive the environmental, social and governance rating "AAA" from MSCI and, since 2019, our environmental, social and governance commitments have been audited every year by eCOGRA confirming our compliance with EU recommendations. In 2018, we informed the market about our sector-leading approach to responsible gambling with the ambition of having zero per cent of our revenues from harmful gambling in 2023. At the beginning of 2021, we also became the first company in the industry to publicly announce our current share, something we will continue to do on a quarterly basis, as well as the efforts being undertaken to achieve this ambition.

Kindred as an investment continued

A profitable business model with strong underlying cash flow generation

Kindred has a track record of delivering profitability and strong cash flows. The strategic focus on core markets and increased cost control, resulted in a solid financial result in 2020 with an EBITDA-margin of 24 per cent. Our leading position and size mean we can scale operations and invest in the marketing and technology that is required to support further profitable growth, especially in locally regulated markets where taxes and operating costs are higher. A large part of Kindred's cost base is also variable, which allows us to make short-term cost adjustments when changes occur in the business environment, something we saw in the wake of the pandemic in 2020. Kindred has a track record of generating stable long-term profit margins and absorbing short-term regulatory headwinds and increased betting duties as the share of locally regulated revenues has continued to grow. During the last two years, Kindred has generated GBP 316.0 million of free cash flow. The strong balance sheet and cash flow generation allows continued investments in organic growth in both Europe and the US and also provides financial strength to pursue selective acquisitions. As a result of the strong cash flows, Kindred's dividend policy is to generate stable ordinary dividends in absolute GBP-denominated terms that are complemented with share purchases. The total pay-out ratio of dividends and share purchases should over time equal approximately 75 per cent of free cash flow.

For more information about the shares, see pages 46 to 48.

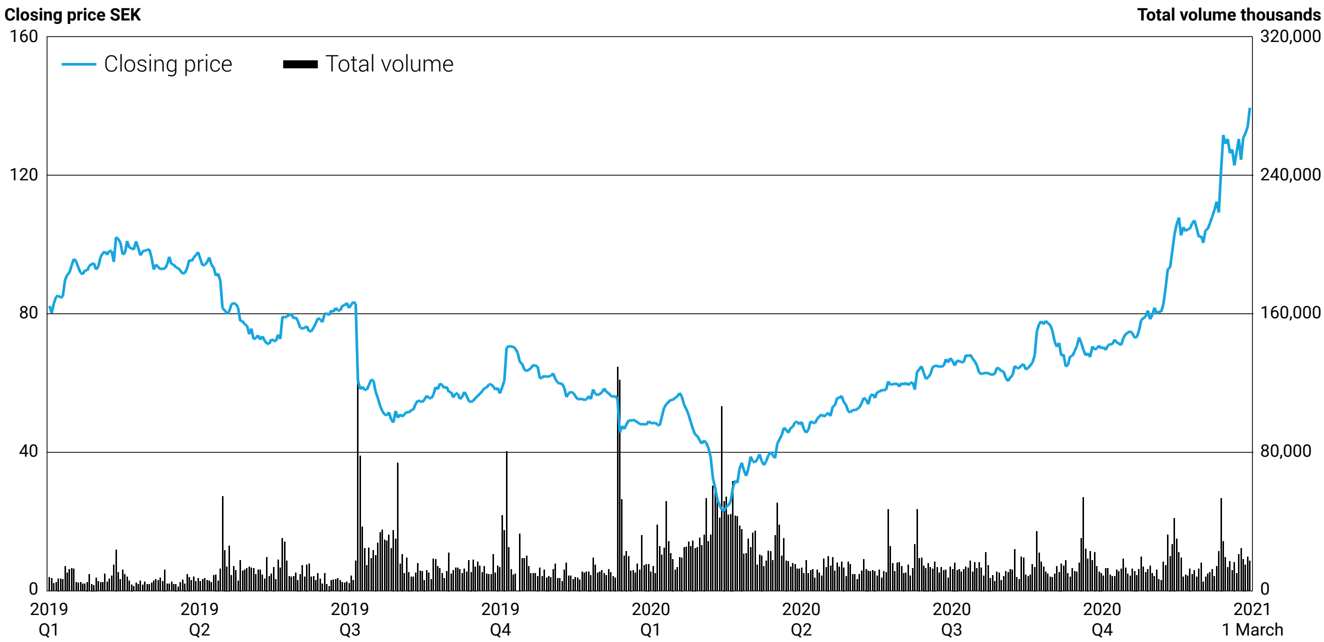
Sources:

1 H2GC 1 Jan 2021

2 Eilers & Krejcik

3 VIXIO Gambling Compliance

Kindred Group Share price



Source: Nasdaq Stockholm

Introduction to governance

The Group has three decision-making bodies in a hierarchical relationship with 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.

Minutes from the Shareholders´ meetings can be found in the AGM & EGM section on www.kindredgroup.com.

For more information about the 2021 AGM, see page 91.

Nomination Committee

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

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

Regular and systematic evaluation forms the basis for assessment of the performance of the Board, the Chief Executive Officer and 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, its management and the Group's major shareholders. The Kindred Group's Board of Directors is composed entirely of non-executive Directors, of whom the majority are independent. The Board is responsible for the Group's overall strategy and direction.

Remuneration Committee

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

The Remuneration Committee report can be found on pages 49 to 52.

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.

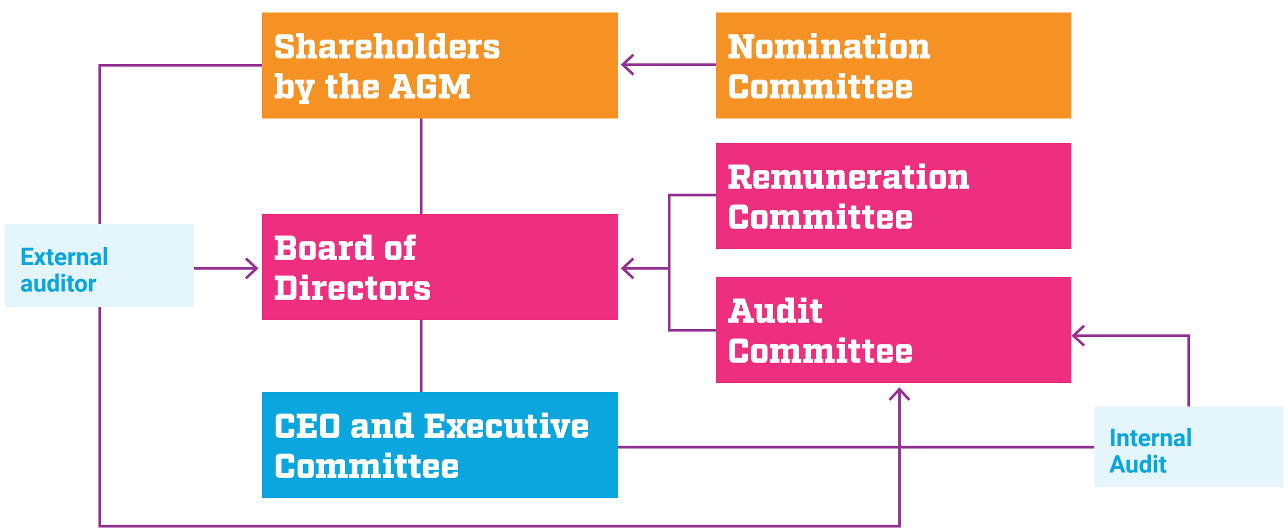
Chief Executive Officer and Executive Committee

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 nine senior officers, of whom two are women.

Statutory auditor

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

Corporate governance model



Board of Directors

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

The Kindred Group Board of Directors comprises an experienced team, committed to high standards of corporate governance and to 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 as at 26 February 2021.

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

Anders Ström
Chairman of the Board

Swedish citizen.
Born 1970. Founder of Kindred Group in 1997 and Board member since incorporation.

Holdings
6,904,200 Kindred Group plc SDRs (through company).

Current assignments
Founder of Kindred Group (then Unibet Group) in 1997 and Co-founder of Kambi Sports Solutions in 2010.
Board member of Veralda AB and related companies.
Board member of Kambi Group since 2014.

Previous assignments
Head of Business Development of Unibet Group (1999-2006)
CEO of Unibet Group (1997-1999)

Peter Boggs
Board member, member of the Remuneration Committee

US citizen.
Born 1948. Board member since 2002. Independent.

Holdings
138,990 Kindred Group plc SDRs.

Current assignments
Board member of Cantraybridge Trust.

Previous assignments
President and CEO of NDMS Inc (1975-1981)
Managing Director of Brown Direct Inc (1981-1985)
Board member of Ogilvy & Mather Direct Plc (1985-1991)
President and CEO of Grey Direct Worldwide (1991-2002)

Gunnel Duveblad
Deputy Chairperson of the Board, Chairperson of the Audit Committee

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

Holdings
8,000 Kindred Group plc SDRs.

Current assignments
Chairperson of the Board for Team Olivia Group AB and Ruter dam.
Board member of Sweco AB, Dustin AB.

Previous assignments
President of EDS North Europe (2002-2006)
Various roles at IBM (1977-2002)

Erik Forsberg
Board member, member of the Audit Committee

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

Holdings
10,000 Kindred Group plc SDRs.

Current assignments
Chairman of the Board of Collectia A/S.
Board member of Stillfront Group AB (publ).

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

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

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

Holdings
10,000 Kindred Group plc SDRs.

Current assignments
CEO of Iver Group since 2019.
Board member of Enento Group plc since 2016.

Previous assignments
A number of global roles within Ericsson AB.
President and CEO of Acando AB (2009-2019)

On 3 December 2020, Stefan Lundborg resigned from his role as non-executive Director at Kindred Group with immediate effect.

Executive Committee

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

Henrik Tjärnström
CEO

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

Henrik joined the Board of Directors of Kindred Group (then Unibet Group) in 2003 and was part of the Board until he was appointed Chief Financial Officer in 2008 and CEO in 2010. Before joining the Kindred Group, he was employed as Senior Financial Manager at Skanska Infrastructure Development AB from 2001 to 2008.

Holding: 1,762,339 Kindred Group plc SDR and 237,096 performance share rights.

Nils Andén
Chief Commercial Officer (Region 2)

Swedish citizen.
Born 1980.
Studied marketing at the Stockholm School of Economics and Sociology at Stockholm University.

Nils joined Kindred Group in July 2020 as Chief Commercial Officer for Region 2. He has worked at Kindred in the past, holding a number of positions between 2006-2016 as Head of Poker and Head of Established Markets before spending the final four years as Chief Marketing Officer for the Unibet brand. Nils has also held positions as Chief Marketing Officer at CurrencyFair and as Director of Digital Marketing at GVC Group. He currently sits on the Board of EasyPark Group.

Holding: 0 Kindred Group plc SDR and 40,601 performance share rights.

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 15 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: 1,274 Kindred Group plc SDR and 73,528 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. Since January 2019 she has led Kindred Group's customer centric efforts as Chief Experience Officer. Previously, she managed Kindred Group's online and mobile gambling products, and led strategic and transformational change for the Group.

Holding: 29,637 Kindred Group plc SDR and 106,109 performance share rights.

Erik Bäcklund
Chief Product Officer

Swedish citizen.
Born 1976.
BA in Modern Languages and International Business from London South Bank University.

Erik joined Kindred Group in 2005 and was responsible for the Sportsbook PR bets area before being appointed Chief Product Officer 15 years later in 2020. He took up the role as Group Head of Sportsbook in 2009. Erik also oversaw significant in-house initiatives across the business, including the development and launch of the successful proprietary Kindred Racing Platform. Prior to joining Kindred Group, he worked for Kaos Entertainment Ltd and Siemens AG.

Holding: 0 Kindred Group plc SDR and 33,290 performance share rights.

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

The mentioned Swedish Depositary Receipt holdings include personal holdings and family holdings as at 26 February 2021.

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 ten 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: 22,764 Kindred Group plc SDR and 106,109 performance share rights.

Ewout Keuleers
Chief Legal & Compliance Officer

Belgian citizen. Born 1976. Law degree from the Catholic University of Leuven (Belgium) and DESS on law and management of new technologies (Belgium).

Ewout has over 18 years of experience in the online gambling industry. He joined Kindred Group in 2006 and prior to his current position was the Group's General Counsel. He is a registered solicitor with the Law Society of England and Wales and is a member of the Institute of Risk Management as well as holding dual qualifications under both civil (Belgian attorney) and common law (solicitor).

Other assignment: Non-executive Director International Betting Integrity Association (IBIA) and the European Association for the Study of Gambling (EASG).

Holding: 1,500 Kindred Group plc SDR and 40,473 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's Tech strategy and operations globally. Marcus has worked in the IT industry since the mid-1990s, working as a Java developer, team lead, development manager and more.

Holding: 10,000 Kindred Group plc SDR and 106,109 performance share rights.

Anne-Jaap Snijders
Chief Commercial Officer (Region 1)

Dutch citizen. Born 1971. MSc in Economics, specialisation Marketing.

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

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

Holding: 12,314 Kindred Group plc SDR and 97,083 performance share rights.

Johan Wilsby
Chief Financial Officer

Swedish citizen. Born 1966. MSc in Finance and Marketing from the Stockholm School of Economics.

Johan has been the CFO for Kindred Group since September 2020. He was previously CFO for tech companies such as Tobii, Fingerprint Cards and Transmode. Prior to these CFO roles Johan held a number of finance leadership roles at Microsoft and Hewlett Packard over a period of 20 years.

Holding: 6,000 Kindred Group plc SDR and 40,601 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 issued by Skandinaviska Enskilda Banken AB (publ).

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

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

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

The following statement on pages 38 to 40 has not been audited.

The Board of Directors

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

The following Directors elected at the AGM on 12 May 2020 served during the year and subsequently, unless otherwise stated:

Anders Ström
Chairman

Peter Boggs
Non-executive

Gunnel Duveblad
Non-executive

Erik Forsberg
Non-executive

Stefan Lundborg
Non-executive

Carl-Magnus Månsson
Non-executive

On 3 December 2020, Stefan Lundborg resigned from his role as non-executive Director at Kindred Group with immediate effect.

The emoluments and interests of the Directors are shown on pages 34 and 35 and page 51.

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

As outlined on pages 34 and 35, the Board comprises the Chairman and four 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 Swedish Code, the Board considers the non-executive Directors Peter Boggs, Gunnel Duveblad, Erik Forsberg and Carl-Magnus Månsson to be independent of the Group, its management and the Group's major shareholders. Anders Ström is Chairman of the Board and is also a member of the Board of Kambi Group plc. Brief résumés of the Board members can be found on pages 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 Chief Executive Officer is responsible for the Group's day-to-day management.

The working procedures of the Board of Directors

The Group's governance principally lies with the Board which is responsible for setting the overall Group strategy and direction including budget, capital structure, material contracts, acquisitions, disposals, joint ventures, corporate governance and Group policies.

The Board and its committees have written terms of reference which include working procedures.

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 an agenda item or participate in the Board's deliberations. Such a Director shall be considered absent when determining whether the Board is quorate.

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

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

Chairman's responsibilities

The Chairman is responsible for the leadership of the Board, setting its agenda, 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 of, 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 issued written instructions for the CEO, including a delegation policy. At least once a year the Board reviews the relevance and appropriateness of the instructions with the CEO.

The Board's work during 2020

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. Due to COVID-19, all meetings have been virtual since March 2020.

At all meetings, the CEO reports on the business developments and operations. The Chief Legal and Compliance Officer reports on legal trends in the gaming market and the Group Risk Manager reports annually on the risk aspects of the business. Annually, the Head of Internal Audit reports to the Board concerning key findings and recommendations for the year. Members of the Executive Committee and other senior managers also attend meetings, when relevant, to update the Board on their areas of responsibility and to discuss future plans.

The key items arising at Board meetings in 2020 were matters related to innovation, information technology, product management, strategy and business plans, budgets, forecasts, key policies and the new regulations in the Netherlands and the USA. To closer monitor the development in the USA, the Board has appointed Peter Boggs and Gunnel Duveblad to its US Committee. At all the meetings, the Board also considered the potential implications of COVID-19 on the Group and measures to control its impact. Due to the uncertainty caused at the time by COVID-19 and to ensure that Kindred was well capitalised for future investment opportunities, the Board also decided to change the previously communicated proposal on the 2019 dividend and recommended at the 2020 AGM that no dividend be paid, which was accordingly upheld.

The Group's whistle-blowing procedure

Kindred Group's whistle-blowing procedure, "Speak Up!", which is a safe, independent and confidential website managed by a third-party supplier, is monitored by the Audit Committee.

Sustainability

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

– Responsible gambling
– Maintaining integrity
– Running a compliant business
– Being Kindred
– Contributing to our communities

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

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

The Board receives regular updates on the matter from the Audit Committee, as well as being involved in an annual review of the Group's sustainability policies.

For more information about sustainability within the Kindred Group, please refer to pages 18 to 23 and the separate Sustainability Report for 2020.

Evaluation of the Board of Directors

In accordance with Provision 8.1 of the Swedish 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 cooperation 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 the Directors' performance. Following this performance review, the Chairman is responsible for ensuring that the appropriate actions, such as training, are taken.

This evaluation has then been reported to the Nomination Committee, assisting it in identifying and evaluating Board performance, competence, industry and international experience, diversity and expertise.

The Board monitors potential conflicts of interest very closely and has implemented controls and policies to avoid conflicts of interest involving any of the Group's Directors. These controls ensure that any Director with a direct or indirect interest in a particular matter does not vote nor participate in the Board's handling on that matter. Read more under the heading "The working procedures of the Board of Directors" on the previous page.

Remuneration and Directors' and Officers' liability insurance

The Annual General Meeting establishes the principles and the maximum amount of the Board Directors' fees. A Director can, during a short period of time, supply consultancy services, but only if this is deemed more cost-effective and better quality than any external alternative. Any such consultancy fee is disclosed in the Remuneration Committee report on page 51. None of the Board Directors hold share awards issued by the Group. The Kindred Group has taken out Directors' and Officers' liability insurance for the full year covering the risk of personal liability for their services to the Group. Cover is in place for an indemnity level of GBP 5 million in aggregate.

	Board[1]	Audit Committee	Remuneration Committee
Number of meetings held during the year	17	6	5
Name			
Anders Ström, Chairman	17 / 17	–	–
Hélène Barnekow[2]	5 / 5	–	–
Peter Boggs	16 / 17	–	5 / 5
Gunnel Duveblad	17 / 17	6 / 6	–
Erik Forsberg	15 / 17	6 / 6	–
Stefan Lundborg[3]	15 / 17	–	5 / 5
Carl-Magnus Månsson	17 / 17	–	5 / 5

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 Hélène Barnekow resigned from the Board of Directors at the 2020 AGM in May.

3 On 3 December 2020, Stefan Lundborg resigned from his role as non-executive Director at Kindred Group with immediate effect.

Communication with owners and investors

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

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

AGM procedures

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

AGM attendance

Because of the COVID-19 situation and in light of the instructions from the authorities, SDR holders used the option of proxy form instead of attending the AGM held on 12 May 2020 in person. No members of the Board, the Nomination Committee or the statutory auditors were present in accordance with the instructions from the authorities to keep distance from others both indoors and outdoors to prevent the spread of COVID-19.

The Board of Directors' report on internal control over financial reporting for the financial year 2020

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 controls 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 controls 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 Chief Legal and Compliance Officer, 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 controls review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within the Group, the work of the Chief Legal and Compliance Officer and the work of the Head of Internal Audit.

Working throughout the Group, the role of the Chief Legal and Compliance Officer and the role of 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 and 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 controls. In particular, the Board receives direct periodic reports from the Chief Legal and Compliance Officer, 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, 12 March 2021

Anders Ström
Chairman and Director

Gunnel Duveblad
Director

Statement of compliance with the Swedish Corporate Governance Code

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

With the exception of the matters noted above, and provision 7.5 (that the Board should meet with the statutory auditors at least once a year without management present), the Directors confirm that they are in compliance with the Swedish Code of Corporate Governance.

Audit Committee report

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

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

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

Accounting and key areas of judgement

The main areas considered by the Committee in relation to 2020 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.

During the year, management recognised an impairment loss of GBP 7.8 million. This is in relation to both the goodwill that arose on acquisition of Betchoice, as a result of an assessment performed following the pandemic outbreak, and the goodwill recognised as part of the Guildhall acquisition in April 2008, as the underlying operations have been discontinued. The full impairment assessment performed at the year end did not identify impairment indicators for any of the remaining cash-generating units. The Committee considered the assessment performed by management and the work done and the conclusions reached by the statutory auditor in this area as part of their audit. The Committee is comfortable with the position taken by management and the sensitivity analysis disclosed.

Compliance with tax legislation

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

Internal control and internal audit

The Committee is responsible for reviewing the Group's systems of internal control and risk management and its sustainability practices. It receives updates from the CFO, the Chief Legal and Compliance Officer, and other senior managers on the ongoing initiatives to improve Kindred's internal control environment. The Committee is also responsible for the Group's whistle-blowing procedure, "Speak Up!", which is a safe, independent and confidential website managed by a third-party supplier.

The Internal Audit department resides within the Corporate Office but reports to the Audit Committee. The Head of Internal Audit has direct access to the Audit Committee at all times. 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, including controls over customer bonuses, an assessment of the current fraud risk management capabilities and Kindred's Compliance Framework.

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

Statutory audit and other services

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

During the year, PwC Malta 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 75. The provision of non-audit services must be referred to the Committee where it is likely to exceed a pre-determined threshold. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

Nomination Committee report

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

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

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

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

The Nomination Committee's Motivated Opinion can be found on Kindred Group's website, www.kindredgroup.com.

The Nomination Committee met three times for the 2020 AGM. At the AGM on 12 May 2020, it was decided that the Nomination Committee for the 2021 AGM should consist of not less than four and not more than five members.

The Nomination Committee for the 2021 AGM consists of Cecilia Marlow – Nordea Fonder (Chairperson), Thomas Gür – Veralda, Peter Lundkvist – Tredje AP-fonden, Erik Sprinchorn – TIN Fonder, and Anders Ström – Chairman of the Board of Directors (adjunct). The Committee held five meetings in which minutes were taken for the 2021 AGM.

Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 49 to 52.

General legal environment

We are entering a new era where sustainability focus and compliance excellence are driving the regulatory agenda. Amidst a climate of disruptive regulatory changes and harsh enforcement across the gambling spectrum, the industry has been forced to go back to the drawing board and rethink its position in society and towards the customer.

With 2020 turning out to be a year without any major sports events but equally a year of all-encompassing digital accessibility across all households, promoting online moderation and protecting the customer against problematic behaviour has rightfully taken centre stage. 2020 was a year of operators coming together, with important self-regulatory initiatives in the interest of consumer protection, including restrictions on commercial exposure, commitments on safer gambling and increased support for treatment programmes. Kindred understands it has an important role to play in this debate, and its sustainability strategy and commitment to eradicate and erase problem behaviour from its activities by guiding and supporting customers to stay in control is doing exactly that. By partnering up with parties across the wider stakeholder field, Kindred aims to tackle this, and various other issues, from all angles. Kindred's partnership with Derby County's Community Trust on its men's mental health programme and its donation of exposure rights to the European Network of Active Living for Mental Health show that it is putting these intentions into action.

Besides the numerous national developments that influenced and impacted Kindred's operations in 2020, the European digitalisation agenda took centre stage in 2020. The European Commission unveiled its strategy for data and Artificial Intelligence (AI) to shape Europe's digital future and to create the right incentives to accelerate deployment of AI in February 2020. Together with the EGBA, Kindred participated in the consultation on the White Paper on Artificial Intelligence. The rollout of a Digital Services Act (including binding rules for content moderation and enforcement to safeguard the protection of minors), a regulatory framework for Artificial Intelligence, a Financial Services cyber security act and digital tax will all be part of the EU priorities and could have a significant impact on the online gambling industry.

The taxation of digital services also remained a key topic in 2020. Notwithstanding the ongoing review by the Organisation for Economic Cooperation and Development (OECD) of the international tax system in a bid to create a global tax framework, the EU continued its work on the EU digital service tax (DST) proposal levied on specific services provided over the internet. Companies of a certain size would have to pay a 3 per cent tax on revenues from these digital services. The proposal aims to stop unilateral measures being introduced by some individual Member States.

On 7 May 2020, the European Commission adopted an action plan for a comprehensive Union policy on preventing money laundering and terrorism financing. The European Commission is of the opinion that the Anti-Money Laundering (AML) Directive has in many ways failed to achieve what it should have because of a lack of proper implementation by the Member States. Several Member States are currently subject to infringement proceedings. The action plan aims to secure effective implementation of existing AML rules, a single EU rulebook, EU-level supervision, a support and cooperation mechanism for financial intelligence units and better use of information to enforce criminal law. By doing so, the European Commission aims to mitigate the fragmentation of rules, uneven supervision and limitations in the cooperation among financial intelligence units across the EU. The European Banking Authority equally called for a single set of binding rules to deal more effectively with money laundering and terrorist financing.

The 6th AML Directive, which removes obstacles to cross-border judicial and police cooperation, was to be transposed by Member States by 3 December 2020. A third Supranational risk assessment for cross-border activities will be conducted in the first half of 2021, creating a new opportunity to change the risk factor for the online gambling sector (currently at level three, high-risk exposure to money laundering risks) given the significant mitigating efforts undertaken by the online gambling industry to tackle money laundering. Kindred presented its approach towards fighting money laundering in a meeting with the European Commission on 9 December 2020.

Sweden

Since the Swedish Gambling Act came into force in January 2019, the Swedish market has been characterised by regulatory interventions, tough enforcement and the implementation of further measures in 2020. Consequently, the channelisation objectives of the Swedish gambling policy have clearly failed to materialise. As part of Sweden's measures to protect the public during the COVID-19 pandemic, the government introduced a temporary deposit limit of SEK 5,000 per week for online casino games as well as a bonus cap of SEK 100 and mandatory session limits which came into force on 2 July 2020 until the end of 2020. The temporary restrictions were subsequently extended until 30 June 2021. The Swedish Gambling Authority (SGA) initiated a review focusing on the duty of care to tackle the perceived deficiencies in operators' responsible gambling processes, and guidelines are expected to be published in Q1 2021. Sports betting restrictions, including a ban on betting on rule violations such as yellow cards and on football outside of the top 4 divisions of the domestic leagues, entered into force on 1 January 2021. A governmental commission published its report into gambling on 14 December 2020 in which it was proposed that a review be launched into the possibility of risk classifying gambling products and the implementation of various restrictions on marketing (including a possible ban on online casino advertisement).

After the SGA opened an investigation against Kindred regarding alleged bonus violations in Q1 2019, Kindred received a warning and sanction fee in the sum of SEK 100 million in March 2020. Despite Kindred's proactive outreach to seek clarification about the interpretation of the Gambling Act and the request for regulatory guidance on the permissibility of campaigns and competitions, the SGA confirmed the stance it had taken in other sanction decisions. Kindred appealed the decision before the Administrative Court in June 2020 and is currently exchanging submissions with the SGA. A court ruling is not expected before Q3 2021; the fine does not become enforceable until a final judicial decision has been issued.

On 9 December 2020, the SGA issued a decision against Kindred and ATG in relation to their implementation of the temporary deposit limit from 2 July 2020. Whilst the SGA considered that Kindred was overall compliant, it disagreed with Kindred's interpretation of what players are permitted to deposit under the temporary restrictions. Kindred has subsequently implemented a revised solution and appealed the decision to the Administrative Court in January 2021 as it fundamentally disagrees with the SGA's applied interpretation.

The Netherlands
Following the completion of the Parliamentary review process of the Remote Gambling Bill in June 2020, the Remote Gambling Bill is expected to enter into force on 1 April 2021 with the licence application process opening simultaneously and the first licences to be issued by 1 October 2021.

The Ministry of Justice published draft secondary regulations, containing more detailed rules on addiction prevention and consumer protection, in August 2020 which were notified to the European Commission and received a (non-binding) advice by the Council of State. In the run-up to market opening, Kindred has participated in the various consultations and webinars held by the Dutch Gaming Authority to provide expertise input as well as support in testing the self-exclusion system (CRUKS). Although further delays in terms of market opening cannot be excluded, Kindred is aiming to submit its licence application in 2021 and has engaged all the relevant Kindred teams to prepare for operational readiness. Pursuant to the 2019 adoption of the so-called motion “Postema”, which introduced a 33-month cooling-off period for online operators actively targeting Dutch customers prior to licensing, it is expected that incumbents will enter the market first.

A tax motion to tax all online gambling operators in the Dutch market from 1 January 2021 was approved by the Lower House in November 2020 but failed to gain government support due to the fundamental legal issues in terms of double taxation.

Belgium
Following the expiry of the mandate of the President of the Belgian Gaming Commission, a new President and a new CEO were appointed at the Belgian Gaming Commission in April 2020. As part of its renewed focus, the Belgian Gaming Commission has started to intensify the prosecution of illegal offshore gaming sites through blacklists and web blocking, as well as a prevention campaign in favour of licensed operators. On 6 February 2020 the Council of State partially annulled the Royal Decree of 25 October 2018 concerning the conditions to exploit online games of chance and bets resulting in (i) a total bonus ban from 1 March 2020 and (ii) a level playing field for all online gambling advertising. The Belgian Gaming Commission adopted a very broad description of the term “bonus” which is currently being challenged before the Council of State. Kindred has denounced the lack of formal guidance in this respect and the lack of level playing field amongst regulated operators. Following the annulment of its online arcade licence (B+) in March 2019 in light of the partial annulment of the Gambling Act by the Constitutional Court due to a found discrimination between offline and online gambling, Kindred received a new B+ licence in April 2020. Whilst a similar case before the Council of State remains pending in relation to Kindred’s 2012 online sports betting licence (F1+), Kindred was awarded a new nine-year online sports betting licence on 20 January 2021.

On 29 October 2020, Kindred and the Rank Group entered into a share purchase agreement to acquire 100 per cent of the shares in Blankenberge Casino-Kursaal (Blancas) NV. Blancas NV is the licence holder and operator of the Blankenberge casino and holds the online casino licence that allows Kindred to offer online casino, live casino and poker to Belgian customers under the Unibet brand. The acquisition is currently awaiting customary regulatory approvals and is expected to be completed in the first quarter of 2021. On 11 December 2020, the Belgian Gaming Commission renewed Blancas NV’s online casino licence (A+) until 31 December 2035.

After the annulment of the 21 per cent VAT levy for online gambling by the Constitutional Court in May 2018, Kindred challenged the non-retroactive recovery aspect of the ruling and the refusal of the tax authorities to reimburse the VAT payments made before the Brussels court of first instance. A ruling (first instance) is not expected before Q4 2021.

Norway
The volatile enforcement and policy climate in Norway continued throughout 2020 and several regulatory initiatives illustrate Norway’s desire to shield the market even more. In January 2020, an amended payment transaction ban entered into force, expanding the obligations of Norwegian banks and financial institutions to investigate, block and provide information about payment transactions to/from foreign gambling operators. In August 2020, Norway notified the European Commission of its revised gambling legislation, that looks to unify the Lottery Act, Gambling Act and Totalisator Act, strengthen Norsk Tipping and Norsk Rikstoto’s monopolies and allow for stronger enforcement against online operators and online advertisement. If approved, the new act is expected to enter into force in January 2022. Changes to the Broadcasting Act, allowing the Norwegian Media Authority to prohibit Norwegian distributors of audio-visual services from promoting gambling aimed at Norway and fine them, came into effect on 1 January 2021.

No material re-regulation changes are expected before the September 2021 general elections. Kindred’s priority focus remains on establishing a constructive dialogue to initiate a policy shift towards sustainable regulation.

Following the April 2019 order of the Norwegian Gaming Authority against Kindred to cease and desist from providing services in Norway, Kindred appealed the decision before the Oslo District Court and fundamentally questions the enforceability of the NGA’s decision. There is no ban for Norwegians to participate in foreign gambling activities pursuant to the fundamental freedom to purchase cross-border services within the European Economic Area.

Great Britain
On 8 December 2020 the UK government announced the commencement of the Gambling Review, providing the high-level logic, terms of reference and the initial consultation questions for response by 31 March 2021. The initiative follows the publication of two reports in the summer of 2020: a report by the House of Lords (proposing licensing for affiliates, online stake limits and the banning of all gambling advertising in sport as well as an overhaul of the Gambling Commission) and a report by the Social Market Foundation think-tank (proposing online slots stake limits and enhanced affordability checks). The consultation by the UK government will cover advertising and sports sponsorships, white-label agreements, affordability checks and stake limits, and aims to update legislation to protect players and establish a strong regulator with appropriate enforcement powers.

The Betting and Gaming Council has been the driving factor behind self-regulatory initiatives, including updated codes of conduct for responsible marketing, high-value customers, game design and sponsorship advertising. Kindred continues to implement cutting edge risk management technology in order to meet regulatory requirements and the high standards prevailing in the UK market.

Denmark
In January 2020, the Danish Gaming Authority published a new guide on responsible gambling, putting forward a number of new rules such as bonus restrictions for at risk players and the display of an on-site clock. This event

coincided with the entry into force of new executive orders on 1 January 2020 introducing a delete button from the national self-exclusion register ROFUS and the automatic ban on marketing when registering on ROFUS. Furthermore, in June 2020, the Danish Gaming Authority introduced new requirements on self-exclusion procedures and game reporting for virtual sports betting and peer-to-peer games.

Following the December 2019 government agreement to increase online gambling taxes from the current 20 per cent to 28 per cent, the proposed measure was approved in December 2020 and entered into force on January 1, 2021. The Ministry of Taxation acknowledged that there will be a material impact on the channelisation level in Denmark and leakage to offshore operators will be a reality. Therefore, the estimated additional tax revenues are highly unrealistic.

Finland

The Ministry of the Interior launched a project to reform the Lotteries Act in January 2020 with the aim to strengthen the monopoly and reduce gambling problems by, inter alia, appointing a working group to address this. The findings were not published but incorporated in a proposal for amendments to the Lotteries Act that was sent out for public consultation in January 2021. The proposal contains a provision for payment blocking for operators who actively market gambling services in violation of the Finnish Lotteries Act. The government has confirmed its political will to implement payment blocking and is expected to submit a proposal to the parliament in June 2021 with changes becoming effective in 2022. There are nevertheless several fundamental questions regarding the legality, effects and proportionality of payment blocking. Notwithstanding, changes to the Finnish regime are unlikely to be proposed under the current government. The next general election will be held in April 2023.

Germany

Following the March 2019 Ministerial approval of the 3rd amendment to the Interstate Treaty on Gambling, which extends the current “interim regime” to June 2021, the amendment to the Interstate Treaty on Gambling entered into force in January 2020 for a transitional period of 18 months. In February 2020, Kindred applied for a federal sports betting licence but the process was halted in April 2020 by the Darmstadt Administrative Court for lack of transparency and discrimination. In September 2020, after the withdrawal of the court case, 15 sports betting licences were awarded, with subsequent licences being awarded in the months thereafter. Kindred is currently waiting to hear back about its application. The current transitional regime, which became effective on 15 October 2020, is due to be replaced by a more expansive framework in which online casino and poker will be permitted from 1 July 2021 when it is ratified by the federal states in March 2021. To enforce the early de-facto implementation of the 2021 framework and mitigate any risks in terms of licence eligibility, the German federal states agreed on the aforementioned transitional regime whereby operators who already comply with 2021 framework can offer online casino without being prioritised for administrative enforcement. Compliance with the transitional regime includes a ban on live casino and table games (roulette, blackjack), a monthly deposit limit of EUR 1,000, a maximum EUR 1 stake limit for slots, a minimum five second duration between spins and limited forms of live betting. Kindred has complied with these measures. Kindred is currently involved in two court proceedings on reimbursement claims of customers.

USA

Following the successful deals with Hard Rock Casino (New Jersey), Mohegan Sun Pocono (Pennsylvania) and Caesars Entertainment (Indiana, Iowa and potentially additional states), Kindred entered into a market access agreement with Penn National Gaming that provides market access in Illinois and Ohio to operate both online sports betting and online gaming, pending applicable laws being passed and both parties obtaining all necessary gaming licences. Kindred also entered into a market access agreement with The Quechan Tribe of the Fort Yuma Indian Reservation to gain access to two key states – Arizona and California – to operate both online and retail sports betting as well as iGaming after regulations enter into force and licenses are awarded. Pursuant to the Caesars partnership, Kindred was granted a sports betting licence in Indiana in May 2020 and launched its online sports betting website on 30 July 2020. Indiana could see the introduction of online casino legislation after the success of the online sports betting market but regulatory changes are unlikely to be implemented before 2022. Pursuant to the adoption of sports betting legislation in Virginia on 15 September 2020, the Virginia Lottery launched its licence application process for the organisation of online sports betting with 12 mobile-only licences, four to seven of which are stand-alone licences. Kindred submitted its application in October 2020 and is awaiting the decision from the Virginia Lottery. If a licence is awarded to Kindred, Kindred aims to go live in the second quarter of 2021. Pursuant to the Penn National partnership, Kindred submitted its online sports betting licence application in Illinois in November 2020. While online operators in Illinois are subject to an in-person registration requirement until approximately March 2022, the requirement has consistently been suspended since June 2020 due to the ongoing pandemic. Kindred is aiming to launch its operations in Illinois in the third quarter of 2021, depending on regulatory approval. Kindred has also applied for an online sports betting license in Iowa as part of the Caesars deal and is aiming to go live in the third quarter of 2021, subject to the award of a sport betting permit. Kindred continuously monitors the developments in other US states as a lot of momentum has developed in 2020 that will continue in 2021.

Other

On 1 June 2017 the Ministry of Finance issued a penalty order against Kindred imposing a fine of CZK 10,000,000 (GBP 345,000) for having allegedly offered online games of chance without a Czech licence in January 2017. Kindred submitted an application for a Czech licence in December 2016 but withdrew its application on 24 January 2017 due to the unforeseen change in regulatory requirements, including the obligation to perform face-to-face verification on all customers for AML purposes. On 23 October 2020, the Administrative Court ruled that the Ministry of Finance failed to provide sufficient evidence to substantiate its claims against Kindred. The case has been closed and the fine has become unenforceable.

Shares and share capital

Kindred Group plc's issued share capital as at 31 December 2020 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 issued by Skandinaviska Enskilda Banken AB (publ). One SDR represents one ordinary share with equal voting rights to the ordinary shares. 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 also has a liquidity guarantee agreement with Carnegie Bank AB.

New dividend policy

The Board of Directors has agreed on a new dividend and share purchase policy during 2020.

Kindred's new dividend policy is to generate a stable ordinary dividend in absolute GBP-denominated terms, paid in two equal tranches in the second and fourth quarter. In addition, Kindred will over time complement dividends with share purchases. The total pay-out of dividends and share purchases will be based on an assessment taking into account Kindred's financial position, capital structure and future investment needs, including acquisition opportunities. The total pay-out ratio of dividends and share purchases should over time equal about 75 per cent of free cash flow. Free cash flow is defined as cash flow from operations excluding movements in customer balances, less cash flow from investment activities (including acquisitions) and payments for lease liabilities (see note 29 on page 89).

Dividend for 2020

Due to the uncertainty caused by COVID-19 and to ensure that Kindred was well capitalised for future investment opportunities the Board decided to change the previously communicated proposal on the 2019 dividend and recommended to the 2020 AGM that no dividend be paid. This was upheld at the AGM.

For the 2020 dividend the Board of Directors has recommended a dividend of GBP 0.330 (2019: GBP nil) per share/SDR. This will be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting the dividend will be paid on 20 May 2021 and 18 November 2021. The proposed dividend amounts to a total proposed distribution of GBP 75.0 (2019: GBP nil) million.

No dividend will be paid on the shares/SDRs held by the Company following the share purchase programme (2019: nil).

Share purchase programme

At the AGMs from 2007 to 2019, and at the EGM in 2020, 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 during 2011, 2,400,396 during 2016 and 1,500,000 during 2018.

In 2020, 255,163 (2019: 307,614) 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 2020 was 230,126,200 of which 2,971,358 are held by the Group, representing 1.3 per cent of the total number of shares.

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

Ten-year summary[1]	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Equity per share GBP	**1.791**	1.017	1.269	1.296	1.058	0.926	0.889	0.881	0.791	0.788
Diluted equity per share GBP	**1.776**	1.009	1.262	1.291	1.056	0.924	0.874	0.863	0.785	0.703
EBITDA per share GBP	**1.208**	0.565	0.893	0.792	0.527	0.337	0.513	0.283	0.235	0.215
Earnings per share GBP	**0.728**	0.250	0.580	0.516	0.366	0.244	0.414	0.179	0.142	0.159
Diluted earnings per share GBP	**0.721**	0.248	0.576	0.513	0.365	0.239	0.405	0.177	0.141	0.159
Unrestricted cash per share GBP[3]	**0.969**	0.306	0.425	0.441	0.168	0.200	0.162	0.098	0.072	0.063
Cash flow per share GBP[4]	**0.687**	-0.122	0.002	0.289	-0.012	0.086	0.075	0.023	0.040	0.021
Dividend per share GBP	**0.330**[2]	0.000[3]	0.496	0.551	0.310	0.235	0.205	0.138	0.088	0.073
Return on average equity %	**64**	27	53	51	42	30	49	24	21	26
Equity: assets ratio %	**42**	29	39	41	54	53	70	68	64	68
Number of shares at year end	**230,126,200**	230,126,200	230,126,200	230,126,200	230,126,200	230,117,040	228,303,600	226,264,976	226,210,128	226,064,304
Diluted number of shares at year end	**232,089,717**	231,864,044	231,434,971	231,022,348	230,520,323	230,575,697	232,254,904	230,924,080	227,907,536	226,341,096
Average number of shares	**227,023,775**	226,669,514	227,043,853	227,652,726	229,096,939	228,237,047	225,668,296	223,679,136	223,181,208	223,365,280
Average number of diluted shares	**229,084,006**	228,384,165	228,348,308	228,712,559	229,737,902	232,806,853	230,422,080	226,646,096	224,108,648	223,365,280

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

2 Proposed.

3 As explained in the text above the table, since the signing of the 2019 Annual Report the previously communicated proposal for the 2019 dividend was withdrawn and therefore this number does not agree with that reported in the 2019 Annual Report.

4 In 2019, a reclassification was made which resulted in the restatement of cash and cash equivalents for comparative years. In the table above, all pre-2019 figures have not been restated and thus these metrics are not directly comparable.

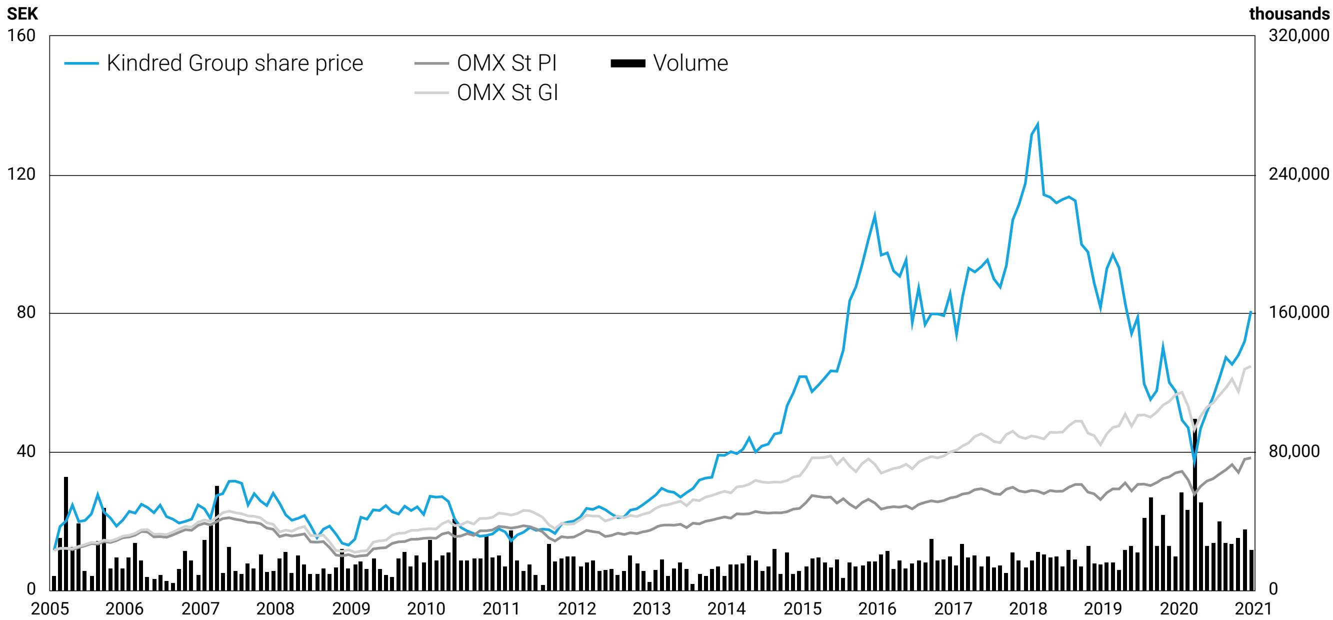
Share price performance

Kindred Group plc's SDRs ended the year at SEK 80.56 having started the year at SEK 57.70. The lowest price during the year was SEK 20.35 and the highest price was SEK 83.30. As at 31 December 2020, Kindred Group plc had a market capitalisation of approximately SEK 18.5 billion, equivalent to GBP 1.6 billion (2019: SEK 13.2 billion equivalent to GBP 1.08 billion).

Trading volumes

In 2020, there were 1,014,904 trades in Kindred Group plc's SDRs, representing a total value of SEK 149.8 billion.

Kindred Group



Source: Nasdaq Stockholm

Share capital development

The development of the Company's share capital since the Group's reorganisation carried out on 1 November 2006 can be found on the Kindred Group's corporate website, www.kindredgroup.com.

As at 31 December 2020, the total number of ordinary shares was 230,126,200.

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
– Participation in industry seminars and conferences
– Webcasts available after each quarterly presentation

Shares and share capital continued

Analysis of shareholdings at 26 February 2021

Shareholder	Number of shares/ SDRs	Share of share capital/votes %	Accumulated
Capital Group Companies	11,559,219	5.0%	5.0%
Nordea Fonder	9,250,287	4.0%	9.0%
Unionen	8,000,000	3.5%	12.5%
Anders Ström through company	6,904,200	3.0%	15.5%
Skandia Liv & Skandia Fonder	4,840,253	2.1%	17.6%
TIN Ny Teknik	4,550,000	2.0%	19.6%
Tredje AP-fonden	4,498,975	2.0%	21.6%
The Northern Trust Company	4,000,094	1.7%	23.3%
Bassac fund	3,933,982	1.7%	25.0%
Verdipapirfondet DNB Teknologi & Index	3,462,918	1.5%	26.5%
Columbia Acorn	2,993,507	1.3%	27.8%
Kindred Group plc[1]	2,971,358	1.3%	29.1%
Others	163,161,407	70.9%	100.0%
Total	230,126,200	100%	

1 As a result of the share purchase programmes.

Ownership distribution at 26 February 2021

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/SDRs	Share capital/ votes %
1–10,000	48,357	24,475,964	10.6
10,001–100,000	487	14,258,914	6.2
100,001–500,000	105	22,678,453	9.8
500,001–1,000,000	25	17,846,328	7.8
1,000,001–	39	150,866,541	65.6
Total	49,013	**230,126,200**	**100.0**

Ownership structure at 26 February 2021

Source: Euroclear Sweden.

Organisation type/name	%
Swedish financial institutions	11.0
Other Swedish financial entities	0.1
Other Swedish legal entities	8.6
Non-Swedish owners	65.4
Swedish naturalised persons	14.9
Total	**100.0**

Share ownership data

On 26 February 2021, Kindred Group plc had 49,013 holders of SDRs.

On 26 February 2021, the Company's 11 largest owners represented 27.8 per cent of the capital and votes, as shown in the table above.

Remuneration Committee report

On behalf of the Kindred remuneration Committee I am pleased to present our 2020 remuneration report. This report includes both a summary of our remuneration guidelines as approved by the shareholders at the 2020 AGM, and the remuneration paid out in 2020 in accordance with these guidelines.

Kindred Remuneration Committee

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

The Committee held five meetings during 2020.

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

2020 highlights

In 2020, we put forward for vote at the AGM our revised remuneration policy for the CEO/Executive Management and our first remuneration report under the new EU Shareholders Rights Directive requirements. We highly appreciated the dialogue with several internal and external stakeholders and the support of the AGM (99 per cent votes in favour). This year, we have further updated our remuneration report based on the finalised regulations.

Additionally, aligned with Kindred's strategy and sustainability commitments, we have introduced a sustainability measure within all our annual incentive plans this year.

Pay and performance

The CEO and Executive Management team participated in an annual bonus scheme for 2020. The performance measures were based on Group EBITDA, aggregated Group customer experience and sustainability targets. The resulting annual bonus for the 2020 financial year, paid in 2021, was 107.5 per cent of target for the CEO.

A new Performance Share Plan (PSP) grant was made in June 2020 to executives, senior managers and key employees within Kindred Group. Performance measures for the 2020 grant were the same as for the 2019 grant: Gross contribution (Gross winnings revenue less cost of sales and marketing costs), free cash flow per share and EBITDA. The 2017 PSP grant vested in 2020 on a partial basis as the agreed targets for the business performance were not fully met.

Looking forward

In 2021 we will closely monitor shareholding voting and continue dialogue with our investors.

On behalf of the Committee, I thank all shareholders for the support in 2020.

Carl-Magnus Månsson
Chair of the Remuneration Committee

Remuneration guidelines

The remuneration of the CEO is based on the remuneration guidelines as adopted by the AGM on 12 May 2020.

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

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

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

Remuneration guidelines by element

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

Base salary

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

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

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

Long-term incentives
The long-term incentives align the interests of executives with those of shareholders by granting performance shares and share options as a reward for delivery of long-term performance objectives, and for creating value for stakeholders. Performance measures, weightings and targets for these selected measures are set at the start of the three-year performance/vesting period by the Board of Directors to ensure they continue to support Kindred's long-term strategy. Performance measures may include, but are not limited to, financial and share-price-related measures.

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

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

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

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

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

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

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

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

2020 remuneration
All members of the Board of Directors are elected at the AGM and their remuneration is recommended by the Nomination Committee, conditional upon approval at the AGM.

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

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

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

Board of Directors remuneration 2019-20

Directors	Board fees GBP 000	Audit Committee fees GBP 000	Remuneration Committee fees GBP 000	US Committee fees GBP 000	2020 Total fees GBP 000	2019 Total fees GBP 000
Anders Ström, Chairman	260.0	–	–	–	260.0	260.0
Kristofer Arwin[1]	–	–	–	–	–	32.3
Hélène Barnekow[3]	17.2	–	–	–	17.2	79.0
Peter Boggs	57.0	–	12.0	20.0	89.0	83.6
Gunnel Duveblad	57.0	30.0	–	12.0	99.0	91.6
Erik Forsberg[2]	57.0	22.0	–	–	79.0	49.7
Peter Friis[1]	–	–	–	–	–	21.1
Stefan Lundborg[3]	53.1	–	18.6	–	71.7	77.0
Carl-Magnus Månsson[2]	57.0	–	12.7	–	69.7	43.4
Total	558.3	52.0	43.3	32.0	685.6	737.7

1 Peter Friis and Kristofer Arwin resigned from the Board of Directors at the AGM on 14 May 2019.

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

3 Hélène Barnekow resigned from the Board of Directors at the AGM on 12 May 2020, and Stefan Lundborg resigned on 4 December 2020.

CEO remuneration 2020

	Fixed salary[1] GBP 000	Variable salary[2] GBP 000	Stock-related benefits[3] GBP 000	Other benefits[4] GBP 000	Total pension cost GBP 000	Total GBP 000	Proportion of fixed/ variable remuneration
Henrik Tjärnström	536.4	60.9	303.7	477.4	37.1	1,415.5	74:26

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

2 The variable salary paid out in 2020 is based on 2019 performance. The variable salary for 2020 performance to be paid out in 2021 is approximately GBP 279,500 (subject to the foreign exchange rate at the date of payment as salary amounts are paid in SEK).

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

4 Other benefits comprise, for example, health insurance, life insurance and other benefits reflecting local market practice, as well as a lump sum payment associated with a share investment matching arrangement.

2020 short-term incentives (STI)

The CEO participated in an annual bonus scheme for 2020. The measures were based on Group EBITDA (60%), and other business critical non-financial measures namely aggregated Group customer experience (20%) and a new Group sustainability measure (20%).

The Group's Customer Experience measure is an aggregation of customer experience scores across all brands and markets. Kindred's customer experience score is the result of every interaction a customer has throughout their journey with Kindred and is an important indicator of how we perform.

The Sustainability measure is introduced to encourage our employees to engage in sustainability activities, and secure deeper integration into business operations. It is measured by a sustainability index which is linked to various measures and targets set for the performance year. The index tracks: a) level of customer trust, b) share of customers who change their gambling behaviour after detection by Kindred's Player Safety team, and c) level of employee trust as measured through an annual engagement survey.

Assessment of 2020 STI conditions for the CEO

Performance condition	Weighting	2020 result vs target
Group EBITDA	60%	115% (capped)
Group Customer Experience (CX)	20%	100%
Group Sustainability	20%	92.5%

Long-term incentives (LTIP)

Vesting of 2017 Kindred Performance Share Plan

In July 2017 Kindred Group made a Performance Share Plan grant. The performance measures used were EBITDA, Gross contribution (Gross winnings revenue less sales and marketing costs), and free cash flow per share. Targets were set for each measure relating to the three-year period of the scheme (2017-19). The 2017 PSP grant vested in 2020 on a partial basis as the agreed targets for the business performance were not fully met.

Details of the targets achieved:

Performance condition	Achievement vs target over 2017-19	PSP result
EBITDA	96.7%	86.6%
Gross contribution	98.3%	94.6%
Free cash flow	101.7%	100% (capped)

Remuneration Committee report continued

PSP
A new Performance Share Plan grant was made in June 2020 to executive managers and key employees within Kindred Group totalling 1,072,865 share awards. The PSP performance measures are non-market based, providing participants with a high degree of alignment to Group performance. PSP awards will depend on the Group achieving financial performance targets over three financial years, establishing a clearer link between how the Group performs and the value that the PSP can deliver. These targets are Gross contribution (Gross winnings revenue less cost of sales and marketing costs), free cash flow per share and EBITDA, and will be measured on an aggregated basis between the full year 2020 and the full year 2022 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 2022. The total charge recognised in 2020 in relation to the Group's PSPs was GBP 1.9 (2019: GBP 2.6) million.

2020 LTIP
In 2016, the Board approved a new 2020 long-term incentive plan (2020 LTIP) which gave all permanent employees the opportunity to receive shares/SDRs in the Company at the end of 2020 subject to achievement of set financial targets. The 2020 LTIP has continued to operate in 2020 with share awards being granted quarterly to new employees. The total number of share awards outstanding at 31 December 2020 is 1,213,161. The total amount expensed is recognised over the vesting period of the plan, which is four years. The total charge recognised in 2020 in relation to the 2020 LTIP was GBP 1.8 (2019: GBP 2.0) million.

Long-term incentive plan awards outstanding for the CEO
The following table provides a full overview of the long-term incentives that have vested during 2020, as well as any long-term incentive awards granted in the past years but remaining unvested as of 31 December 2020.

Name of plan	Performance period	Award date	Vesting date	No. of awards granted	No. of shares vested (gross)[1]	No. of shares vested (net)[2]
2020 PSP	2020-2022	17/06/2020	18/06/2023	121,803	–	–
2019 PSP	2019-2021	23/05/2019	24/05/2022	46,441	–	–
2018 PSP	2018-2020	01/06/2018	02/06/2021	28,236	–	–
2017 PSP	2017-2019	03/07/2017	04/07/2020	31,947	31,084	13,303
2020 LTIP	2017-2020	03/10/2016	26/03/2021	40,616	–	–

1 Gross number of shares vested is the shares vested prior to deductions for tax and other withholdings, such as social security and intermediary fees.

2 Net number of shares vested is the shares received after deductions for tax and other withholdings.

Directors' and CEO's interests (audited)
The Directors' and CEO's beneficial interests in the shares/SDRs of Kindred Group plc as at 31 December 2020 are set out below:

Directors	Ordinary shares/SDRs at 31 December 2020	Ordinary shares/SDRs at 31 December 2019
Anders Ström, Chairman	6,904,200	5,831,200
Peter Boggs	138,990	138,990
Gunnel Duveblad	8,000	8,000
Erik Forsberg	10,000	5,000
Carl-Magnus Månsson	10,000	10,000
Total	7,071,190	5,993,190

CEO	Ordinary shares/SDRs at 31 December 2020	Ordinary shares/SDRs at 31 December 2019
Henrik Tjärnström	1,762,339	1,677,866

Comparative overview of the change in remuneration and Group performance
The following table provides a comparative overview of the change in annual CEO remuneration, average annual employee remuneration and Group performance:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020
CEO remuneration[1]	24.8%	70.2%	-6.6%	5.4%	-9.2%	1,415.5
EBITDA	56.8%	49.4%	12.5%	-36.8%	114.1%	274.2
Average employee remuneration[2]	1.4%	7.4%	7.6%	0.3%	13.1%	58.8

1 The total remuneration includes, amongst other items, the variable salary that was paid out in the corresponding year and the accounting value of the share-based incentive programmes according to IFRS 2 "Share-based payments". The comparative absolute numbers used for 2015 to 2018 differ to what has been previously reported following a change in the calculation to include the accounting value of the share-based incentive programmes from 2019.

2 Total employee costs (excluding social security costs and the CEO's remuneration) divided by the average number of employees minus one as reported in the notes to the consolidated financial statements of the relevant years. Variable salary for employees differs to that reported for the CEO as it comprises amounts accrued, rather than paid.

Carl-Magnus Månsson
Chair of the Remuneration Committee
Malta, 12 March 2021

Directors' report

The Directors present their annual report on the affairs of Kindred Group, together with the audited consolidated financial statements and auditors' report, for the year ended 31 December 2020.

Principal activities
Kindred Group is an online gaming business, with nearly 30 million registered customers worldwide as at 31 December 2020, and is one of the largest independent publicly quoted online gaming operators in Europe.

The Group has business operations across Europe, Australia and the USA and offers pre-game and live sports betting (including horse racing), casino & games, poker and other products (including Bingo) through several brands. During 2020, Kindred reached more than 60 million transactions in a day (across all products) on the Kindred platform and offered around 60,000 betting opportunities on major international and local sporting events every day.

The Group is also a founding member of both the European Gaming and Betting Association, and IBIA (International Betting Integrity Association) and is audited and certified by eCOGRA in relation to the pan-European CEN standard on consumer protection and responsible gaming.

Kindred Group plc is registered and headquartered in Malta. The Company's registration number is C 39017.

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

Results and dividends
The consolidated income statement is set out on page 61 and shows the result for the year. The profit for the year was GBP 165.2 (2019: GBP 56.6) million. A detailed Financial review is set out on pages 28 to 30.

New dividend policy
The Board of Directors has decided to revise the previous dividend policy as a result of the Group's strong cash flows and in order to drive further shareholder value.

Kindred's new dividend policy is to generate a stable ordinary dividend in absolute GBP-denominated terms, paid in two equal tranches in the second and fourth quarter. In addition, Kindred will over time complement dividends with share buybacks. The total pay-out of dividends and buybacks will be based on an assessment taking into account Kindred's financial position, capital structure and future investment needs, including acquisition opportunities. The total pay-out ratio of dividends and buybacks should over time equal about 75 per cent of free cash flow (as defined in note 29 on page 89).

Prior year's dividend
Subsequent to its initial proposal, the Board of Directors decided to withdraw its previous recommendation to shareholders to declare a dividend for 2019, and instead recommended that no dividend was paid. Despite the Group being in a solid financial position with strong liquidity and low leverage, the decision was taken due to the uncertainty caused at the time by COVID-19 and to ensure that Kindred was well capitalised for future investment opportunities. This was upheld at the 2020 AGM.

Dividend for 2020
The Board of Directors proposes a dividend of GBP 0.330 (2019: GBP nil) per share/SDR, equal to a total dividend of approximately GBP 75 million.

More details on the dividend for 2020 can be found on page 46.

Shares/SDRs held by the Group
In 2020, 255,163 (2019: 307,614) 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 2020 was 230,126,200 of which 2,971,358 are held by the Group, representing 1.3 per cent of the total number of shares.

Business review
The Strategic Report contains an operational overview of the business for the year. More information can also be found on the Group's web site www.kindredgroup.com.

It also includes an assessment of key performance indicators on pages 16 and 17, and information on risk management on pages 25 to 27. Further information on risk management can also be found in notes 2C and 2D on pages 70 to 72.

A detailed Financial review for the year is then set out on pages 28 to 30.

Significant events during 2020
On 11 February 2020, Kindred signed a multi-state agreement with Caesars Entertainment. The agreement provides Kindred with market access in Indiana, Iowa, and potentially other states, allowing the Group to operate both online sports betting and online gaming under the Unibet brand.

On 18 March 2020 the Swedish Gambling Authority published a decision on a matter which it had commenced in respect of campaigns and promotions found on Kindred's sites and social media in Sweden during early 2019. Kindred vigorously disagrees with the regulator's decision and has appealed the regulator's decision to the Swedish Administrative Court. More information can be found within the General Legal Environment section on pages 43 to 45.

On 13 May 2020, Kindred was awarded a temporary licence in Indiana and launched the Unibet sportsbook there on 30 July 2020.

On 1 July 2020, Kindred launched the "Pay 'N' Play" product, Otto Kasino, in Finland.

On 8 September 2020, Kindred entered into an agreement with Penn National Gaming, providing market access in Illinois and Ohio to operate both online sports betting and online gaming, pending applicable laws being passed and both parties obtaining all necessary gaming licences.

On 18 October 2020, Kindred applied for an online-only (sports) betting licence in Virginia.

On 29 October 2020, Kindred announced an agreement to acquire 100 per cent of the shares in Blankenberge Casino-Kursaal (Blancas) NV which operates Casino Blankeberge in Belgium, from The Rank Group Plc. The acquisition will solidify Kindred's long-term operations and commitments in Belgium and allows Kindred to continue to provide an attractive and broad offering to Belgian customers. The acquisition is subject to customary regulatory approvals and is expected to be completed in the first quarter of 2021.

Significant events after the year end
On 8 February 2021, as part of its "Journey to Zero", Kindred published its first report on its share of revenue derived from high-risk customers. For the fourth quarter of 2020 this was 4.3 per cent.

On 9 February 2021, Kindred announced a partnership with the Quechan Tribe of the Fort Yuma Indian Reservation to secure market access to California and Arizona. The agreement, which will allow Kindred to offer both online and retail sports betting as well as iGaming, spans 10 years and includes an extension option at the end of this period. Launching in these states is conditional upon the introduction of local legislation.

From the 1 March 2021 to the 12 March 2021, 842,000 shares/SDRs were purchased at a total price of SEK 118,334,313, as part of the buy-back programme announced on 26 February 2021. For more information see note 30 on page 90.

Future developments

The US market represents the largest opportunity for future regulated growth for the Group. By the end of 2020 the Group was live in three states, with the ambition to be live in at least five by the end of 2021. This is, of course, reliant upon sustainable legislation. With the partnerships already signed, Kindred now has conditional access to up to 12 states, covering a third of the US population, which strengthens its plans for future expansion. Going forward, the intention is to solidify Kindred's global operating model in the USA, in terms of both customer experience and the use of the Group's own technical platform.

The launch of new regulation in the Netherlands is expected to occur in the coming months and Kindred remains committed to succeeding in the Dutch market. Following initial margin pressure due to betting duties, compliance costs and marketing investments, Kindred considers the opportunities to be substantial as the market stabilises and grows.

Directors and their interests

The following Directors elected at the AGM on 12 May 2020 served during the year and subsequently, unless otherwise stated:

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

On 3 December 2020 Stefan Lundborg resigned from his role as non-executive Director at Kindred Group with immediate effect.

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 among many other projects. During the year the Group capitalised GBP 20.4 (2019: GBP 25.0) million of development expenditure, and expensed research costs of GBP 18.9 (2019: GBP 15.0) million to the income statement.

Employees

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

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

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 18 to 23.

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 2020 are included in this Annual Report and Accounts, which is published in hard-copy printed form and also 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, 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

Anders Ström
Chairman and Director

Gunnel Duveblad
Director
Malta, 12 March 2021

Independent auditor's report
To the shareholders of Kindred Group plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- The consolidated financial statements (the "financial statements") give a true and fair view of the consolidated financial position of Kindred Group plc (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated 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 additional report to the Audit Committee.

What we have audited

Kindred Group plc's financial statements, set out on pages 61 to 90, comprise:

- the Consolidated income statement and Consolidated statement of comprehensive income for the year ended 31 December 2020;
- the Consolidated balance sheet as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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

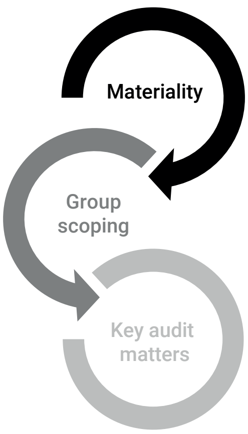
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (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 parent company and its subsidiaries 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 parent company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in note 4 to the financial statements.

Our audit approach

Overview



- Overall group materiality: GBP 6.8 million, which represents 5% of the average profit before tax for the preceding three years.

- PwC Malta is the group auditor with responsibility for the oversight of planning, execution and completion of the audit, and is supported by a number of other component network audit teams who perform procedures in accordance with the instructions provided by the group auditor.

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 6.8 million
How we determined it	5% of the average profit before tax for the preceding three years
Rationale for the materiality benchmark applied	We chose the average profit before tax as the benchmark due to the volatility of the results in the current and previous years. We considered the use of an average of profit before tax over the preceding three years to be the most appropriate basis for determining materiality. We continue to use profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark, however as described above, given the volatility of results, we have used an average of the preceding three years. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above GBP 340,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

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

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

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

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 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 273.9 million. When performing the annual impairment review of goodwill as at 31 December 2020, management determined that the goodwill was fully recoverable. Such trigger and impairment assessments involve a significant degree of estimation, in particular with respect to the cash flow forecasts.	We assessed the appropriateness of management's determination of the CGUs and concluded this to be appropriate. We obtained the annual trigger and impairment assessments performed by management. For those CGUs where a trigger event was identified, we compared the carrying value of each CGU (as defined in note 11) with the recoverable amount. A key component of our work was to consider the budgets and cash flow forecasts prepared by management, as outlined below. This was supplemented by specific procedures on the key assumptions used. We agreed the 2021 cash flow forecasts in the impairment models to the latest Board approved budgets. For the remaining periods covered by the models we evaluated the assumptions (including growth rates, EBITDA margins and discount rates) in the forecasts and considered the evidence available to determine whether the forecasts were reasonable and supportable. We, together with our valuations experts, determined that the application of the key assumptions were considered to be reasonable. We performed a sensitivity analysis on the level of cash flows, the risk adjusted discount rate, growth rate and margin used in the impairment assessment. 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 model. In particular, we assessed each CGU's historical performance including actual results for 2020. Where a trigger was identified, in particular for the 32Red CGU, we concur with management's views that no material impairment charge is identified when comparing the carrying value of the CGU with the value in use. However, if the forecast growth rate in EBITDA margin is not achieved or becomes unrealistic in future years, an impairment charge may arise as disclosed in note 11. We assessed the appropriateness of the disclosures as required by IAS36 in respect of the goodwill in light of the impairment charges that may arise in the event of a reasonably possible change in assumptions and considered these to be reasonable. Refer to note 11 (Intangible assets).
Consideration of liabilities arising from non-compliance with laws and regulations Refer to page 41 (Audit Committee Report), pages 43 to 45 (General Legal Environment) and note 2B (Critical accounting estimates and judgements). The international legal and licencing framework for digital gaming is territory specific, and in some territories this remains uncertain. Regulations are developing and this evolving environment makes compliance an increasingly complex area with territory specific regulations, responsible gambling and anti-money laundering obligations. Given the potential for litigation and licence withdrawal, the risk of non-compliance with digital gaming laws and licence regulations could give rise to material fines, penalties, legal claims or market exclusion. There is also a reputational and financial risk together with a going concern risk should any future changes or interpretation of the law mean that the business may not be able to continue to operate in certain territories.	We assessed how management monitors legal and regulatory developments and their assessment of the potential impact on the financial statements. We read, where relevant, external legal and regulatory advice sought by the Group. We also inquired of management and obtained confirmation letters from the Group's external legal advisers about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals or provisions to be recorded. Whilst acknowledging that there are instances where this becomes a judgemental area, in particular in instances where there are open assessments by the respective regulators, 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.

Key audit matter	How our audit addressed the key audit matter
Recognition and disclosure of tax charges and provisions Refer to page 41 (Audit Committee Report) and note 2B (Critical accounting estimates and judgements). The Group operates across borders and is subject to regulations such as corporation tax and indirect tax in a number of jurisdictions. We focused on this matter as the taxation environment is complex and can change quickly and could result in material exposure to liabilities.	We discussed with management and their tax specialists how the Group manages and controls each individual company across the various territories and jurisdictions in which it operates and assessed how the local tax obligations are determined. We also obtained and read relevant tax correspondence with the respective tax authorities, together with any external tax advice obtained by the Group to assist them in supporting their tax position. With input from our tax specialists across the various key jurisdictions in which the Group operates, we assessed the key judgements with respect to the tax positions taken. We obtained evidence to support the provisions and consider these to reflect management's best estimate. We found the overall position adopted in the financial statements and the related disclosures in respect of corporation tax and indirect taxes to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the Strategic report section, the Governance section and the Other information section (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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's trade, customers and suppliers, and the disruption to its business and the overall 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The Annual Report and Accounts 2020 contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Accounts 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 53 and 54) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matters
Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 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 written consent.

We report separately on the parent company financial statements of Kindred Group plc for the year ended 31 December 2020.

Appointment
We were first appointed as auditors of the Company on 5 October 2005. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 16 years.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Simon Flynn
Partner

12 March 2021

Consolidated income statement

(GBP m)	Note	Year ended 31 December 2020	Year ended 31 December 2019
Gross winnings revenue	3	1,130.2	912.8
Betting duties	3	-231.0	-204.3
Marketing revenue share	3	-53.6	-48.8
Other cost of sales	3	-180.4	-151.1
Cost of sales		**-465.0**	**-404.2**
Gross profit		**665.2**	**508.6**
Marketing costs	4	-203.6	-210.9
Salaries	4	-109.7	-96.1
Other operating expenses	4	-63.7	-73.6
Depreciation of property, plant and equipment	4	-15.1	-14.9
Depreciation of right-of-use assets	4	-11.3	-10.1
Amortisation of intangible assets (excluding on assets that arose on acquisition)	4	-24.3	-24.3
Total administrative expenses	4	**-224.1**	**-219.0**
Underlying profit before items affecting comparability		**237.5**	**78.7**
Management incentive costs relating to acquisitions	4	-0.4	-0.2
Personnel restructuring costs	4	-4.2	-1.7
Disputed regulatory sanction	4	-8.0	–
Impairment losses recognised in the year	11	-7.8	-2.0
Accelerated amortisation of intangible assets that arose on acquisition	4	-6.9	–
Amortisation of intangible assets that arose on acquisition	4	-3.0	-5.9
Foreign currency (losses)/gains on operating items	4	-1.4	2.0
Profit from operations	3	**205.8**	**70.9**
Finance costs	6	-6.2	-7.0
Finance income	7	0.4	0.4
Foreign currency (losses)/gains on borrowings		-8.7	2.9
Share of profit/(loss) from associate	14	1.8	-0.1
Profit before tax		**193.1**	**67.1**
Income tax expense	8	-27.9	-10.5
Profit for the year		**165.2**	**56.6**
Earnings per share, GBP	10	0.728	0.250
Diluted earnings per share, GBP	10	0.721	0.248

More detailed definitions can be found on page 92. The notes on pages 65 to 90 are an integral part of these financial statements.

Consolidated statement of comprehensive income

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the year	165.2	56.6
Other comprehensive income		
Currency translation adjustments taken to equity	9.2	-8.6
Total comprehensive income for the year	**174.4**	**48.0**

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 2020	As at 31 December 2019
Assets			
Non-current assets			
Goodwill	11	273.9	275.3
Other intangible assets	11	148.7	159.7
Investment in associate	14	3.6	1.8
Property, plant and equipment	12	28.4	36.6
Right-of-use assets	13	61.3	64.1
Deferred tax assets	21	28.4	23.5
Convertible bond	24	6.9	6.5
Other non-current assets		2.3	2.2
		553.5	**569.7**
Current assets			
Trade and other receivables	16	46.9	46.8
Taxation recoverable		91.4	41.5
Cash and cash equivalents	28	300.5	137.8
		438.8	**226.1**
Total assets		**992.3**	**795.8**
Equity and liabilities			
Capital and reserves			
Share capital	23	0.1	0.1
Share premium	23	81.5	81.5
Currency translation reserve	23	17.2	8.0
Reorganisation reserve	23	-42.9	-42.9
Retained earnings		356.2	187.3
Total equity attributable to the owners		**412.1**	**234.0**
Non-current liabilities			
Borrowings	20	118.3	225.4
Lease liabilities	13	50.2	53.3
Provisions[1]	18	0.6	0.5
Deferred tax liabilities	21	5.3	5.9
		174.4	**285.1**
Current liabilities			
Lease liabilities	13	12.1	11.7
Trade and other payables	17	162.1	126.6
Provisions[1]	18	21.2	11.3
Customer balances	19	77.5	67.4
Deferred income	15	5.4	5.9
Tax liabilities		127.5	53.8
		405.8	**276.7**
Total liabilities		**580.2**	**561.8**
Total equity and liabilities		**992.3**	**795.8**

1 Provisions have been separated from trade and other payables to be in line with the requirements of IFRS. 2019 comparatives updated to reflect this change.

The official closing middle rate of exchange applicable between the presentation currency (GBP) and the euro issued by the European Central Bank as at 31 December 2020 was 1.112 (2019: 1.175).

The notes on pages 65 to 90 are an integral part of these financial statements.

The financial statements on pages 61 to 90 were authorised for issue by the Board of Directors on 12 March 2021 and were signed on its behalf by:

Anders Ström
Chairman and Director

Gunnel Duveblad
Director

Consolidated statement of changes in equity

(GBP m)	Note	Share capital	Share premium	Currency translation reserve	Reorganisation reserve	Retained earnings	Total
Balance at 1 January 2019		**0.1**	**81.5**	**16.6**	**-42.9**	**238.8**	**294.1**
Comprehensive income							
Profit for the year		–	–	–	–	56.6	56.6
Other comprehensive income							
Translation adjustment		–	–	-8.6	–	–	-8.6
Total comprehensive income		**–**	**–**	**-8.6**	**–**	**56.6**	**48.0**
Transactions with owners							
Share awards – value of employee services	22	–	–	–	–	0.4	0.4
Equity-settled employee benefit plan	22	–	–	–	–	2.0	2.0
Disposal of treasury shares	23	–	–	–	–	2.0	2.0
Dividend paid	9	–	–	–	–	-112.5	-112.5
Total transactions with owners		**–**	**–**	**–**	**–**	**-108.1**	**-108.1**
At 31 December 2019		**0.1**	**81.5**	**8.0**	**-42.9**	**187.3**	**234.0**
Comprehensive income							
Profit for the year		–	–	–	–	165.2	165.2
Other comprehensive income							
Translation adjustment		–	–	9.2	–	–	9.2
Total comprehensive income		**–**	**–**	**9.2**	**–**	**165.2**	**174.4**
Transactions with owners							
Share awards – value of employee services	22	–	–	–	–	0.2	0.2
Equity-settled employee benefit plan	22	–	–	–	–	1.8	1.8
Disposal of treasury shares	23	–	–	–	–	1.7	1.7
Total transactions with owners		**–**	**–**	**–**	**–**	**3.7**	**3.7**
At 31 December 2020		**0.1**	**81.5**	**17.2**	**-42.9**	**356.2**	**412.1**

The notes on pages 65 to 90 are an integral part of these financial statements.

Consolidated cash flow statement

(GBP m)	Note	Year ended 31 December 2020	Year ended 31 December 2019
Operating activities			
Profit from operations		205.8	70.9
Adjustments for:			
Depreciation of property, plant and equipment	12	15.1	14.9
Depreciation of right-of-use assets	13	11.3	10.1
Amortisation of intangible assets	11	34.2	30.2
Impairment losses recognised in the year	11	7.8	2.0
Loss on disposal of property, plant and equipment	4	–	0.1
Loss on disposal of intangible assets	4	0.2	–
Foreign currency losses on dividend	6	–	-0.4
Share-based payments	22	1.9	2.4
Equity-settled employee benefit plan	22	1.8	2.0
Increase in trade and other receivables		-1.3	-6.9
Increase in trade and other payables, including customer balances and provisions		51.0	21.9
Cash flows from operating activities		**327.8**	**147.2**
Net income taxes paid		-11.7	-26.9
Net cash generated from operating activities		**316.1**	**120.3**
Investing activities			
Interest received		0.4	0.3
Purchases of property, plant and equipment	12	-5.2	-15.6
Proceeds from sale of property, plant and equipment		–	0.1
Development and acquisition costs of intangible assets	11	-20.7	-41.4
Net cash used in investing activities		**-25.5**	**-56.6**
Financing activities			
Interest paid[1]		-4.9	-6.6
Interest paid on lease liabilities[1]	13	-1.3	-1.2
Repayment of lease liabilities	13	-11.3	-8.6
Dividend paid	9	–	-112.5
Proceeds from borrowings	20	–	130.0
Repayment of borrowings	20	-115.1	-92.8
Net cash used in financing activities		**-132.6**	**-91.7**
Net increase/(decrease) in cash and cash equivalents		**158.0**	**-28.0**
Cash and cash equivalents at the beginning of the year		**137.8**	**174.3**
Effect of foreign exchange rate changes		4.7	-8.5
Cash and cash equivalents at the end of the year	28	**300.5**	**137.8**

1 Interest paid and interest paid on lease liabilities have been reclassified from cash flows from investing activities to cash flows from financing activities to better represent the nature of the cash flows.

The notes on pages 65 to 90 are an integral part of these 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 and are not included in this Annual Report and Accounts.

The Group has a solid financial position with strong liquidity and low leverage. The Group also generates strong cash flows and it is expected that sufficient funds will be available for its ongoing operations as well as the repayment of its borrowings, whilst also having access to an unused revolving credit facility, as disclosed in note 20. The Group has complied with all of the facility covenant requirements during the year and forecasts show that continued compliance with these covenants is expected. The Directors have reviewed the financial position of the Group, together with its 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 12 months following the signing date of these financial statements. For this reason they continue to adopt the going concern basis in preparing these consolidated 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 adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendment early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory and have not been early adopted by the Group. They are not expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

2A: Summary of significant accounting policies

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Kindred Group plc (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All inter-company transactions and balances between Group companies are eliminated on consolidation.

Subsidiaries are consolidated, using the purchase method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 3 through the consolidated 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 68 and they are discussed further on page 81.

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 years.

Items affecting comparability include management incentive costs relating to acquisitions, personnel restructuring costs, a disputed regulatory sanction, impairment losses, amortisation of intangible assets that arose on acquisition and foreign currency gains and losses on operating items.

Revenue recognition

The Group provides online gaming services across the following: sports betting, casino & games, poker and other products.

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

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

The Group considers Gross winnings revenues on sports betting and casino & games to be derivative financial instruments.

2A: Summary of significant accounting policies continued

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 makers. 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 predominantly relate to its offices in Malta and other territories but also relate to small items of equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices. The Group has elected to split the lease components into their lease and non-lease components based on their relative stand-alone prices.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, restoration costs and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received and adjusts for items specific to each lease, such as the term, country and currency.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liabilities are measured at amortised cost using the effective interest rate method. The liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments, such as changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset, the exception being when the carrying amount of the right-of-use asset has been reduced to zero and any excess is then recognised in profit or loss.

Lease payments can also change when there are changes to an index or a rate used to determine those payments, such as changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate.

Payments associated with short-term leases of premises and equipment are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

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

Gains and losses related to financing, including unrealised gains an 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.

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

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

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

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

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

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

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

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

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

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

Goodwill is carried at cost, less accumulated impairment losses.

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

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

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

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

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

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

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

Gaming licences
Gaming licences are capitalised on the basis of the costs incurred to acquire them. These costs are amortised on a straight-line basis over their respective lifetimes, ranging from eight to fifteen years. Gaming licences are carried at cost less accumulated amortisation and any recognised impairment losses.

Customer databases, brands and domains
Intangible assets identified as a result of a business combination are dealt with at fair value in line with IAS 38, and are brought onto the consolidated balance sheet at the date of acquisition. Where they arise as a result of the acquisition of a foreign entity,

2A: Summary of significant accounting policies continued

they are treated as assets of the acquired entity and are translated at the closing rate.

Acquired intangibles include brands, customer databases and domains. The Maria, 32Red and some of the iGame collection of brands together with the Bingo.com and iGame domains are considered to have indefinite 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. Customer databases are being amortised on a straight-line basis over three years, as the Directors believe this to be their useful life.

Impairment of non-financial assets
Goodwill and intangible assets that have an indefinite 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 consolidated income statement. Investments in such a company are reported initially at cost and then increased, or decreased, to recognise the Group's share of the profit or loss of the associated company after the date of acquisition.

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

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

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

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

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

- Office equipment: fixtures and fittings, three to ten years
- Computer hardware: three 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.

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are reviewed, and adjusted as required, but at least annually.

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

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

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

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

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

At each balance sheet date the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets at amortised cost. See note 2F for further information.

Trade and other receivables
Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the expected loss allowance is the difference between the assets' carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are carried on the consolidated balance sheet at fair value with gains or losses recognised in the consolidated income statement.

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

(b) Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in finance costs.

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 consolidated 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 and other borrowing fees are recognised in finance costs within the consolidated income statement.

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

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value of non-current provisions is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as within other operating expenses in the consolidated income statement.

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 consolidated income statement, with a corresponding adjustment to equity.

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

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

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 less. Included in cash and cash equivalents are funds not available for use by the Group for daily operations. These are primarily funds which are designated by the Group to cover certain customer balances, as required by local laws and regulations.

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 judgements

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 and 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 with indefinite lives have suffered any impairment, in accordance with the accounting policy stated on pages 67 and 68. The carrying value of these assets are shown in the table in note 11 on page 78. 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.

Income taxes

The Group is subject to income tax in numerous jurisdictions. Due to the increased complexity of the Group and the international tax environment, determining the Group's provision for income taxes is subject to enhanced complexity and uncertainty that requires significant estimation and judgement. This may give rise to uncertain tax treatments that may require the recognition of current and/or deferred taxes in line with IFRIC 23. The Group has recognised tax provisions that are based on management's best prediction of the resolution of the uncertainty after taking into consideration all available information, and where appropriate, after taking external advice. Due to the uncertainty of such provisions it is possible that at a future date, an adjustment to the carrying amount of the liability recorded as a result of this estimation may be required, refer to note 8 for further details.

Should uncertain tax treatment subsist as at the financial year end, the Group will consider whether it is probable that a taxation authority will accept the uncertain tax treatment adopted by the Group. The Group will consider whether each uncertain tax treatment should be considered separately or whether to consider them together based on the Group's assessment of what gives a better prediction of the resolution of the uncertainty. When determining the probability that the taxation authority will accept the uncertain tax treatment, the Group assumes that the taxation authority will examine all amounts reported to it and will have full knowledge of all related information during their examination.

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 often be unknown. The Group therefore routinely makes estimates of the financial impact using management's experience and current knowledge of the situation.

Capitalisation of development costs

The Group capitalises internally generated development costs, being salary costs for those working on the development and enhancement of its platform, in line with the relevant accounting policy on page 67. In assessing the criteria for recognising these intangible assets (as listed in the accounting policy on page 67), and in its ongoing assessment of individual projects to ensure they still meet these criteria, management exercises a certain degree of judgement. Systems and controls are in place in order to contain this judgement via tracking of each project.

2C: Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the Group's markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is managed by the finance team reporting through the Chief Financial Officer to the Board of Directors. The Board of Directors supervises strategic decisions, including the management of the Group's capital structure. For more information on the Group's principal risks, please refer to pages 26 and 27.

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, US dollar, Norwegian krone, Danish krone and Australian dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

The 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 2020, the rate of exchange of the euro strengthened against GBP by 5.4 per cent (from a rate of EUR 1.175 per GBP to a rate of EUR 1.112 per GBP). The rate of exchange of the Swedish krona strengthened by 9.1 per cent (from a rate of SEK 12.279 per GBP to a rate of SEK 11.161 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 74.

Additional foreign exchange disclosures for customer balances are contained in note 19 on page 83.

The Group also has net 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.

As elements of the Group's borrowings at the end of the financial year are denominated in EUR and SEK (see note 20 on page 83), there is a currency translation exposure related to that financial liability. Using the annual movement between these currencies and GBP from 31 December 2019 to 31 December 2020 as a basis of sensitivity, a 5.4 per cent fall in the value of GBP against the EUR and 9.1 against the SEK would give rise to an exchange loss of approximately GBP 6.5 million. Until such time as the loan becomes repayable such translation gains and losses are unrealised. These gains and losses are recognised within the consolidated income statement and are non-cash items. In 2020, a loss of GBP 8.7 (2019: gain of GBP 2.9) million has been recognised.

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

Interest rate risk
The Group's interest rate risk is managed through the negotiation of fixed rates above EURIBOR (or the relevant equivalent inter-banking lending rate) on the individual tranches of the bank borrowings. The substantial majority of the Group's liquid resources are held in short-term accounts in order to provide the necessary liquidity to fund the Group's operations, so there is no significant exposure to interest rate risk in respect of the Group's interest-bearing assets and liabilities.

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

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

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

Liquidity risk
Prudent liquidity risk management involves maintaining sufficient cash and availability of funding for the business. As at 31 December 2020, the current assets of the Group exceeded the current liabilities by GBP 33.0 (2019: current liabilities exceeded current assets by GBP 50.6) 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 2020, the unused revolving loan facility available to be drawn on was GBP 160.0 (2019: GBP 54.6) million (see note 20 on pages 83 and 84). The Group also monitored adherence to debt covenants that related to the facilities detailed on page 84 in accordance with the conditions of those instruments, and has been fully compliant with such conditions. The Group always maintains cash balances in excess of customer balances.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. See also notes 15 and 17 for further information on the Group's financial liabilities.

	As at December 2020			**As at December 2019**		
(GBP m)	**Less than 1 year**	**Between 1 and 5 years**	**5+ years**	**Less than 1 year**	**Between 1 and 5 years**	**5+ years**
Deferred income	5.4	–	–	5.9	–	–
Trade and other payables[1]	154.5	–	–	123.7	–	–
Customer balances	77.5	–	–	67.4	–	–
Lease liabilities[2]	12.1	45.1	8.1	11.7	40.1	16.4
Borrowings[2]	3.7	120.9	–	5.9	233.7	–
Total	**253.2**	**166.0**	**8.1**	214.6	273.8	16.4

1 Excluding non-financial liabilities, being other taxation and social security. 2019 numbers have been updated to no longer include provisions.

2 2019 numbers have been updated to correctly reflect the undiscounted cash flows.

2D: Capital risk management

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

The Group's objective in managing capital is to ensure it has sufficient liquidity to manage its business and growth objectives while maximising return to shareholders through the optimisation of the use of debt and equity. Liquidity is necessary to meet the Group's existing general capital needs, fund the Group's growth and expansion plans, and undertake certain capital markets activities, including the repayment of debt and investing activities.

The Group has historically met its liquidity needs through cash flow generated from operations and external financing activities. The latter generally sought to finance business development activities, such as acquisitions. The Board makes all the relevant decisions on investment opportunities and whether to take on further external financing. The Group's current objective is to meet all of its current liquidity and existing general capital requirements from the cash flow generated from operations and to optimise its capital structure and cost of capital.

2D: Capital risk management continued

The Group measures and monitors its leverage primarily through use of the net debt to EBITDA ratio, as one of the financial covenants under its revolving credit facilities detailed on page 84. The net cash/(net debt) to EBITDA ratio at 31 December 2020 was GBP 0.382 (2019: GBP -1.210). The Group has been fully compliant with all such covenants under the facilities agreements during the year, and expects to remain compliant throughout the lifetime of the facilities.

2E: Fair value estimation

The carrying value less expected loss allowances of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For further information on fair value estimates, see note 15 on pages 81 and 82.

2F: Impairment and credit quality of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

– current and non-current receivables measured at amortised cost; and

– cash and cash equivalents, consisting primarily of amounts held with banks and payment providers measured at amortised cost.

The Group considers the probability of default on initial recognition of an asset, of which all of the above were considered to have low credit risk upon initial recognition. The Group then considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, including:

– external credit ratings (as far as available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations; and

– significant changes in the behaviour of the counterparty, such as the status of payments.

Regardless of the analysis above, an increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan. The Group assesses a loan or receivable for write off when a debtor fails to make contractual payments more than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The assessment of loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. No significant changes to estimation techniques or assumptions were made during the reporting period.

Since the Group does not have significant trade receivables, its principal credit risk is in relation to cash and cash equivalents. Cash and cash equivalents are measured at 12 month expected credit losses because credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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 Group continually monitors its credit risk with banking partners and did not incur any losses during 2020 as a result of bank failures. The credit ratings of the Group's principal banking partners at 31 December 2020 and 2019, based on publicly reported Fitch ratings, are as follows:

(GBP m)	As at 31 December 2020	As at 31 December 2019
AA-	13.2	33.1
A+	149.1	20.5
A	1.2	0.8
A-	5.3	2.1
BBB+	2.4	0.5
BBB	13.4	10.5
BBB-	–	1.5
BB+	2.5	–
Not rated[1]	113.4	68.8
Total cash and cash equivalents	**300.5**	**137.8**

1 Not rated primarily consists of payment solution providers where credit risk is managed by maintaining a spread of the Group's funds across a number of industry-established providers.

The maximum exposure to credit risk for cash and cash equivalents, and trade and other receivables, is represented by their carrying amount.

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 2020 is as follows:

31 December 2020 *(GBP m)*	**Nordics**[1]	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**[1]	**Total**
Gross winnings revenue	268.2	705.4	101.8	54.8	**1,130.2**
Betting duties	-26.8	-169.2	-15.7	-19.3	**-231.0**
Marketing revenue share	-11.7	-31.1	-6.1	-4.7	**-53.6**
Other cost of sales	-52.9	-97.1	-18.7	-11.7	**-180.4**
Gross profit	**176.8**	**408.0**	**61.3**	**19.1**	**665.2**
Marketing costs					**-203.6**
Administrative expenses					**-224.1**
Items affecting comparability					**-31.7**
Profit from operations					**205.8**

1 During the year ended 31 December 2020, an impairment loss of GBP 7.8 million was recognised within items affecting comparability. GBP 3.9 million relates to impairment of the Betchoice goodwill and can be attributed to the other reporting segment, whilst the remaining GBP 3.9 million relates to impairment of goodwill from the Guildhall acquisition and can be attributed to the Nordics reporting segment. For more information, please refer to note 11.

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2019 is as follows:

31 December 2019 *(GBP m)*	**Nordics**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**[1]	**Total**
Gross winnings revenue	258.6	555.5	79.0	19.7	**912.8**
Betting duties	-23.6	-165.9	-10.1	-4.7	**-204.3**
Marketing revenue share	-13.8	-27.3	-5.5	-2.2	**-48.8**
Other cost of sales	-53.9	-77.8	-15.4	-4.0	**-151.1**
Gross profit	**167.3**	**284.5**	**48.0**	**8.8**	**508.6**
Marketing costs					**-210.9**
Administrative expenses					**-219.0**
Items affecting comparability					**-7.8**
Profit from operations					**70.9**

1 During the year ended 31 December 2019, an impairment loss of GBP 2.0 million was recognised within items affecting comparability. This is in relation to impairment of the Betchoice goodwill and can be attributed to the other reporting segment. For more information, please refer to note 11.

Product revenues

Gross winnings revenue by principal product groups is shown below:

(GBP m)	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Sports betting	488.1	435.5
Casino & games	579.0	429.3
Poker	32.9	21.3
Other	30.2	26.7
	1,130.2	**912.8**

4: Expenses by nature

(GBP m)	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Betting duties	231.0	204.3
Marketing revenue share	53.6	48.8
Other cost of sales	180.4	151.1
Marketing costs	203.6	210.9
Administrative expenses		
Salary costs (Research and development)	*18.9*	*15.0*
Other salary costs	*90.8*	*81.1*
Total salaries	109.7	96.1
Fees payable to statutory auditors	*0.9*	*0.8*
Loss on disposal of property, plant and equipment	–	*0.1*
Loss on disposal of intangible assets	*0.2*	–
Other	*62.6*	*72.7*
Other operating expenses	63.7	*73.6*
Depreciation of property, plant and equipment	15.1	14.9
Depreciation of right-of-use assets	11.3	10.1
Amortisation of intangible assets (excluding on assets that arose on acquisition)	24.3	24.3
Total administrative expenses	**224.1**	**219.0**
Items affecting comparability		
Management incentive costs relating to acquisitions	0.4	0.2
Personnel restructuring costs	4.2	1.7
Disputed regulatory sanction	8.0	–
Impairment losses recognised in the year	7.8	2.0
Accelerated amortisation of intangible assets that arose on acquisition	6.9	–
Amortisation of intangible assets that arose on acquisition	3.0	5.9
Foreign currency losses/(gains) on operating items	1.4	-2.0
Total items affecting comparability	**31.7**	**7.8**

As explained within the accounting policy note on page 65, 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 2020, items affecting year-on-year comparison included the following:

– Management incentive costs of GBP 0.4 (2019: GBP 0.2) million which refer to costs in connection with the Group's acquisitions.

– Personnel restructuring costs of GBP 4.2 (2019: GBP 1.7) million which have continued during 2020 as a result of the Group implementing measures to improve cost efficiencies by further reducing its headcount.

– A disputed regulatory sanction relating to the decision by the Swedish Gambling Regulator to issue Kindred with a fine of SEK 100.0 million (GBP 8.0 million). The regulator held that campaigns and promotions found on Kindred's sites and social media in Sweden during early 2019 were in breach of the rules on bonuses. Kindred vigorously disagrees with the regulator's decision and appealed the decision to the Swedish Administrative Court. The appeal process is still ongoing and it is only once a final judicial decision has been issued that a fine, if any, becomes payable. In the meantime, Kindred has fully provided for this amount, although the basis on which it was issued is being fully disputed.

– Impairment losses of GBP 7.8 (2019: GBP 2.0) million. GBP 3.9 (2019: GBP 2.0) million is impairment of the Betchoice goodwill, following the Group's reassessment of its fair value as a result of COVID-19. The remaining GBP 3.9 million is against goodwill that arose from the Guildhall acquisition in 2008, and is as a result of the Group rationalising its brand portfolio. Both goodwill balances are now fully written down and both charges are non-cash and thus have no impact on free cash flow. For more information see note 11 on pages 77 to 79.

– Amortisation of acquired intangible assets is the charge on IFRS 3 Business combination acquired assets over the useful lives of the assets and is included as part of the Group's total amortisation charge (see note 11 on pages 77 to 79). Included within this charge for 2020 is accelerated amortisation of GBP 6.9 million relating to those brands that the Group has decided to discontinue during 2020, in order to benefit from focusing resources on its remaining brands and to reduce organisational complexity. This is a non-recurring, non-cash charge.

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

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Annual statutory audit	0.7	0.7
Non-audit services	0.2	0.1
	0.9	**0.8**

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

Non-audit services includes the interim review, permissible tax compliance and other services.

5: Salaries

Salaries can be broken down as follows:

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Gross wages	88.0	76.5
Share award charge – value of employee services (see note 22)	1.9	2.6
Equity-settled employee benefit plan (see note 22)	1.8	2.0
Social security costs	12.4	10.2
Pension costs	5.6	4.8
	109.7	**96.1**

The remuneration of the Directors and CEO is disclosed within the Remuneration Committee report on page 51.

Average employee numbers are provided as below:

Average number of employees for the year	Year ended 31 December 2020	Year ended 31 December 2019
Finance, legal, administration and management	437	447
Marketing (including trading)	534	570
Customer services	250	225
Research and development	411	382
	1,632	**1,624**

6: Finance costs

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Interest and fees payable on bank borrowings	4.9	5.4
Interest on lease liabilities	1.3	1.2
Foreign exchange losses on dividend	–	0.4
	6.2	**7.0**

7: Finance income

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Interest receivable on convertible bond and bank deposits	0.4	0.4
	0.4	**0.4**

8: Income tax expense

(GBP m)	Note	Year ended 31 December 2020	Year ended 31 December 2019
Current tax:			
Income tax expense		33.7	16.3
Deferred tax:			
Deferred tax credit	21	-5.8	-5.8
Total tax expense		**27.9**	**10.5**

Income tax in Malta is calculated at a basic rate of 35 (2019: 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.

8: Income tax expense continued

The tax expense for the year can be reconciled to the profit per the consolidated income statement as follows:

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Profit before tax	193.1	67.1
Taxation at the basic income tax rate of 35 (2019: 35) per cent	67.6	23.5
Effects of:		
Tax recoverable[1]	-53.5	-40.3
Overseas tax rates	-14.9	1.6
Items of income/expenditure not taxable/deductible[2 5]	11.6	7.5
Uncertain tax position[3 5]	4.9	1.0
Other[4 5]	12.2	17.2
Tax expense	**27.9**	**10.5**

1 The tax recoverable of GBP 53.5 (2019: GBP 40.3) million represents the Malta tax refundable in accordance with applicable fiscal legislation on intra-Group dividends distributed during the year and the Malta tax that shall be recoverable upon distribution of unremitted earnings.

2 Included in the figure of 2020 is a provision of GBP 8.0 (2019: nil) million in relation to the fine issued by the Swedish Gambling Regulator which is currently being disputed. Additionally an amount of GBP 2.9 (2019: GBP 2.7) million represents the effect of assets that are not eligible for tax depreciation.

3 The uncertain tax position of GBP 4.9 (2019: GBP 1.0) million represents a provision of potential additional tax payable in line with IFRIC 23.

4 Included in other for the financial year ended 31 December 2020 is an amount of GBP 6.4 (2019: 5.6) million which represents losses realised by entities of the Group on which no deferred tax has been recognised. For the year ended 31 December 2019 an amount of GBP 10.9 million was included which represented an adjustment to the deferred tax recognition upon consolidation of tax losses that are eligible for offset against future profits, no such amount was recorded for 2020. The residual items included in other have not been separately disclosed in view that, individually, they are not material.

5 Certain comparative figures have been reclassified in order to conform with the current year's presentation.

The income tax recognised directly in equity during the year is as follows:

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Deferred tax (credit)/charge in relation to:		
Share-based payments	-0.1	0.1
	-0.1	**0.1**

9: Dividend

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Dividend paid GBP nil (2019: GBP 0.496) per share	–	112.5

Subsequent to its initial proposal, the Board of Directors decided to withdraw their previous recommendation to shareholders to declare a dividend for 2019, and instead recommended that no dividend was paid. Despite the Group being in a solid financial position with strong liquidity and low leverage, the decision was taken due to the uncertainty caused at the time by COVID-19 and to ensure that Kindred was well capitalised for future investment opportunities. This was upheld at the 2020 AGM.

During 2020, the Board of Directors decided to revise the previous dividend (and share purchase) policy. Further details of the new policy can be found on page 46.

Subsequent to this, the Board of Directors is now proposing a final dividend in respect of the financial year ended 31 December 2020 of GBP 0.330 per ordinary share/SDR, equal to a total dividend of approximately GBP 75 million. If approved at the AGM on 12 May 2021, the instalments will be paid out in two equal tranches on 20 May 2021 and 18 November 2021.

10: Earnings per share

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

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**165.2**	56.6
Number of shares		
Weighted average number of outstanding shares for the purposes of basic earnings per share	**227,023,775**	226,669,514
Effect of dilutive potential ordinary shares – share awards	**2,060,231**	1,714,651
Weighted average number of outstanding shares for the purposes of diluted earnings per share	**229,084,006**	228,384,165
Earnings per share GBP		
Earnings per share	**0.728**	0.250
Diluted earnings per share	**0.721**	0.248

The nominal value per share is GBP 0.000625 (2019: GBP 0.000625).

11: Intangible assets

(GBP m)	Goodwill	Other intangible assets: Development costs	Computer software	Customer databases	Gaming licences	Brands and domains	Total
Cost							
At 1 January 2019	286.8	121.0	12.8	44.4	–	124.8	**303.0**
Additions	–	25.0	1.5	–	14.9	–	**41.4**
Reclassifications	–	–	–	–	1.0	-1.0	**–**
Disposals	–	-52.1	-1.0	–	–	–	**-53.1**
Currency translation adjustment	-5.6	-0.4	-0.5	-0.7	-0.5	-2.7	**-4.8**
At 31 December 2019	**281.2**	**93.5**	**12.8**	**43.7**	**15.4**	**121.1**	**286.5**
Additions	–	20.4	0.3	–	–	–	**20.7**
Disposals	–	-6.5	-0.1	–	–	–	**-6.6**
Currency translation adjustment	7.4	0.4	0.6	0.8	-0.4	3.2	**4.6**
At 31 December 2020	**288.6**	**107.8**	**13.6**	**44.5**	**15.0**	**124.3**	**305.2**
Accumulated amortisation							
At 1 January 2019	4.1	91.2	10.0	36.8	–	13.2	**151.2**
Charge for the year	–	22.4	1.8	5.2	0.3	0.5	**30.2**
Impairment losses recognised in the year	2.0	–	–	–	–	–	**–**
Reclassifications	–	–	–	–	0.3	-0.3	**–**
Disposals	–	-52.1	-1.0	–	–	–	**-53.1**
Currency translation adjustment	-0.2	–	-0.4	-0.8	–	-0.3	**-1.5**
At 31 December 2019	**5.9**	**61.5**	**10.4**	**41.2**	**0.6**	**13.1**	**126.8**
Charge for the year	–	22.3	1.3	2.5	1.2	6.9	**34.2**
Impairment losses recognised in the year	7.8	–	–	–	–	–	**–**
Disposals	–	-6.3	-0.1	–	–	–	**-6.4**
Currency translation adjustment	1.0	0.1	0.6	0.8	-0.1	0.5	**1.9**
At 31 December 2020	**14.7**	**77.6**	**12.2**	**44.5**	**1.7**	**20.5**	**156.5**
Net book value							
At 31 December 2020	**273.9**	**30.2**	**1.4**	**–**	**13.3**	**103.8**	**148.7**
At 31 December 2019	275.3	32.0	2.4	2.5	14.8	108.0	**159.7**

Goodwill 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 pages 66 and 67.

Goodwill, some brands and domains arising on business combinations, together with any separately acquired brands or domains, are not subject to amortisation but are reviewed annually, or more frequently if events require, for impairment, as described below. Customer databases recognised as a result of previous acquisitions are amortised over three years. The amortisation periods for all other classes of intangible assets are outlined in note 2A on pages 67 and 68.

Impairment review

Goodwill and other intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite lives are allocated by management to cash-generating units for the purpose of impairment testing.

Other intangible assets that have indefinite lives include significant brands acquired through business combinations and key trading domains either acquired through business combinations or separately purchased.

The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill and other intangible assets with indefinite lives arose. The units to which goodwill and other intangible assets with indefinite lives are allocated are reviewed for appropriateness each year and are outlined on the following page:

11: Intangible assets continued

CGU	Goodwill (GBP m)	Other intangible assets (GBP m)	Description
Group operations	167.3	43.9	Following the acquisitions of the MrBookmaker Group in 2005, the Maria Group in 2007, Guildhall Media Invest in 2008, Bet24 in 2012 and iGame and Stan James Online in 2015, the activities and customers of the acquired businesses have been integrated into the existing businesses of the Kindred Group and the combined businesses are now managed on a unified basis. Management considers the combined business to be one cash-generating unit, as the original purchased businesses are no longer separately identifiable. The Maria brand, Bingo.com domain, certain iGame brands and iGame domains are an integrated part of the wider business and have therefore been allocated to the same Group operations cash-generating unit.
Solfive	5.8	–	The acquisition of Solfive on 12 December 2011 has continued to operate on a substantially separate basis in 2020 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at 31 December 2020.
32Red	100.8	59.9	The acquisition of 32Red on 9 June 2017 has continued to operate on a separate platform in 2020. It is therefore considered to be a separate cash-generating unit at 31 December 2020. The 32Red brand was part of the 32Red acquisition and has therefore been allocated to the 32Red cash-generating unit.
Total	273.9	103.8	

During the year, goodwill and other intangible assets with indefinite lives were subject to the following adjustments:

- As a result of the rationalisation of its brand portfolio, the Group decided to discontinue certain brands during 2020 in order to benefit from focusing resources on its remaining brands and to reduce organisational complexity. Accordingly, those brands were designated as intangible assets with definite lives and a non-recurring, non-cash amortisation charge of GBP 6.9 million was taken in March 2020 against them. This charge is recognised in the consolidated income statement within accelerated amortisation of intangible assets that arose on acquisition.
- In March 2020, the Group also reassessed the fair value of acquired intangibles, as a result of COVID-19, which resulted in an impairment loss of GBP 3.9 million against the Betchoice goodwill, now fully written down.
- The Group also recognised an impairment loss against the Group operations cash-generating unit of GBP 3.9 million in December 2020, relating to the goodwill which was initially recognised as part of the Guildhall acquisition in April 2008, as these underlying operations have been discontinued.

As at 31 December 2020, the total goodwill of GBP 273.9 million and the total other intangible assets with indefinite lives of GBP 103.8 million were tested for impairment on a value-in-use basis. The value-in-use calculation was based on the 2021 budget approved by the Board and extrapolated pre-tax projections over four years. These projections were allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry and in line with the Group's strategy and plans.

The key assumptions used by management in the value-in-use calculations to support the overall impairment assessment as approved by the Board were as follows:

	At 31 December 2020			At 31 December 2019			
	Group operations	Solfive	32Red	Group operations	Solfive	Betchoice	32Red
EBITDA margin (per cent)[1]	**17.3–26.0**	**10.1–12.6**	**5.8-24.1**	8.3–17.5	15.4–16.5	0–12.0	2.4–17.1
Risk adjusted discount rate (per cent)[2]	**10.6**	**10.6**	**10.0**	10.6	10.6	12.9	10.0
Long-term growth rate (per cent)[3]	**2.0**	**2.0**	**2.0**	2.0	2.0	2.0	2.0

1 Based on past performance and management's expectations of market development.

2 The rate has been reassessed and calculated using the CGU's pre-tax weighted average cost of capital (WACC), adjusted for specific risks relating to the relevant segments and the countries in which they operate. The 2019 discount rates disclosed have been updated from post-tax to pre-tax rate.

3 Weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

Based on the Group's impairment review no further indication of impairment has been identified on the separate cash-generating units.

In performing its assessment of the carrying value of goodwill and other intangibles with indefinite lives, the Board believes there is one cash-generating unit, 32Red, where possible changes to the underlying assumptions might give rise to impairment. As a result, sensitivity analyses have been performed over this cash-generating unit.

The recoverable amount of the 32Red cash-generating unit exceeds the carrying value of 32Red assets by GBP 296.6 (2019: GBP 103.6) million. A decrease in EBITDA of 44 per cent in the first five years (corresponding to a decrease in the EBITDA margin of 20 per cent on average for the same period) would lead to the recoverable amount of the 32Red cash-generating unit equalling its carrying amount. A pre-tax increased risk adjusted discount rate at 21.7 per cent (2019: 14.4 per cent) would lead to the recoverable amount of the 32Red cash-generating unit equalling its carrying amount.

The Board believes there are no other cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment.

12: Property, plant and equipment

(GBP m)	Note	Computer hardware	Office equipment, fixtures and fittings	Total
Cost				
At 1 January 2019		32.5	31.3	**63.8**
Additions		9.3	6.3	**15.6**
Disposals		-2.0	-1.7	**-3.7**
Reclassifications		-0.4	0.4	**–**
Currency translation adjustment		-1.4	-1.0	**-2.4**
At 31 December 2019		**38.0**	**35.3**	**73.3**
Additions		4.8	0.4	**5.2**
Disposals		-0.3	–	**-0.3**
Currency translation adjustment		2.6	1.3	**3.9**
At 31 December 2020		**45.1**	**37.0**	**82.1**
Accumulated depreciation				
At 1 January 2019		20.0	6.4	**26.4**
Charge for the year	4	8.1	6.8	**14.9**
Disposals		-1.9	-1.6	**-3.5**
Currency translation adjustment		-0.9	-0.2	**-1.1**
At 31 December 2019		**25.3**	**11.4**	**36.7**
Charge for the year	4	7.9	7.2	**15.1**
Disposals		-0.3	–	**-0.3**
Currency translation adjustment		1.8	0.4	**2.2**
At 31 December 2020		**34.7**	**19.0**	**53.7**
Net book value				
At 31 December 2020		**10.4**	**18.0**	**28.4**
At 31 December 2019		12.7	23.9	36.6

13: Leases

This note provides information for leases where the Group is a lessee.

a) Amounts recognised in the consolidated balance sheet

The table below shows the right-of-use assets and corresponding lease liabilities recognised on the consolidated balance sheet. All recognised right-of-use assets relate to the Group's premises.

(GBP m)	As at 31 December 2020	As at 31 December 2019
Right-of-use assets (net) – premises	**61.3**	**64.1**
Lease liabilities:		
Current	12.1	11.7
Non-current	50.2	53.3
	62.3	**65.0**

Additions to the right-of-use assets during the 2020 financial year were GBP nil (2019: GBP 0.9 million). Remeasurements of the right-of-use assets resulted in increases of GBP 4.8 million (2019: GBP nil) and, aside from the impact of depreciation, the only other factor impacting the assets is foreign exchange movements.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Extension and termination options are included in a number of leases. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

b) Amounts recognised in the consolidated income statement and consolidated cash flow statement

The consolidated income statement shows the following amounts relating to leases:

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation of right-of-use assets – premises	**11.3**	10.1
Interest expense (included in finance costs)	**1.3**	1.2
Expense relating to short-term leases (included in other operating expenses)	**2.0**	2.0
Income from sub-leasing right-of-use assets (included in other operating expenses)	**0.5**	0.2

The total cash outflow for leases in 2020 was GBP 14.6 million (2019: GBP 11.8 million).

14: Subsidiaries and associated companies

Details of the Group's principal subsidiaries at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership and voting power %
Betchoice Corporation Pty Ltd	Australia	100%
Kindred South Development Pty Ltd	Australia	100%
Unibet Australia Pty Ltd	Australia	100%
Kindred Belgium NV	Belgium	100%
Star Matic BVBA	Belgium	100%
Kindred Denmark ApS	Denmark	100%
Kindred France SAS	France	100%
32 Red Limited	Gibraltar	100%
Kindred (Gibraltar) Limited	Gibraltar	100%
Platinum Gaming Limited	Gibraltar	100%
Firstclear Limited	Great Britain	100%
Kindred (London) Limited	Great Britain	100%
Kindred Services Limited	Great Britain	100%
Kindred Italy SRL	Italy	100%
iGame Holding plc	Malta	100%
Kindred IP Limited	Malta	100%
Lexbyte Digital Limited	Malta	100%
Maria Holdings Limited	Malta	100%
Moneytainment Media Limited	Malta	100%
Spooniker Ltd.	Malta	100%
SPS Betting France Limited	Malta	100%
Trannel International Limited	Malta	100%
Unibet (Belgium) Limited	Malta	100%
Unibet (Denmark) Limited	Malta	100%
Unibet (Germany) Limited	Malta	100%
Unibet (Holding) Limited	Malta	100%
Unibet (Italia) Limited	Malta	100%
Unibet Services Limited	Malta	100%
Kindred Spain Tech, S.L.	Spain	100%
Kindred People AB	Sweden	100%
PR Entertainment AB	Sweden	100%
Unibet Interactive Inc.	USA	100%

The proportion of ownership and voting power in 2020 was unchanged from 2019.

The movements in the Group's interest in its associate, relating to its 33.4 per cent interest in Relax Holding Limited as at 31 December 2020 (35.0 per cent as at 31 December 2019), is shown below:

(GBP m)	**2020**	**2019**
Carrying value at 1 January	1.8	1.9
Share of profit/(loss) from associate	1.8	-0.1
Carrying value at 31 December	**3.6**	1.8

15: Financial instruments

The carrying value of the Group's financial assets and financial liabilities approximated their fair values at the year end.

The Group's financial assets consist of loans and other non-current and current assets at amortised cost except for financial assets at fair value through profit or loss which consist of the embedded option on the convertible bond of GBP 0.1 (2019: GBP 0.2) million (see note 24 on page 87). At 31 December 2020, other receivables of GBP 21.7 (2019: GBP 19.4) million were considered to be fully recoverable. Due to the nature of its business, the Group does not carry any expected credit losses for receivables. The Group does not hold any collateral as security for its receivables. See note 2F for more information on the impairment of financial assets.

15: Financial instruments continued

The Group's financial liabilities consist of borrowings, lease liabilities and other current liabilities at amortised cost, except for liabilities at fair value through profit or loss of GBP 5.4 (2019: GBP 5.9) million which consist of deferred income relating to unsettled bets.

IFRS 13 requires management to identify a three-level hierarchy of financial assets and liabilities at fair value. Fair value changes in deferred income are minimal, including those attributable to credit risk. The Group determines the amount of fair value changes attributable to credit risk by determining the changes due to inputs based on unobservable market data (defined as level three by IFRS 13), such as historical sports betting margins, and deducting those changes from the total change in fair value when significant. The Group believes this approach appropriate as changes in other factors are not deemed significant. Although the final value will be determined by future betting outcomes, there are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined. This is also the case for the Group's financial assets, which are immaterial.

16: Trade and other receivables

(GBP m)	**As at 31 December 2020**	**As at 31 December 2019**
Due within one year:		
Other receivables	21.7	19.4
Prepayments	25.2	27.4
	46.9	**46.8**

Other receivables do not include material items that are impaired nor past due on the reporting date. No interest is charged on the receivable balance. The Group does not have collateral over these balances. Due to the short-term nature of other receivables, their carrying amount is considered to be the same as their fair value. No estimated credit loss has been booked in respect of these receivables.

17: Trade and other payables

(GBP m)	**As at 31 December 2020**	**As at 31 December 2019**
Due within one year:		
Trade payables	12.8	27.8
Other taxation and social security	7.6	2.9
Other payables	0.5	0.9
Accruals	141.2	95.0
	162.1	**126.6**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

18: Provisions

(GBP m)	**As at 31 December 2020**			**As at 31 December 2019**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Jackpot provisions	4.2	–	**4.2**	3.4	–	**3.4**
Property provisions	–	0.6	**0.6**	–	0.5	**0.5**
Employee provisions	0.6	–	**0.6**	–	–	**–**
Operational provisions	16.4	–	**16.4**	7.9	–	**7.9**
	21.2	**0.6**	**21.8**	**11.3**	**0.5**	**11.8**

Jackpot provisions

The Group offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. The Group maintains a provision covering 70 per cent of the total jackpot balances. The cash outflows will occur when the jackpots are won. Exact timing is unknown, due to their nature, but these are expected to occur over the next 12 months.

Property provisions

This comprises amounts provided for by the Group for the reinstatement of properties to their original condition when a lease was taken out, if this is required by the terms of the lease. Management estimates the provision based on third-party expert information of expected costs, but this could differ from the final outflow required. The remaining cash outflows are expected to occur in seven years' time when certain leases are not renewed.

Employee provisions

Employee provisions relate to personnel restructuring costs and other employee-related provisions which are applicable under local regulations. Personnel restructuring provisions are recognised upon communication to the employee and considered utilised upon payment. Management estimates the provision based on the terms of the individual's employment contract, but this could differ from the final outflow required. The cash outflows are expected to occur over the next 12 months. Other employee-related provisions are estimated based on the requirements of the particular laws and regulations within each location. Exact timing is unknown, due to their nature, but these are expected to occur over the next 12 months.

Operational provisions

Operational provisions are provisions directly related to the regulated nature of the Group's activities and relate to litigations, anti-money laundering regulation, gaming taxes or items of a similar nature. Management estimates these provisions based on historic trends, any other current information known, as well as the best estimate of the most likely outcome. By the nature of these estimations, final outflows may differ from the current provision. The cash outflows are expected to occur over the next 12 months.

The additions of GBP 10.0 million includes a disputed regulatory sanction in relation to the decision by the Swedish Gambling Regulator to issue Kindred with a fine of SEK 100.0 million (GBP 8.0 million). The regulator held that campaigns and promotions found on Kindred's sites and social media in Sweden during early 2019 were in breach of the rules on bonuses. Kindred vigorously disagrees with the regulator's decision and appealed the decision to the Swedish Administrative Court. The appeal process is still ongoing and it is only once a final judicial decision has been issued that a fine, if any, becomes payable. In the meantime, Kindred has made a provision of SEK 100.0 million (GBP 8.0 million) although the basis on which it was issued is being fully disputed.

See note 2A for the Group's accounting policy in relation to provisions.

Movements in provisions

Movements in each class of provisions during the financial year are set out below:

(GBP m)	Jackpot provisions	Property provisions	Employee provisions	Operational provisions	Total
At 1 January 2020	3.4	0.5	–	7.9	11.8
Additional provisions recognised	26.7	–	4.6	10.0	41.3
Amounts utilised during the year	-26.0	–	-3.7	–	-29.7
Unused amount reversed	–	–	-0.3	-2.6	-2.9
Movement due to discount rate	–	0.1	–	–	0.1
Foreign exchange movements	0.1	–	–	1.1	1.2
At 31 December 2020	**4.2**	**0.6**	**0.6**	**16.4**	**21.8**

19: Customer balances

Customer balances of GBP 77.5 (2019: GBP 67.4) 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 2020	As at 31 December 2019
AUD	4%	4%
DKK	4%	4%
EUR	52%	50%
GBP	15%	14%
NOK	7%	11%
SEK	8%	9%
USD	4%	3%
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.

20: Borrowings

(GBP m)	As at 31 December 2020	As at 31 December 2019
Non-current		
Bank borrowings – due in 1-5 years	**118.3**	225.4
Current		
Bank borrowings – due within 1 year	**–**	–
Total borrowings	**118.3**	**225.4**

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

(GBP m)	As at 31 December 2020	As at 31 December 2019
GBP	**29.3**	62.0
EUR	**55.8**	125.1
SEK	**33.2**	38.3
Total borrowings	**118.3**	**225.4**

20: Borrowings continued

On 23 July 2019, Kindred Group plc entered into a new syndicated multicurrency facilities agreement with several Nordic banks, comprising a GBP 120 million bullet term loan (the term loan) and a GBP 160 million revolving loan facility (the revolving facility). As at 31 December 2020 the balance of the facilities utilised was GBP 119.0 (2019: GBP 225.4) million out of a total of GBP 280.0 (2019: GBP 280.0) million. The total borrowings recognised in the statement of financial position of GBP 118.3 million are reported net of the associated transaction fees which were incurred and paid upon entering the facilities agreement and which are being expensed over its duration.

The borrowings are unsecured and the fair value of the borrowings equals the carrying amount, as the impact of discounting is not material.

Repayments

The term loan and the revolving facility are both repayable in full on 23 July 2022, being three years from the date of the facilities agreement.

Interest

Interest shall accrue on each advance under the facilities agreement at the rate per annum which is the sum of the applicable IBOR (which, for the avoidance of doubt, includes LIBOR for loans in GBP, EURIBOR for loans in EUR and STIBOR for loans in SEK, and if the applicable IBOR is below zero, IBOR will be deemed to be zero) plus the applicable margin of 2 per cent per annum.

Covenants

The facilities agreement is also subject to financial undertakings, principally in relation to leverage ratio and other certain customary covenants which will regulate Kindred and its subsidiaries' ability to, among other things, incur additional debt, grant security interests, give guarantees and enter into any mergers. At 31 December 2020, 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 liabilities arising from financing activities

(GBP m)	Borrowings	Leases	Total
At 1 January 2019	194.3	75.0	**269.3**
Net cash flows	37.2	-8.6	**28.6**
Lease acquisitions and remeasurements	–	0.9	**0.9**
Foreign exchange movements	-6.1	-2.3	**-8.4**
At 31 December 2019	**225.4**	**65.0**	**290.4**
Net cash flows	-115.1	-11.3	**-126.4**
Lease acquisitions and remeasurements	–	4.8	**4.8**
Other non-cash movements	-0.7	–	**-0.7**
Foreign exchange movements	8.7	3.8	**12.5**
At 31 December 2020	**118.3**	**62.3**	**180.6**

21: 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 2019							
Deferred tax liabilities		–	-0.1	–	-3.0	-1.2	**-4.3**
Deferred tax assets		7.9	0.8	4.9	–	2.2	**15.8**
Credit to income for the year	8	-0.2	0.9	4.9	0.2	–	**5.8**
Charge directly to equity	8	–	–	–	–	-0.1	**-0.1**
Currency translation adjustment		-0.4	-0.1	-0.2	0.1	1.0	**0.4**
At 31 December 2019							
Deferred tax liabilities		–	–	–	-3.6	-2.3	**-5.9**
Deferred tax assets		7.3	1.5	9.6	0.9	4.2	**23.5**
Credit to income for the year	8	3.3	0.9	0.2	0.5	0.9	**5.8**
Credit directly to equity	8	–	–	–	–	0.1	**0.1**
Currency translation adjustment		0.2	0.2	0.3	-0.1	-1.0	**-0.4**
At 31 December 2020							
Deferred tax liabilities		**–**	**–**	**–**	**-2.7**	**-2.6**	**-5.3**
Deferred tax assets		**10.8**	**2.6**	**10.1**	**0.4**	**4.5**	**28.4**

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 2020	As at 31 December 2019
Deferred tax liabilities	**-5.3**	-5.9
Deferred tax assets	**28.4**	23.5
Net assets	**23.1**	**17.6**

The deferred tax balances include deferred tax assets of GBP 11.2 (2019: GBP 8.3) million that are expected to be recovered within 12 months.

At 31 December 2020, the Group had unutilised trading tax losses of GBP 141.0 (2019: GBP 135.6) from its principal operating entities available for offset against future profits. The amount of unutilised tax losses as at 31 December 2020 for which a deferred tax asset has been recognised is GBP 94.7 (2019: GBP 92.1) million. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses due to insufficient evidence of their reversal in future periods.

The tax losses for which no deferred tax asset has been recognised arose principally from losses of Kindred France SA and the Australian sub-group which comprises Unibet Australia Pty Ltd, Betchoice Corporation Pty Ltd and Kindred South Development Pty Ltd, for which there is insufficient evidence of reversal. In total these losses represent GBP 46.3 (2019: GBP 43.5) million of the total unutilised tax losses disclosed above. There is no specific expiry date of the total remaining unutilised trading tax losses for which no deferred tax asset has been recognised. No deferred tax has been recognised yet in respect of the US unutilised tax losses. Deferred tax assets will be recognised once there is evidence of their reversal in future periods.

The aggregate amount of other deductible temporary differences at 31 December 2020 for which deferred tax assets have been recognised is GBP 43.9 (2019: GBP 30.7) million. This includes a deductible temporary difference in respect of unvested share awards amounting to GBP 4.0 (2019: GBP 2.6) million, of which GBP 0.5 (2019: GBP nil) million has been credited directly to equity. The aggregate amount also includes a deductible temporary difference arising on unused capital losses of Kindred Group plc amounting to GBP 8.2 (2019: GBP 6.2) million on which a deferred tax asset has been recognised as it is expected that taxable capital gains will be available against which the deductible temporary difference can be utilised. A deferred tax asset has not been recognised for other deductible temporary differences of GBP 3.0 (2019: GBP 3.6) million.

22: Share-based payments

The Group operates a number of share-based payment schemes as set out within this note. During 2020, 255,163 share awards vested from within the 2017 Group Performance Share Plan. The total charge for the year relating to employee share-based payment plans was GBP 3.7 (2019: GBP 4.6) million.

2020 long-term incentive plans (2020 LTIP)

In 2016, the Kindred Group Board approved a long-term incentive plan for all employees and the Executive Management team (2020 All Employee Share Plan and 2020 Executive Management Incentive Scheme). As a result, 1,481,866 share awards were granted to existing employees on 3 October 2016 and, together with the grants made to new employees since this date, these awards will vest in March 2021. The awards are subject to achieving business performance targets in the 2020 financial year and continued employment. The targets were 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 2020 in relation to the 2020 LTIP was GBP 1.8 (2019: GBP 2.0) million.

Performance Share Plan (PSP)

The introduction of the Group PSP, regarding the granting of future performance share rights to senior management and key employees, was approved at the 2013 AGM.

The PSP performance measures are non-market-based conditions providing participants with a high degree of alignment to the Group's performance. They are based on continued employment and achieving business performance targets over three financial years. The targets set are EBITDA, Gross contribution (Gross winnings revenue, less cost of sales, less marketing costs), and free cash flow per share. Grants made in each year will have targets measured on an aggregate basis between the full year of grant and the two successive years so that performance in each financial year will be important. Aggregated performance against the targets and the resulting allocation of PSP awards are disclosed after the full year of vesting.

On 6 July 2020, the 2017 PSP grants vested on a partial basis as the agreed targets for the business performance conditions set for the period covering the three financial years 2017–2019 were not fully met. The results for the 2017 PSP are summarised below and the total number of share awards vested was 255,163.

22: Share-based payments continued

Performance targets	Achievement vs. target over 2017–2019	PSP result
EBITDA	96.7%	86.6%
Gross contribution	98.3%	94.6%
Free cash flow	101.7%	100.0% (capped)

On 17 June 2020, the Kindred Group granted 1,072,865 new PSP awards to senior management and key employees (2020 PSP). These grants will vest after June 2023 and are subject to achieving business performance targets over the three financial years 2020-2022 and continued employment. The targets for these plans were approved by the Remuneration Committee and the Board of Directors in June 2020. The total amount expensed is recognised over the vesting period of the plan, which is three years.

The total charge recognised in 2020 in relation to the Group's PSPs was GBP 1.9 (2019: GBP 2.6) million; of the 2020 amount GBP 0.6 million was recognised in relation to the new 2020 PSP.

The amount recognised in the consolidated statement of changes in equity in respect of this scheme of GBP 0.2 (2019: GBP 0.4) million comprises the charge above, offset by the utilisation of treasury shares for the vesting during 2020 of GBP 1.7 (2019: GBP 2.2) million.

Grants made under both the PSP and 2020 LTIP share-based payment arrangements are valued using the Black-Scholes option-pricing model. The fair value of grants and the assumptions used in the calculation are as follows:

	PSP awards[1]				2020 LTIP awards[1]
Grant date	**3 Jul 2017**	**1 Jun 2018**	**23 May 2019**	**17 June 2020**	**3 Oct 2016**
Average share price prior to grant GBP	–	–	–	–	–
Exercise price GBP	–	–	–	–	–
Number of employees	149	178	198	174	1,125
Shares under award	423,197	368,316	717,334	1,072,865	1,481,866
Vesting period (years)	3	3	3	3	4
Expected volatility %	29	25	33	64	32
Award life (years)	3	3	3	3	4
Expected life (years)	3	3	3	3	4
Risk-free rate %	–	–	–	–	–
Expected dividends expressed as dividend yield %	3.61	5.68	8.46	3.94	3.28
Fair value per award GBP	7.70	8.17	4.55	3.97	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 2020 is shown below:

PSP	2020 Number	2019 Number
Outstanding at 1 January	1,355,846	1,090,809
Vested	-255,163	-306,599
Granted	1,080,605	717,334
Lapsed	-248,867	-145,698
Outstanding at 31 December	**1,932,421**	**1,355,846**

2020 LTIP	2020 Number	2019 Number
Outstanding at 1 January	1,509,592	1,489,867
Vested	–	-1,015
Granted	64,081	263,323
Lapsed	-360,512	-242,583
Outstanding at 31 December	**1,213,161**	**1,509,592**

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 1.1 years.

Dilution effects

609,379 share awards lapsed or were cancelled during 2020. If all share-based programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 1,965.99 (2019: GBP 1,790.90) by the issue of a total maximum of 3,145,582 ordinary shares (2019: 2,865,438 ordinary shares), corresponding to 1 per cent (2019: 1 per cent) of the capital and votes in the Company.

The principal terms of the share-based payment schemes are set out below.

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 agreed by the Board. The awards are shares or SDRs and not options, therefore there is no exercise price associated with the awards. All other principal terms of the scheme including responsibility, exercise periods, changes of control, scheme and individual limits are set out below:

Responsibility for operation

The PSP scheme is operated by the Board of Directors of the Company, through the Remuneration Committee appointed by the Board, which consists mainly of Non-executive Directors of the Company.

Eligibility

An individual is eligible to be granted an award only if they are an employee of a participating company.

Grant of awards

Awards may be granted at the discretion of the Board of Directors, or the Remuneration Committee, to selected employees. Awards are not pensionable or transferable.

Individual limits

The Board of Directors will decide the maximum number of ordinary shares or SDRs which may be granted under the PSP plan to individual participants.

Scheme limit

At any time, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or be issuable under the PSP scheme and all other employees' share schemes operated by the Company. This limit does not include awards which have lapsed or been surrendered.

The rules of the PSP scheme allow the Board of Directors to grant awards on the basis that they will vest only to the extent that certain performance conditions have been satisfied. Awards may, however, vest in certain circumstances. These include, for example, an employee leaving because of ill health, retirement, redundancy or death. On cessation of employment for other reasons, awards will normally lapse.

Change of control, merger or other reorganisations

Awards may generally vest early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, participants may be allowed or, in certain cases, required to exchange their awards for awards over shares in the acquiring company.

Issue of shares

Any ordinary shares issued on the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

2020 LTIP

The principal terms of the PSP are applicable for the 2020 LTIP.

23: Share capital and reserves

a) Share capital

(GBP)	As at 31 December 2020	As at 31 December 2019
Authorised:		
1,600,000,000 (2019: 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 (2019: 230,126,200) ordinary shares of GBP 0.000625 each	**143,829**	**143,829**

As at 31 December 2020, the total amount of issued shares in Kindred Group plc was 230,126,200 with a par value of GBP 0.000625. Of these, 2,971,358 shares are held by the Group as a result of previous purchase programmes. When these shares are purchased or subsequently utilised, the impact is reflected within retained earnings.

During 2020, 255,163 purchased shares were used in connection with the vesting of the 2017 performance share plan.

b) Share premium

There was no movement in share premium in 2020, nor in the previous year.

c) Reorganisation reserve

This reserve of GBP -42.9 (2019: 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 17.2 (2019: GBP 8.0) million is a non-distributable reserve.

24: 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 2020 was GBP 0.1 (2019: GBP 0.2) million. There is no indication of impairment of the convertible bond at the year end.

25: Capital commitments

The Group has entered into contracted non-current asset expenditure of GBP 0.2 (2019: GBP 1.1) million as at 31 December 2020.

26: Related party transactions

For details of Directors' and Executive Committee remuneration please refer to the Remuneration Committee report on page 51. As at the year end, GBP nil (2019: GBP 2,000) was owed to the Directors in respect of these services.

As disclosed in note 14, Kindred Group plc has a 33.4 per cent interest in its associate, Relax Holding Limited. Relax Holding Limited and its subsidiaries are therefore considered to be related parties of Kindred Group plc. The Relax Gaming Group provides certain brands within the Kindred Group with B2B online gaming services, being the supply of its casino, bingo and poker products as well as some related development. During the year ended 31 December 2020, the following related party transactions were entered into with the Relax Gaming Group:

- Various subsidiaries of Kindred Group plc received services from subsidiaries of Relax Holding Limited. The total amount of services procured amounted to GBP 8,443,187 (2019: GBP 8,635,038). At 31 December 2020, the remaining balance owed by the Group was GBP nil (2019: GBP nil).
- In February 2018, Kindred Group plc agreed to provide a loan facility to Relax Holding Limited for a maximum value of EUR 1.0 million, expiring in April 2020. The facility was drawn down in April 2018 and February 2019 and, in line with the loan agreement, interest and fees accrued on the loan balance. In April 2020 the loan agreement was amended and extended for a further two years, with a new expiry date of April 2022. Subsequently in 2020 the full loan balance was repaid and, as at 31 December 2020, the remaining balance owed to the Group was GBP nil (2019: GBP 991,898).

Other related party transactions during the year ended 31 December 2020 totalled GBP 63,733 (2019: GBP 163,141). This relates to marketing services provided by Football United International Limited, a company in which one of the Kindred Group's Board members has an interest. The balance due to Football United International Limited was GBP nil (2019: GBP 10,995) as at 31 December 2020.

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 2020 of GBP 300.5 (2019: GBP 137.8) million is GBP 77.5 (2019: GBP 44.2) million of funds that are not available for use by the Group for daily operations. These are primarily funds which 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 Board of Directors considers to be valuable. Alternative performance measures reported by the Group are not 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	Year ended 31 December 2020	Year ended 31 December 2019
Total administrative expenses		**224.1**	**219.0**
Less: Salaries	4	-109.7	-96.1
Less: Depreciation of property, plant and equipment	4	-15.1	-14.9
Less: Depreciation of right-of-use assets	4	-11.3	-10.1
Less: Amortisation of intangible assets (excluding on assets that arose on acquisition)	4	-24.3	-24.3
Other operating expenses		**63.7**	**73.6**
Gross winnings revenue		1,130.2	912.8
Other operating expenses as a share of Gross winnings revenue		**6%**	**8%**

(GBP m)	Year ended 31 December 2020	Year ended 31 December 2019
Profit from operations	205.8	70.9
Gross winnings revenue	1,130.2	912.8
Operating margin	**18%**	**8%**

(GBP m)	Note	Year ended 31 December 2020	Year ended 31 December 2019
Profit from operations		**205.8**	**70.9**
Depreciation of property, plant and equipment	12	15.1	14.9
Depreciation of right-of-use assets	13	11.3	10.1
Amortisation of intangible assets	11	34.2	30.2
Impairment losses recognised in the year	11	7.8	2.0
EBITDA		**274.2**	**128.1**
Gross winnings revenue		1,130.2	912.8
EBITDA margin		**24%**	**14%**

(GBP m)	Note	As at 31 December 2020	As at 31 December 2019
Cash and cash equivalents	28	300.5	137.8
Customer balances	19	-77.5	-67.4
Unrestricted cash		**223.0**	**70.4**
Less: Borrowings	20	-118.3	-225.4
Net cash/(net debt)		**104.7**	**-155.0**
EBITDA		274.2	128.1
Net cash/(net debt) to EBITDA ratio		**0.382**	**-1.210**

(GBP m)	As at 31 December 2020	As at 31 December 2019
Equity	412.1	234.0
Number of shares at period end	230,126,200	230,126,200
Equity per share	**1.791**	**1.017**

(GBP m)	Note	Year ended 31 December 2020	Year ended 31 December 2019[1]
Net cash generated from operating activities		**316.1**	**120.3**
Purchases of property, plant and equipment	12	-5.2	-15.6
Proceeds from sale of property, plant and equipment		–	0.1
Development and acquisition costs of intangible assets	11	-20.7	-41.4
Interest paid on lease liabilities		-1.3	-1.2
Repayment of lease liabilities		-11.3	-8.6
Adjust for: customer balance movement		-10.1	-5.1
Free cash flow[1]		**267.5**	**48.5**
Number of shares at period end		230,126,200	230,126,200
Free cash flow per share[1]		**1.162**	0.211

1 The free cash flow metrics for the year ended 31 December 2019 have been updated to remove certain items affecting comparability which are included within net cash generated from operating activities.

30: Subsequent events

On 9 February 2021, Kindred announced a partnership with the Quechan Tribe of the Fort Yuma Indian Reservation to secure market access to California and Arizona. The agreement, which will allow Kindred to offer both online and retail sports betting as well as iGaming, spans 10 years and includes an extension option at the end of this period. Launching in these States is conditional upon the introduction of local legislation.

On 26 February 2021 it was announced that Kindred Group's Board of Directors had decided to start exercising the buy-back mandate which was received at the Extraordinary General Meeting on 11 June 2020. The programme will run between 1 March and 30 April 2021 and amounts to a total of up to SEK 190 million. Between the 1 March 2021 and 12 March 2021, 842,000 shares/SDRs were purchased at a total price of SEK 118,334,313. The intention of the Board is to cancel the repurchased shares. The cancellation of shares requires approval at the Annual General Meeting and the Board of Directors intends to seek such approval at the Annual General Meeting in May 2021. After these transactions, the total number of issued shares in the company is 230,126,200 and Kindred's holding of its own shares is 3,813,358.

These post balance sheet events do not require any change in the amounts included in the 2020 financial statements.

Annual General Meeting

The Annual General Meeting of Kindred Group plc will be held at 10.00 CET on 12 May 2021, at Kindred's Stockholm office located at Regeringsgatan 25 in Stockholm, Sweden.

Right to participate

Holders of Swedish Depositary Receipts who wish to attend the AGM must be registered at Euroclear Sweden AB on 30 April 2021 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 12.00 CET on 7 May 2021, by filling in the enrolment form provided at www.kindredgroup.com/AGM, "Registration form for AGM 2021". 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 30 April and 17 May 2021.

Dividend

The Board of Directors proposes a dividend of GBP 0.330 (2019: GBP nil) per share/SDR, to be paid to holders of ordinary shares and SDRs. If approved at the AGM, the dividend is expected to be distributed on 20 May 2021 and 18 November 2021 and amounts to a total proposed distribution of GBP 75.0 (2019: GBP nil) million.

Please see page 46 for further details regarding the Group's new dividend policy.

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 2021 on the following dates:

Interim Report January – March, on 28 April 2021
Interim Report January – June, on 28 July 2021
Interim Report January – September, on 27 October 2021
Full Year Report 2021, on 9 February 2022

Definitions

Average number of employees: Average number of employees for the year based on headcount at each quarter 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.

Diluted earnings per share: Profit after tax adjusted for any effects of dilutive potential ordinary shares outstanding divided by the diluted weighted average number of outstanding shares.

Diluted equity per share: Total equity divided by the diluted number of ordinary shares at the balance sheet date.

Diluted weighted average number of outstanding shares: Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effects of the vesting of all share awards) during the year.

Dividend per share: Dividend proposed or paid divided by the number of outstanding shares at the balance sheet date.

Earnings per share: Profit after tax divided by the weighted average number of outstanding shares.

EBITDA: Profit from operations before depreciation, amortisation and impairment losses.

EBITDA margin: EBITDA as a percentage of Gross winnings revenue.

EBITDA per share: EBITDA divided by the weighted average number of outstanding shares.

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 excluding movements in customer balances, less cash flow from investment activities (including acquisitions) and payments for lease liabilities, divided by the number of ordinary shares at the balance sheet date.

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 cash / 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.

Net debt to EBITDA ratio: Net debt at the balance sheet date divided by EBITDA for the year to that date.

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.

Return on average equity: Profit from operations as a percentage of average equity.

Turnover: Total amount of stakes placed on sporting events and games.

Unrestricted cash: Total cash at the balance sheet date less customer balances

Unrestricted cash per share: Unrestricted cash divided by the number of ordinary shares at the balance sheet date.

Weighted average number of outstanding shares: Calculated as the weighted average number of ordinary shares outstanding during the year.

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