We are individuals united

Kindred Group plc
Annual Report and Accounts 2016

We are individuals united.

We’re a diverse network of passionate and talented individuals who are proud to be part of Kindred. As experts in our different areas, we all add something special to the Group. Our success depends on attracting and keeping the best talent, whose most important skill is being a team player.

Read more inside

Kindred owns a range of digital brands driven by a desire to offer customers the best online gambling experience available.

Kindred looks to innovate throughout the business, not just in terms of technology and products, but also in processes and efficiency. This is reflected in two EGR Innovation Awards won in 2016 for Casino Marketing and Social Marketing campaigns.

Our values

Our culture, our strategy and how we interact with each other and the world around us are determined by our values. They are universal and at Kindred we live by them.

Our purpose

To transform online gambling to ensure fair play, the best deal and a great experience for our players.

Our heritage

We have always offered the most fun, user-friendly and exciting online gambling experiences and our goal remains unchanged: for our customers to be delighted by our brands by providing them with the most innovative, quality products.

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.

Our stakeholders

Everyone interdependent or interacting with our company has a relationship with our business and it lies in our interest to take care of and cultivate that relationship.

Highlights

Kindred is one of the largest online gambling operators in the European market with over 16.5 million customers worldwide.

GBP 544.1m
Gross winnings revenue +54%

GBP 67.7m
Betting duties +93%

GBP 144.5m
Marketing expenditure +47%

GBP 123.7m
Underlying EBITDA[1] +53%

1 Underlying EBITDA = Profit from operations before depreciation, amortisation and items affecting comparability (excluding amortisation of acquired intangible assets and foreign currency differences on operating items).

We are individuals united p8

We dare to challenge p10

We build on trust p12

We seek to innovate p14

We believe in friendliness p16

At a glance

The Kindred Group offers Sports betting, Racing, Casino & Games, Bingo and Poker through our distinctive brands.

Why Kindred
The brand Unibet has grown in the last twenty years to be one of the leading brands both by size and reputation in the digital gambling market. Unibet will continue to be the Group's leading all-product brand and the Board is confident that the Unibet brand and business will continue to grow strongly by living up to its brand promise of "By Players, For Players".

But Kindred Group has developed in recent years to be much more than Unibet, the brand. There are different segments in the gambling market and to maximise shareholder value it was essential to broaden the offer to customers. Through a series of successful acquisitions, the Group has secured a range of complementary businesses and brands.

The Group's business is organised around centralised technology, product, operations and commercial teams in support of the different consumer brands, which drives efficiency of operations. Separating the Group's corporate identity from the Group's leading individual brand, therefore, reflects the current reality of a scalable centralised model that can continue to develop and support multiple brands in the future.

Key international brands
Kindred Group's principal international brands are listed below.

More information about the brands is given on page 18.

UNIBET

iGame™

MARIACASINO

StanJames.com

BINGO.com

Local brands
In 2015, Kindred Group acquired Stan James Online and iGame Group to expand in the UK and in the Nordics. In early 2017, Kindred Group launched the two new brands Storspelare.com and Storspillere.com.

24h Bet

HERTAT

kolikkopelit

BOHEMIA CASINO

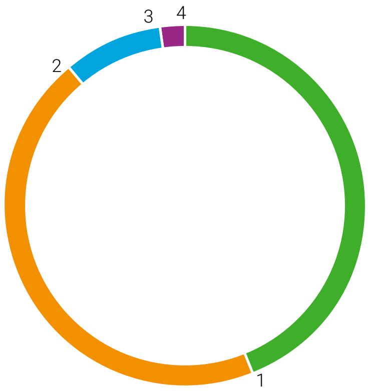
22%
EBITDA margin

+71%
Active customers

GBP 351.5m
Gross winnings revenue from mobile +96%

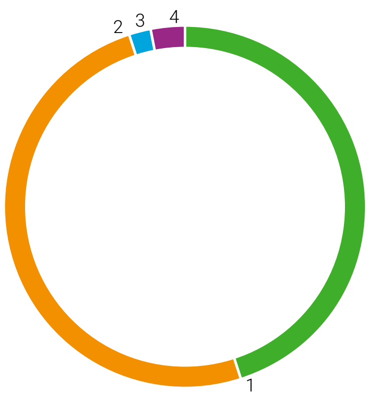
GBP 544.1m
Total Gross winnings revenue

Our markets by region
(%)



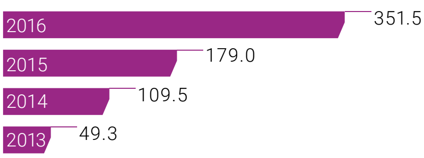
1	**Nordics**	44%
2	**Western Europe**	45%
3	**CES**	9%
4	**Other**	2%

Our products
(%)

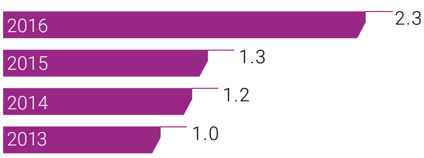


1	**Sports betting**	45%
2	**Casino & games**	50%
3	**Poker**	2%
4	**Other**	3%

Gross winnings revenue from mobile
(GBPm)



Active customers
(Millions)



Creating relevance through technology
A scalable, resilient IT platform allows Kindred Group to process over 19 million transactions a day, supporting multiple brands across different licensed jurisdictions, all with different terms and conditions.

> Personalisation & automation
> Highly relevant messages through behavioural-based segmentation at the right time to the right customer
> Increased efficiency reflected in more and better targeted campaigns
> Tailored technology solutions to fulfil the Group's needs.

Investing in player safety & customer security
Kindred Group's award winning proprietary Player Safety Early Detection System (PS-EDS) is at the heart of the responsible gaming approach. Using a risk-based approach, the software detects early signs of problem gambling using indicators based on empirical studies, and allows the Group to monitor, support and protect players.

> Digital ID authentication & verification
  – MyDigipass™ in Belgium
  – TUPAS in Finland
  – BankID™ in Sweden
> Improving customer verification and reducing friction with Optical Character Recognition technology
> Giving customers greater flexibility in regulating their gambling through new tools such as different self-exclusion options and free Betfilter licences
> Kindred Group undertook audit certifications across all of its licenced activities as required by the terms of its licences. During the year ended 31 December 2016, the number of audits was 27 with no failures in compliance noted.

VEIKKAUSHUONE
CASINOHUONE
STORSPELARE
POKERIHUONE
BINGOHUONE
STORSPILLER

CEO's review

+54%

Increase in GWR

+53%

Increase in underlying EBITDA

Henrik Tjärnström
CEO

Welcome to the Kindred Group

After twenty years as the Unibet Group, I am excited to introduce our new identity as the Kindred Group. I believe that our new identity will drive even more great opportunities for our customers, our employees and our owners.

//
Part of our identity as Kindred is that we are never satisfied, which drives us to continue to challenge ourselves to improve in all areas of the business.
//

Multi-brand driving multiple opportunities

We have operated with a multi-brand strategy since the acquisition of Maria Casino in 2007 and the transformation of our business accelerated in the last two years with the acquisitions of Stan James Online and the iGame Group. The next logical step was to make clear that, while the Unibet brand is central to our heritage and remains our keystone brand, the brand is not the same as the business. The Kindred Group brand will not only shape a clearer footprint with a mix of global and hyperlocal brands, it will also allow our employees to work across brands ensuring alignment and scalability along the entire brand portfolio.

The economic drivers behind the change of corporate identity are clear to see in our successful development across all our main brands in 2016. Our improved ability to target specific segments of both local and international markets also gives us the best opportunity of sustaining the current strong performance into the future.

Local regulation creating greater stability

Since I became CEO in 2010 our strategy has centred on preparing our business to deal with the continuing challenges and opportunities of regulatory change in the industry. This is still the core focus of the Kindred Group strategy. Markets in Europe and around the world are continuing to develop local regulations, which in turn are transforming our industry.

It is understandable that much of the focus about local regulation is on the short-term threats of additional taxation and regulatory compliance costs and the Kindred Group is fully focussed on driving continuous improvements in efficiency and scale to manage those risks.

But we also see significant opportunities for the Kindred Group arising from local regulation. The introduction of local regulation accelerates the consolidation in the industry and gives an advantage to those operators whose strategy and scale positions them to meet these challenges. In recent years we have specific examples such as our successful acquisitions of Bet24 in the Danish market and Stan James in the UK market following the new local regulations in 2012 and 2014 respectively. Similarly, we have delivered profitable organic growth in markets such as Belgium and Romania following the introduction of local regulations in those markets.

Working as a partner to develop sustainable markets

In key markets that have introduced local regulation or are still in that process, the Kindred Group works as a partner with the local regulators and legislators to share our knowledge to help them to develop sustainable regulations. Successful regulation has to address the reality of the digital market – consumers will always be motivated to find the best offering. This means that for a regulated market to work effectively, the overall terms of the regulation must be attractive enough to ensure that consumers will play inside the system. This covers all aspects of the regulation – if any gambling products are excluded from the regulation, then all that means is that consumers of such products will play 100 per cent outside the regulated system, and it will completely fail to deliver on the social and consumer protection objectives. Equally if tax rates are set too high, then the inevitable result of that is that the offer to the customer will become uncompetitive and so more players will be motivated to play illegally, outside the protections of the regulated system.

This dynamic is what we call "channelisation" – if a proposed regulation does not encourage players to play inside the regulated system, then the natural result is that there will be less tax collected by the government, less transparency and less consumer protection.

Keeping focus on what our customers want

By improving the distinction between our group identity and our consumer brands, we can be even more relevant to our customers. Managing a mix of brands designed for each local market by offering our global sportsbook brand Unibet next to local casino brands allows us to address a larger share of the market. But while the customer engagement will vary by brand, key areas such as responsible gaming and earning the customer's trust, will remain consistent across all of our brands.

The operator who takes care of the customer in the best way, offers the best gambling experience and works closely with local regulators will have the best odds to be the number one operator across all markets. This is our ambition.

Always changing, always challenging

2016 has been a year of great achievement and great change for the Kindred Group, which is exactly how we like it. We achieve good results thanks to the fantastic contribution of all our employees and the unique culture we have built since our foundation, which allows us to function as a family. One of the most positive achievements of 2016 has been the way in which we have integrated the Stan James Online and iGame Group employees and they have helped us become even stronger as a team.

Part of our identity as Kindred is that we are never satisfied, which drives us to continue to challenge ourselves to improve in all areas of the business. The more we challenge ourselves, the bigger the challenge we will give to our competitors and I am confident that this will enable us to continue to take market share in the future.

On 23 February 2017, we announced an offer to acquire 32Red plc, a Gibraltar-based online gaming company focused mainly on casino and the UK market. This process is not completed at the date of this report, but represents another exciting development for Kindred. We are delighted to welcome 32Red and its team into the Kindred family and look forward to further developing the brand going forward.

Henrik Tjärnström
CEO
Malta, 8 March 2017

Business model and strategy

Kindred aims to create long-term value for our shareholders by building a business that is dynamic, fast-growing and efficient, but balances this with our responsibilities to society, to regulators and above all to our customers.

1

What we use to create value

Financial strength

Our strong cash generation allows us to combine a progressive dividend to our owners with substantial re-investment into the business.

People and knowledge

We recruit the best people across all disciplines to ensure we not only meet today's challenges but we also prepare the business to face the future.

Our values and reputation

We operate in a transparent way with the customer always as our focus.

Technology

Excellence in technology is focused both on the constant evolution of new channels or features, as well as delivering the quality and reliability of experience that our customers expect.

Relationships

We work with the best suppliers to ensure we provide the optimum mix of thrills and entertainment that our customers seek.

2

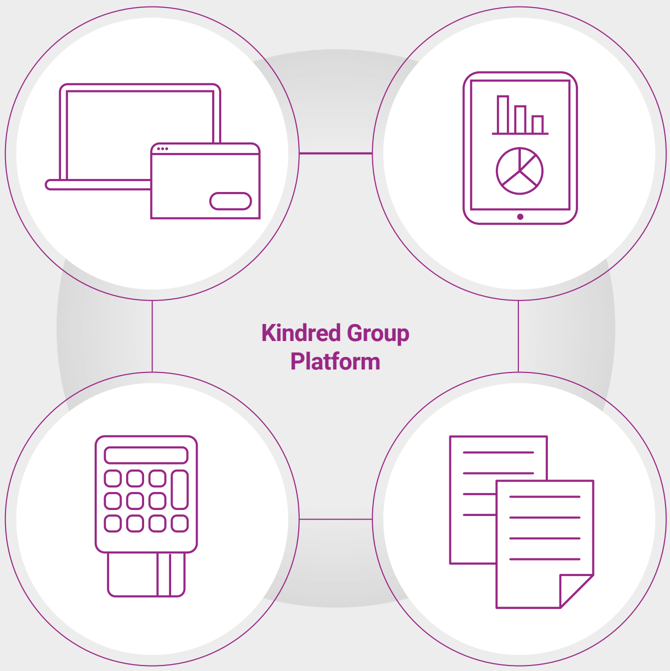
How we combine our resources to give customers the best experience

Product suppliers

We always strive to give our customers the best local, relevant and engaging gambling experience by offering the best products from the best product suppliers.

Data analytics/CRM

To be able to analyse real time data is important so we can give our customers a personalised entertainment.



Payment solutions

Our payment solutions have a local feel, providing local payment solutions and tailored deposit pages to the local customer.

Financial/regulatory reports

Every week, every month thousands of reports are created to fulfil all regulatory requirements.

The Kindred Group Platform

At Kindred, we continue to invest heavily in the development of our central customer management platform because it's a fundamental component to forging deeper and longer lasting relationships with our players.

The evolution of this innovative technology platform in-house provided Kindred with the unique opportunity to become an industry-leader in relationship marketing, "big" data, analytics and player safety. The proprietary platform combines a highly advanced core layer of player management including custom bonus tools and extensive player protection tools, with the in-built flexibility and scalability to integrate new products per market and per brand, whenever a customer need is identified.

Owning the core, the deep relationship with the customer, whilst leveraging new technologies like "big" data with the added option to co-develop new products and new game content, like Poker, Bingo, BetUP and exclusive new local slots, with a third-party supplier, makes this solution both robust and responsive to future demand as it allows us to continue offering first-class products at optimised prices.

Controlling the core of the customer management platform also provides critical freedom to innovate in less public but equally important areas. For example, expanding our cutting edge micro services and global network infrastructure to reduce the burden of adding new brands and minimising the tech cost per active customer.

Leveraging the strengths and flexibility of this platform has been key to the business's success so far. However; in future, it will give us an even greater competitive advantage as we adapt seamlessly to new market conditions whilst adopting cutting-edge tools and products that delight our players across multiple brands, channels and jurisdictions.

3

How we maximise value through strategy

Our strategy is driven by a realistic assessment of the challenges we face and a focus on how to beat those challenges.

> **Key markets are re-regulating and existing regulations continue to develop.**
Our strategy has been focused on re-regulation since 2010 and we have invested to ensure our whole business can adapt to this change.

> **The levels of investment required to build and maintain a leading market position are constantly increasing.**
Through rapid organic growth and strategic M&A, we achieve the scale that brings efficiency.

> **Competitive rivalry between operators is intense.**
We aim to continue to take market share and to build on strength in our core markets by being the most innovative operator.

> **The opportunity still exists for growth in markets that have been considered as mature for many years.**
We aim for Kindred to be where our customers want us to be, with offers tailored to their needs.

> **Growth brings complexity, risking our ability to be agile.**
Our internal focus is on efficiency and scalability to ensure growth is sustainable.

4

Outcomes and outputs

→ Rewarding investors in the longer term

Gross winnings revenue, adjusted for costs, capital investments, movements in working capital and tax payments, flows through to free cash flow, which is available to distribute to shareholders as a cash dividend or to fund share buy-backs and acquisitions.

→ Furthering sustainable growth

Balanced with the dividends that we are able to distribute to shareholders are the investments we make back into the business. These enable Kindred to stay ahead of the competition across all areas of the business and drive future growth potential.

→ Making gambling safe and enjoyable for our customers

Every transaction with a customer is managed in a regulated environment either under a national licence or one of the Group's international licences, with consistent standards of responsible gaming and consumer protection.

Our values in action

We are individuals united

We're a diverse network of passionate and talented individuals who are proud to be part of Kindred. As experts in our different areas, we all add something special to the Group. Our success depends on attracting and keeping the best talent, whose most important skill is being a team player.

Individuals united

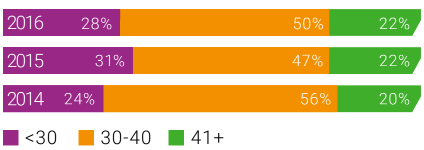
The Kindred team comprises 1,162 skilled professionals from 47 different nationalities, speaking over 54 different languages.

The Kindred Group has grown rapidly through a combination of strong organic performance and a series of strategic acquisitions. Managing that growth successfully, to deliver increased revenues and profits, is only possible because we employ extremely talented individuals, with a passion to serve our customers.

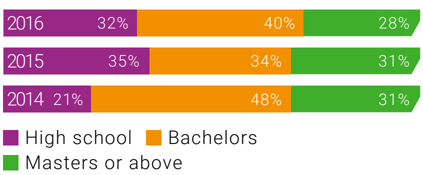
The Kindred Group operates in many different markets, each of which has different cultural and social styles when it comes to gambling. Many of course also have different rules and laws regulating the gambling industry.

It is natural, therefore, that we have built an extremely international and highly skilled workforce to enable us to satisfy the needs of all stakeholders in our business.

Employee age breakdown



Employee education breakdown



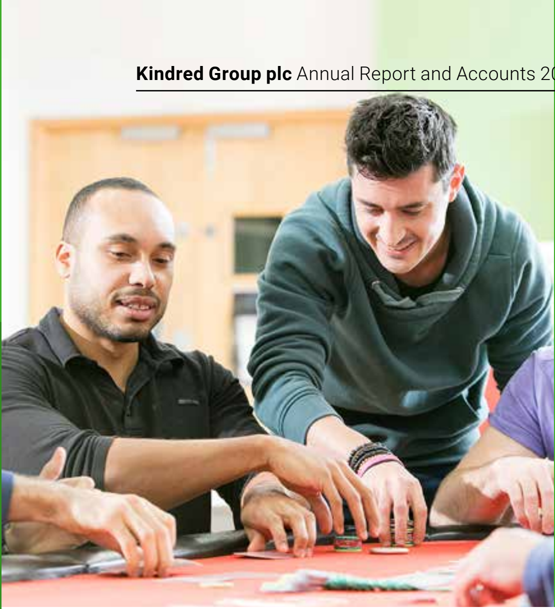
Employee gender

Stephen's story

I was fortunate to join Kindred initially as the Development Manager in Australia and then later as the Head of IT (Australia). The role I have is to focus on all aspects of IT for the Australian office and work closely with the Trading team, Marketing team and the Finance team to ensure that they have everything they need to do their jobs.

The largest piece of work that my IT team in Australia is focused on is the delivery of our new horse racing platform that will be used in Australia, the UK and then globally. In this project my team in Australia is working very closely with the business and technology teams in Stockholm, London and Gibraltar on a daily basis. Having the delivery of this project as a common goal has enabled a lot of close relationships to be formed and these relationships really make us feel that we are an integral part of the Kindred family.

The horse racing platform project will finish but the good news is that the relationships we have built will continue to grow and we will move onto other new and exciting challenges together with the rest of the Kindred family.



1,162

Employees

> //
> ...these relationships really make us feel that we are an integral part of the Kindred family.
> //

Motivated people and successful collaboration

As a fast-growing business we are able to offer fantastic opportunities to our star performers, for rapid responsibility and development.

A key feature of the Group's development is that when we have acquired businesses, we have also acquired many talented individuals who have added to the skills and experience in the Group and many of whom have also developed into more senior roles in the business. An essential part of the success of our acquisitions has been the ability to integrate top talent from the acquired businesses to work effectively within the Group. While sometimes there can be duplication of functions after an acquisition and so there is a need to rationalise positions, this is quite rare and the rapid growth of the Group always provides new opportunities for development.

As a digital business, Kindred does not need to have office locations in all of our markets, but over twenty years and following several acquisitions, we have more than ten offices around the world. This means that teamwork between offices and teams is essential to our success. Successful collaboration is of course supported by state-of-the-art communication tools and technology. The real driver of successful collaboration is however in the positive problem-solving attitude of our people, always with the customer as our focus.

Stephen
Head of IT
Australia

Our values in action

We dare to challenge

We see all challenges as an opportunity to do something in a better way – for you, for the team and for our customers. We hunger for growth both personally and professionally and go above and beyond to deliver the successful products of tomorrow. Only through acting now and taking calculated risks will we stay one step ahead of competition.

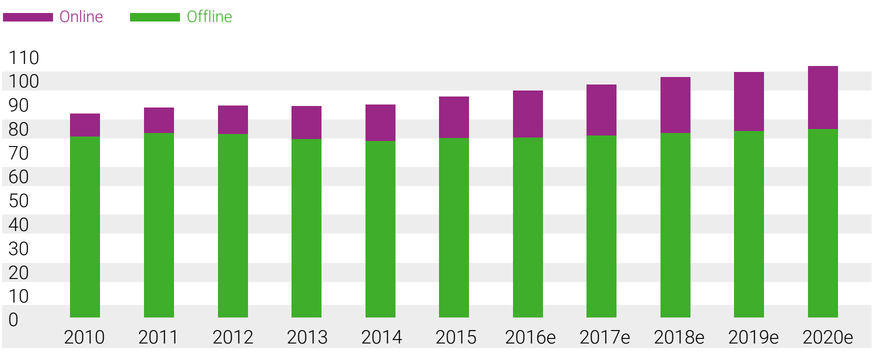
Challenging the competition

Industry analysis shows that the overall gambling market continues to grow quite slowly, in line with overall economic development.

Through improved technology and the use of smartphones the digital segment is growing much faster than the offline segment but still continues to be a relatively small part of the overall market.

Even though the Kindred Group operates in a fast-growing segment of the gambling industry, our goal is to grow significantly faster than the competition and so to increase our market share year by year. In 2016, Kindred Group revenues increased by 54 per cent and the Kindred Group brands continued to take market share off the competition.

European gambling market (EURbn)



Source: H2GC January 2017

Heidi's story

Imagine waking up in the morning and leaving your home but just entering the office it feels like you have come home again. This is my extended family where I have an important role to play, just like everyone else.

My job in the Kindred Tech team is to focus on both strategic and operational levels and the work is both exciting and challenging.

My mission is to lead my team to secure the best customer experience through continuous deployment of infrastructure, performance, stability and automation. Our mission is always increasing, as in 2016 we have been focused on integration of our new acquired businesses as well as making sure the platform can cope with the ever-growing numbers of customers.

My team are truly individuals united. Experts that care about the wellbeing of our customers. I trust my friends to challenge my ideas and thoughts. Challenging is a healthy sign that you care. As a team we collect ideas and needs, we understand and relate to our customers and we get challenged by the potential impact of threats and opportunities.

This is how we move forward in an innovative style.

'Luck is no coincidence'
'Luck is no coincidence' is not just the theme of an extremely successful campaign of the Unibet brand – it also describes how we run the business. A key risk as organisations grow is that they become less agile and less motivated to drive change. One of the keys of the Kindred Group's success in recent years is that we are never complacent and never satisfied. Especially in a dynamic industry that is subject to regulatory change, we are always looking at the next challenge and looking to improve every aspect of our operations.

//

We believe the ease of use with our digital offering is a key component in securing customer loyalty and trust.

//

Keeping ahead of the competition
In all areas of our business we are always looking to improve and seeking to address new challenges, whether from competition or technology.

During 2016, for example, the Kindred Group became the first gambling operator to integrate the electronic authorisation system BankID^{TM} for the Swedish market. This innovation creates a faster and more efficient authentication & verification process for the customers, as well as enhanced efforts to maintain a safe and secure site. It adds a great deal of security to the account and together with other electronic verification solutions serves to improve the safety and security of our Swedish customers and improves the customer experience. Naturally this is just one example and the Kindred team is implementing similar solutions in different markets, which allows us to stay both local and relevant to our customers.

Another example of our commitment to securing integrity and trust is our agreement with FIFA's Early Warning System (EWS) in order to improve efforts to safeguard the integrity of sports and betting. Under the agreement, the Kindred Group is exchanging information with EWS and co-operates on efforts to improve prevention measures and education in the field of sports betting integrity. Sharing information between sports authorities and bookmaking companies is an effective detection method of match manipulation which helps to make the sports market a safe place to bet.

Kindred's own analytics already provide strong protection against manipulation of sports events – the data shows in real-time where betting patterns are unusual, which is a classic indicator of attempted fraud.

Heidi
Technical Development Manager

Our values in action

We build on trust

Our success is built on trust. We trust each other to deliver on our promises. We believe in empowerment and we are all trusted to make the right choices for Kindred and our customers. We behave with integrity and fairness in everything we do and because of this we are trusted by our customers, the regulators and the industry as a whole.

Delivering on our promise

At Kindred, trust is everything. Customers need to trust us with their money, to provide them with a fair deal and to act with integrity.

This trust element carries on to our regulators, our investors and our partners, who need to trust us to do the right thing, make the right decisions and behave in a responsible manner. Without trust, it is hard to imagine how the Group could have achieved the results it is enjoying today.

Whilst trust is broad and is derived from many factors, at Kindred we pay particular attention to our Player Safety. This is the term we use collectively when we talk about responsible gaming, anti-money laundering, fund security as well as customer verification and authentication.

Responsible gaming

Through our unique approach to responsible gaming and our award-winning PS-EDS detection system, we strive to create a relationship with our customers that is sustainable and built on trust. Based on scientific research, we have built a system that detects at-risk gamblers on our brands to which we communicate and advocate the use of responsible gaming tools to stabilise their gambling. This system and related processes are managed by a team of over 20 people. We are proud to have been recognised as leaders in this area, and testament to this are various conferences, collaborations and panels where Kindred is invited as the trusted expert.

Anti-money laundering

Online gambling operators face the same challenges as banks, in the sense that we process a lot of transactions on a daily basis and each of these must be subject to strict anti-money laundering rules. In order to do this, we have a number of systems monitoring each transaction to determine risk. Higher risk activity is then checked by a dedicated team that will then de-risk the situation through appropriate customer due diligence and necessary actions.

Fund security

At Kindred we need to make sure that the funds being deposited into our systems are safe, and come from genuine persons and accounts. At the same time, we need to ensure that our customers receive their winnings as soon as they are requested in order to provide the best customer experience. This whole process is managed through a 24/7 risk engine and a team of over 40 people to ensure that fraud levels are kept low whilst customers are paid out as fast as possible whilst still remaining compliant.

Customer verification and authentication

Being subject to various regulations in different jurisdictions, we have the obligation to verify and authenticate our customers. We are constantly seeking ways to do this digitally, and to this end, we are proud to have been the first online gambling operator to have launched Sweden's BankID™, which is a fully digital solution used to authenticate our players. We have made similar strides in Belgium with the launch of MyDigipass™, and are working on including more countries in this list.

Krzysztof
Strategy Project Manager

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At Kindred we understand it takes time to build and earn trust.

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Krzysztof's story

I have been working for Kindred since 2012 and hold the position of Strategy Project Manager, leading and managing the strategic Player Safety projects along with being the business owner for anything related to new technology and development. I have a keen focus on digital identity verification & authentication and innovative and smart technologies that improve fraud prevention, support responsible gaming and anti-money laundering and maximise Player Safety.

Why trust matters

We all have friends in our lives that have been with us for a long time. It can be very easy to take these friendships for granted until a problem arises and we realise that we have lost a friend. That's why we should ensure that we have valuable, supportive relationships built on a bedrock of trust.

The concept is quite simple: people do business with those that they know, like and trust. It's becoming more and more difficult to get people to trust online business enough to get engaged in it. We must treat the players in the best possible manner and thank them for being with us. If we neglect good relationships with our customers, they may be lost and become impossible to re-establish. Establishing trust in an online business is key…and it's difficult. We are keen to inspire and to get inspired, we are growing by doing well, we aim for the newest technologies – all to be better and to build trust. At Kindred we understand that it takes time to build and earn trust. We are focusing on small steps and small commitments as well as on innovative and revolutionary solutions. As a part of our Player Safety strategy, Kindred brands are the first e-gambling brands to implement trusted authentication models such as BankID™ in Sweden and MyDigipass™ in Belgium along with other strong authentication solutions integrated across various Kindred brands.

Building trust with our customers is an important step for Kindred to take and Player Safety wants to help prove to customers that our business is legitimate and trustworthy.

Our values in action

We seek to innovate

We foster an environment where initiative and innovation are rewarded. We combine our skill and experience with novel thinking to spot new trends and tools to improve our customers' experiences. We regard failure as a stepping stone to success. We listen, we learn and we adapt.

Kindred Futures

Delivering transformational innovation through start-up partnerships.

Kindred Futures is the Kindred Group's vehicle for exploring transformational opportunities through collaboration with the global start-up community. It builds on activity we have been undertaking for years. We are seeking to significantly enhance our ability to work with some of the world's most interesting early stage companies in order to explore and investigate opportunities for new value creation that are thrown up by ever changing customer trends and often unfathomably fast moving new technologies and applications.

We have analysed the last five years of the global gambling related start up scene – from trends to locations to euros invested. An increasingly well-funded and vibrant gambling related start-up scene has the potential to significantly disrupt the status quo. This of course also provides the opportunity for competitive differentiation through collaboration and partnerships – and hence Kindred Futures was born.

Kindred Futures is about creating long-term mutually beneficial partnerships with start-ups to jointly explore areas the Kindred Group finds strategically interesting. It is about accessing the creativity, energy and expertise of carefully selected start-ups to supplement and enhance our internal skills and capabilities in order to co-create new sources of value. It enables us to increase our bandwidth to explore the less certain or less well understood propositions and technologies. By seeking to be far more than simply a customer of a start-up, we hope to actively contribute to their growth and success and thus cement mutual long-term benefits.

We have developed a number of partnerships to explore transformational opportunities in fields as diverse as the increasingly regulated customer verification space and the rapidly evolving cyber security landscape. In both areas we are seeking to create ground-breaking solutions through the application of new technologies and customer driven insights.

An early success was an exploration of natural language processing, which is the core technical capability that underpins new interfaces such as Amazon Alexa and chat bots on platforms like Facebook Messenger. This has the potential to allow Kindred brands to be present in the channel or application of a customer's choice rather than needing them to come to our website or app to interact with us.

We also partnered with Commologic, the Israeli start-up behind the BetUp product. This is a fun, fast moving game that allows customers to bet on activity over the next few minutes, meeting our customers' demand for a different type of more "instant" product.

We are happy to discuss any great idea – the more transformational the better, so be sure to follow us at www.kindredfutures.com to see what develops in 2017 and beyond.

+47%

Marketing expenditure GBP 144.5m

+74%

IT capitalised investment GBP 28.2m

Pan's story

I have been a member of the Kindred family since 2009, starting my journey in the Customer Relationship Management (CRM) department, moving to Social Media where I built the Group's strategy and programme from the ground up, and recently assumed the role of Head of Inbound Marketing.

In the past four years, as Head of Social Media, my primary focus has been to engage with prospective and existing customers in meaningful conversations over new channels, and delight them through compelling storytelling and innovative content.

My team's work spanned from creating multi-award winning campaigns & projects, delivering relevant digital customer experiences to our users, breaking Guinness World Records while activating multimarket sponsorships, and last but certainly not least, helping users with customer service related queries on their preferred channel – on social media platforms. As a true social team, we have been closely engaging with virtually all facets of the organisation ranging from Legal, Acquisition, and CRM, to HR, Corporate Office, Tech and Customer Services, helping different functions in the Group to embrace new channels in their work and strategies.

Looking into the future, and my new role as the Group's Head of Inbound Marketing, I am looking to build a Kindred centre of excellence for earned and owned media by producing and sourcing best in class content, delivering innovative search engine optimisation, creating industry-leading social media experiences and unforgettable live events, and pursuing and activating cost-efficient global sponsorships. By doing so, we aim to further enhance Kindred's position as a true innovator, challenge the industry's norms, and assist in delivering ground-breaking customer experiences and financial results.

Pan
Head of Inbound Marketing

Our values in action

We believe in friendliness

We believe in humility and have a genuine interest in our colleagues. We believe that being friendly is more than an attitude; it's a way of working. We enjoy what we do, and it shows. It's infectious and builds relationships that last and friendships that grow. Through friendship comes trust, and through trust comes loyalty — the key to our business.

United in our beliefs

Key to our success is our ability to engage with our teams to ensure focus on our business goals.

Our team values
Our culture, our strategy and how we interact with each other and the world around us are determined by our values. They are universal and at Kindred we all work and live by them.

Our brand values
In addition to the values we have adopted as the Kindred Group, we still believe it is essential that our different brands have unique identities. This means that "By Players, For Players" remains at the heart of the Unibet brand, while other brands in the Group portfolio can adopt different identities.

Managing growth
Through a combination of acquisitions and rapid organic growth, the Kindred Group has grown both in size and complexity. Key to our success is our ability to engage with our teams to ensure focus on our business goals and a shared motivation to achieve them.

We aim to achieve this through an open style of management, with regular communication across the business and transparency about our strategic goals and priorities. We also see building engagement with our teams as a two-way process and we undertake a range of surveys both across the whole company and by office or team to get feedback that we can use to improve.

At Kindred Group, our focus is on building long-term sustainable success. To do that, we need to be strong in all areas of the business. As one of the leading employers in Malta, we were delighted to receive the Best Employer award in 2016 from Business Leaders Malta in the large employer category. Companies were rated by their staff in terms of seven criteria, including communication and team cohesiveness, corporate culture, employee wellbeing, leadership effectiveness, performance management, reward and recognition, and training and development.

Across the whole group, we continue to participate in the Great Place To Work survey, which allows us to benchmark the group not just against other gambling companies, but also against wider peer groups in the technology sector and among Europe's leading companies. Not surprisingly, in a period when two recently acquired businesses are being integrated, the absolute engagement score was slightly down compared to 2015. The scores achieved overall are still impressive for such a fast-changing organisation.

It is also important to stress that the purpose of participating in such surveys is not to congratulate ourselves, but to identify areas where we can continue to improve. We have, for example, established engagement groups across our locations to help us to identify specific and deliverable improvements.

Kelan
Head of Trading

1,162

Number of employees +12%

Kelan's story

When I first joined Stan James just over 10 years ago it was on the bet acceptance side of the business. Later, I was fortunate enough to move into Horse Racing and then heading up Trading overall. This role ensures overall profitability for the Sportsbook vertical of the StanJames.com brand, through compiling and managing competitive odds and market availability.

Since Stan James joined the Kindred family, we have been able to invest more to drive future growth. We work really closely with all departments in our Gibraltar office, plus we have close ties with Australia (where we have a sister trading team), London and Stockholm. We are currently right in the middle of a significant and highly strategic development cycle, by building our proprietary trading platform and racing front end. As a by-product, this has enabled us to really foster relationships across the Group and develop our Kindred spirit!

One of the key strengths of our business is knowing that all of the staff share a common vision and that we all trust one another to pull in the same direction and show passion and enthusiasm in everything we do.

91%

Kindred Group employees rating of Diversity

Our brands and the opportunities they create

The Kindred Group owns and manages a portfolio of successful and distinctive brands that appeal to different segments of the gambling market.

Why our customers choose us

- Our business is a mixture of brands such as Unibet and Stan James that have built their reputation and customer trust over the years and innovative brands that target specific segments of the market.
- What our brands have in common is a commitment to delivering excellence for our customers.
- This means that our customers know they will be entertained at a Kindred site, but just as importantly, they know they will be safe.

The Kindred story began in 1997 when Anders Ström established the Unibet brand and business. Originally focused on Sports betting, Unibet has developed to become the premium all-product brand in the Group and one of the leading gambling brands in our markets. Unibet offers all types of Sports betting as well as Casino and Games, Poker and Bingo in 20 different languages across more than 100 countries.

Unibet lives by its promise "By Players, For Players", underpinned by a passion for online gambling and sustained innovation in live and mobile betting. In 2016, the Unibet brand was the largest of the Group's brands in most of our markets and is still the largest brand overall.

Although we have changed our corporate identity in 2016, which will help us drive our multi-brand strategy for the future, the Unibet brand remains central to the Group. This is not just in numbers of customers and revenues, but also because the three key attributes of the brand – Passionate, Friendly and Expert – will continue to be at the centre of the Kindred Group's identity.

The Unibet brand team has won a number of awards in 2016 for the successful 'Luck is no Coincidence' marketing campaign. This demonstrates a combination of innovative ideas and scalability, as a successful concept has been adapted across multiple markets and sports. This has allowed us to hit the sweet spot of growing the customer base and revenues significantly, while improving marketing efficiency.

Kindred has been operating as a multi-brand business for almost ten years since the acquisition of the Maria brand and business in 2007. Originally more focused on the specialised bingo market, Maria has developed strongly to become one of the top three specialist casino brands in the Nordics.

Maria Casino is designed to give a more thrilling and exciting gambling experience, focused on Casino and Games. Maria Casino offers relevant games through a personalised, unique and completely responsive mobile, tablet and desktop platform.

The Group acquired the Bingo.com brand in 2014, having been managing the brand for several years for external partners.

Bingo.com has developed into one of the top bingo brands in the Nordics. With a fun, friendly and sociable touch the brand offers a great selection of both bingo, casino and live casino games, in a safe yet exciting gaming environment.

Other Kindred brands

In 2015, Kindred Group acquired Stan James Online and iGame Group to expand in the UK and in the Nordics. In early 2017, Kindred Group launched the two new brands Storspelare.com and Storspillere.com

Patrick
Head of New Brands and Markets

Here at Kindred I work as Head of New Brands and Markets. I came from the iGame Group acquisition where I was responsible for integrating new brands, with the help of a very talented team.

My role today focuses on two main areas. Firstly, I work on identifying brand and geographical opportunities for the Kindred Group. Together with different central and local teams, we aim to look for new opportunities in new or existing markets. This can range from analysing a new market to finding out whether there are any positions which show a potential within a market we currently operate in. We then look at whether we should target such a position with a new brand or with one of our existing brands. Secondly, I work with multiple central teams to help launch any new brands once such an opportunity is identified and we are confident it will be a success.

I am fairly new, coming from iGame, and the biggest thing that struck me is how friendly everyone is, despite the Kindred Group being a large company. As you may note, my job requires working across different teams and getting their support to push projects through. I knew this would be a big challenge but with everyone eager to help and being so friendly, they have made it much easier, and made me feel welcome from the start.

> I knew this would be a big challenge but with everyone eager to help and being so friendly, they have made it much easier.

Stan James Online & the iGame group brands

The Group acquired both Stan James Online and the iGame Group in September 2015, so 2016 was the first full year of ownership for both businesses.

Both businesses added significantly to the Group's ability to reach into new customer segments. In the case of Stan James, which is an all-products brand, the acquired business is predominantly focused on the locally-regulated UK market. The Stan James brand is well-respected in the UK, especially in the sports and horse-racing market and has helped the Group to grow market share in the largest gambling market in Europe.

For the iGame Group, the market focus is primarily on the Nordics and certain Central European markets, with a strong focus on hyper-local marketing of specialised casino offerings. At the time of the acquisition, the iGame Group was operating 7 different brands, but during 2016 we have reorganised the brand portfolio so that we are now focusing on the top 4 brands. Naturally our priority was to take excellent care of the customers of brands that are closed and so the change has been accomplished without any impact on the strong momentum of the overall iGame business.

BOHEMIA CASINO VEIKKAUSHUONE CASINOHUONE STORSPELARE

HERTAT POKERIHUONE BINGOHUONE STORSPILLER

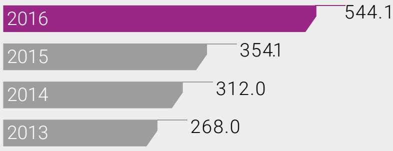
Key performance indicators

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

Financial

Gross winnings revenue
GBP million

544.1

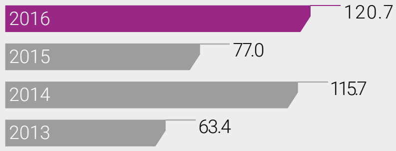


Definition
Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed. Within Casino and Games the Group defines GWR as the net gain from bets placed and Poker GWR reflects the net income ("rake") earned from poker games completed. GWR across all products is reported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

Performance
Combination of strong organic growth in core markets in all brands supported by acquisitions has accelerated the growth.

EBITDA
GBP million

120.7

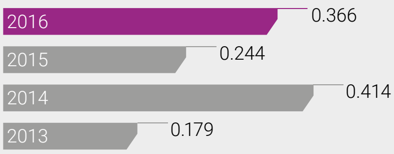


Definition
Profit from operations before depreciation and amortisation charges.

Performance
Strategic focus on core markets and cost control continue to deliver improved performance.

Earnings per share
GBP

0.366

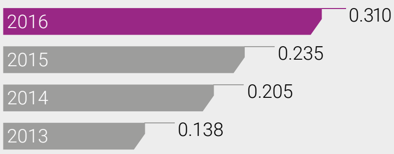


Definition
Profit after tax divided by the weighted average number of ordinary shares for the period.

Performance
Strong year on year growth supported by acquisitions has increased the earnings per share.

Dividend per share
GBP

0.310

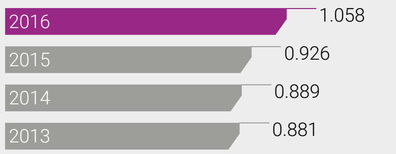


Definition
Amount proposed by the Board or paid out for the respective year, divided by the number of ordinary shares in issue.

Performance
The Board has reviewed the projected cash requirements for 2017 and has proposed to increase the 2016 dividend to approximately 75 per cent of free cash flow.

Equity/share
GBP

1.058



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

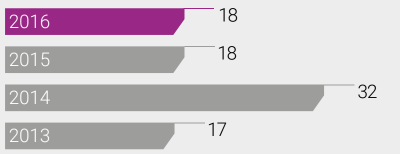
Performance
The 2016 performance has strengthened the balance sheet, creating stability from which to grow.

The results for 2014 within the key performance indicators include the one-off gain of the disposal of Kambi.

Operating margin

%

18



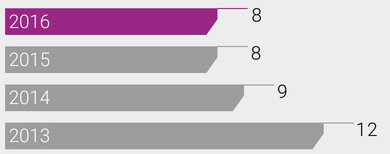
Definition
Profit from operations as a percentage of Gross winnings revenue.

Performance
With a continued focus on cost control and a strategic approach to marketing investments the operating margin has remained stable despite a significant increase in betting duties in locally regulated markets.

Other costs, share of GWR

%

8



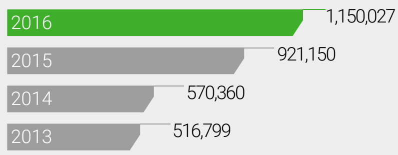
Definition
Other costs as a percentage of GWR. Other costs are defined as operating costs, excluding salaries, depreciation and amortisation.

Performance
Continued focus on cost control enables absorbtion of increased betting duties and higher shareholder return.

Non-financial

Active customers last quarter of the year

+25%



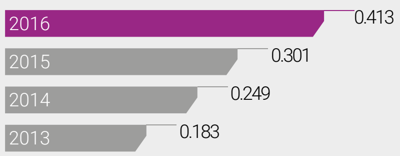
Definition
An active customer is a customer who has placed at least one bet during the last quarter.

Performance
Strong year-on-year growth supported by acquisitions has accelerated the growth.

Free cash flow per share

GBP

0.413



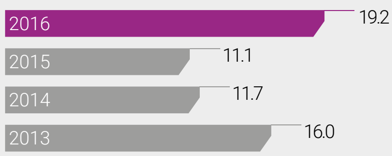
Definition
Cash flow from operations, adjusted for movements in working capital, capital investments, tax payments and items affecting comparability (see page 89) divided by the number of ordinary shares at the balance sheet date.

Performance
A strong performance during the year has translated to a strong shareholder return via a strong free cash flow generation.

Capital expenditure on intangible assets

GBP Million

19.2



Definition
Capital expenditure on intangible assets.

Performance
Capital expenditure was higher in 2016 than previous years due to increased investment in IT development and software. During 2016 capital expenditure was focused on re-regulation requirements, data analytics, information mining and customer experience improvements.

Employees who view Kindred as having a good employee culture %

84%

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

Performance
It is a very strong signal that the Group consistently achieves high scores in the annual employee engagement survey in relation to employee culture. Note that this score has only been measured since 2014 hence there is no corresponding data for 2013.

Sustainability

Building a sustainable business for investors, customers and employees.

The Kindred Group is passionate about player safety and this is fundamental to its approach to building a sustainable business, alongside creating a great place to work, reducing its carbon footprint and making a difference to its local communities.

Sustainability is at the heart of the Kindred Group's business strategy
The Kindred Group prioritises sustainability throughout its business by:

> Delivering sustainable growth for our owners, with a focus on driving long-term value by building strong positions in attractive growth markets. More information about the Group's brands and markets is given on pages 18 and 30.

> Building a sustainable relationship with our customers – we aim to grow by taking market share from the competition, which means by growing our active customer base and not by growing the average spend per customer. More information about the Group's growth strategy is given on page 16, while information about how we manage player safety and responsible gaming is given below.

> Working in a transparent and constructive way with governments, regulators and other stakeholders to develop sustainable regulation of gambling that secures social objectives and ensures the best standards of care for the customer. More information about sustainable regulation is given on page 43.

> Contributing to society through our success, both by generating skilled employment in an advanced technology industry and by paying our fair share of taxes wherever our operations are based in accordance with OECD guidelines and national laws. More information on our tax policy is given below.

> Through respect for all stakeholders in the business, including providing equal opportunities for our employees and professional and ethical management of our supply chain and active management of the business impact on the environment. More information about our employee strategy is given on page 16 and information regarding the supply chain and environmental sustainability is given below.

> All of which is supported by transparent disclosure in line with best practices.

Group policies covering all aspects of sustainability are reviewed regularly by management and are formally updated and approved by the Board of Directors at least annually. The most recent Board review was conducted in December 2016.

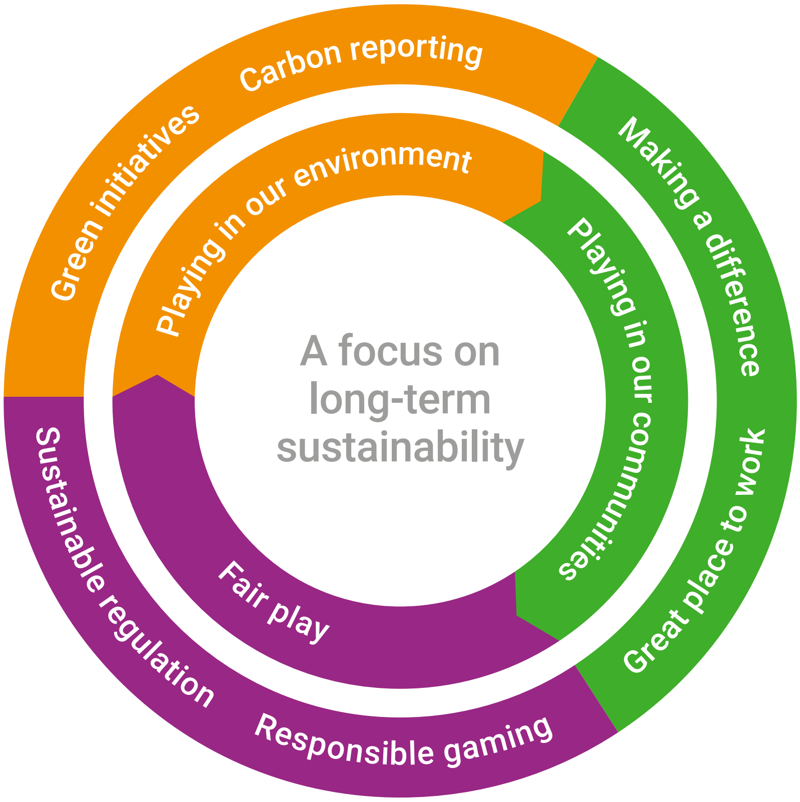
At Kindred we are dedicated to creating an enjoyable experience in every aspect of our business as this is fundamental to building a sustainable business over time. We strive to operate a long-term and sustainable business focusing on adding value to our owners, customers, employees and the community as a whole. As a leading online gambling company we recognise the risks and concerns associated with gambling,

Strategic report
Governance
Financial statements
Other information

Focused on the longterm

At the heart of Sustainability is player protection. The Group takes a proactive approach to player safety promoting responsible gaming in a safe, secure and supportive environment. Providing a good experience for players is key to building a sustainable business.

This is aligned in the Group's Sustainability strategy with creating a great place to work for staff, minimising environmental impact and positively contributing to the local communities where Kindred Group operates.



"The EGR Operator of the Year Award 2016 is an acknowledgement of all the hard work our people are doing by persistently focusing on the customer and giving them the best possible experience."

"Through a focus on relationship and leading edge technology we can provide a safe, secure and supportive environment and fulfil our commitment to player safety & responsible gaming."

Henrik Tjärnström, CEO

which is why player safety, alongside taking an active part in our communities, ensuring we operate a diverse and appreciated workplace as well as contributing to a sustainable environment remains at the heart of our business and corporate culture.

As of the fiscal year 2017 we will report our sustainability achievements in accordance with the Global Reporting Initiative (GRI).

Player safety

While the vast majority of people enjoy gambling safely as part of their normal entertainment budget, at Kindred Group we recognise that for a small minority of customers there can be issues that require enhanced attention from us, such as responsible gaming, fraud prevention and online security. Helping our customers stay in control by providing a safe and secure online environment as well as preventing fraud, contributes to our aim of offering the best customer experience.

For Kindred, responsibility takes a number of forms, of which primary prevention is the most important. All of our operations are designed to restrict, as much as possible, problems arising such as addiction and under-age gambling, thus safeguarding the integrity and security of our customers and our operations. Gambling is of course a highly regulated industry and the Kindred Group aims both to comply with the various regulatory requirements in different jurisdictions as well as to drive continuous improvement for the benefit of customers.

Awards

2016 EGR Nordics Awards

bet.ter

Sustainability continued

-8%

Tonnes of CO_2 emissions per GWR

-3%

Tonnes of CO_2 emissions per employee

Although Kindred is an extremely fast-growing business, which creates increased employment and contribution to society, our strategy is equally focused on ensuring that we limit the impact on the environment.

Our focus areas

As a digital company we have the ability to create a digital fingerprint of our customers' behaviours on our platform, allowing us to detect, monitor and follow-up on problematic gambling activities which enhances our ability to create a safe gambling environment. We also share information on anti-money laundering, match-fixing and fraud issues with relevant authorities.

Key to this process is knowing your customer, which we ensure through the registration and withdrawal process: including ID verification and age restrictions, security questions, document screening and other identification tools.

As an example of our commitment to continuous improvement, during 2016 we signed an agreement with FIFA's Early Warning System to improve the integrity in sports. We also introduced a number of e-id solutions such as BankID^{TM} in Sweden and MyDigipass^{TM} in Belgium to further enhance customer identification, thereby further creating a safe and secure environment for our customers.

Responsible gambling

Our responsible gambling approach rests on two main pillars – harm prevention and harm minimisation. Prevention activities include tools and campaigns focused on raising awareness about gambling and problem gambling across all markets. Responsible gambling tools can be used in order to diminish the level of gambling, and help regulating one's activity.

Kindred's award winning proprietary Player Safety Early Detection System (PS-EDS) is at the heart of our responsible gaming approach. Using a risk-based approach, the software detects early signs of problem gambling using indicators based on empirical studies, and allows us to monitor, support and protect players in a proactive way.

In October 2016 the Group sponsored a Responsible Gaming conference for key stakeholders in Malta. This gave an open forum for industry and academic experts to discuss issues and future solutions with officials from governments and regulatory authorities. Jane Rigbye of Gambleaware commented: "This was a fantastic event, which brought together all stakeholders, from industry to government to treatment providers, to discuss the important issues facing the gaming field in 2016. This was an important event not just for Malta but for all jurisdictions as the questions about prevention, regulation and treatment discussed were relevant to us all. I was particularly enthused by the commitment to developing best practice shown by treatment providers, and look forward to building on the connections made here."

We are always seeking to drive further improvements in this critical area of our business, so we are never satisfied. But it was still an excellent achievement for the team and for the whole company to be presented with the EGR Award as the Socially Responsible Operator of the Year in November 2016.

Corporate citizenship

We strive to be an important corporate citizen wherever we operate by actively taking part in the community, both as a company but also through our dedicated employees. We support our employee-led engagements by matched funding, paid leave for charity projects and local office initiatives.

Each office undertakes a number of initiatives locally. For example, in the UK in 2016 our employees have supported a local clothes bank and Christmas food bank. Even in countries where we do not yet have an office, we still seek to contribute positively. In the Netherlands, for example, we are supporting Fonds Gehandicaptensport, a charity that helps mentally and physically challenged people to participate in sport.

Supply chain management

The Group has an internal procurement function and applies a Supplier Code of Conduct across all brands and locations. The Code of Conduct specifies that we view suppliers as an important part of our business success and strive to select and work with suppliers who adopt ethical standards, conduct their respective operations in a manner that respects the rights of the individuals they employ and demonstrate a positive impact on the environment.

The Code of Conduct covers the following key areas in which we set high expectations of our suppliers:

> The environment
> Business ethics
> Human rights and labour conditions
> Gambling in society

Tax policy

The Kindred Group aims to secure the right balance between its obligations to shareholders to manage the Group's operations and cost base in an efficient and scalable manner, with its obligation to pay the relevant taxes in each country in which it has operations or customers.

Some of the Group's taxes are calculated based on where the Group's operations are located (including corporate tax, employee taxes and social contributions and some elements of the Group's VAT cost), while other taxes are calculated based on where customers are based (betting duties and VAT on GST on revenues where applicable). The Group's international operations are complex and accordingly the Group takes advice from external experts in each territory to ensure compliance with relevant laws and regulations, including tax laws.

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

Diversity

We are a company with a clear focus on diversity and equality, always striving to become better in every aspect. We operate a business with 1,162 employees spread over 47 nationalities speaking 54 different languages. The workforce consists of 68 per cent men and 32 per cent women, with the clear aim to improve on gender equality. Following a survey carried out during the year, the Kindred Group achieved a score of 91 per cent on the topic of diversity. This shows that employees strongly feel that they are treated fairly regardless of their age, race, ethnical origin, sex and sexual orientation. Being a truly diverse organisation creates an inspiring and creative environment allowing us to tackle challenges and meet our business objectives. More information about Kindred Group employees is on page 8.

Environment

As a truly digital company our environmental footprint is limited to energy usage and travels. However, we remain committed to reducing the environmental impact we have through our Carbon Disclosure Project (CDP) score, which measures our ability to monitor and quantify our carbon emissions.

Kindred's CDP focus has driven continuous improvement in our rating in recent years. In 2016, the CDP modified their methodology, so the 2016 rating is not comparable with prior years where companies were rated both for disclosure and performance. Kindred was rated as a C in 2016 under the new CDP methodology.

Kindred's strategy continues to focus on managing our impact on the environment and we use a third party to calculate our CO_2 emissions to be compliant with the Greenhouse Gas Protocol Corporate Standard. The table below highlights the CO_2 consumed by Kindred over the last two years. As an example of how we continue to "grow green," we aim to deliver year on year reductions in CO_2 consumption both per employee and also in relation to the growth in gross winnings revenue. In 2017 we will relocate several of our offices into newer offices that will both enhance efficiency and collaboration in the business as well as reducing environmental impact.

Kindred Group CO_2 emissions

	Year ended 30 November[1]	
	2016	**2015**
Scope 1 – Operation of site facilities (tonnes CO_2)	**5**	65
Scope 1 – Grid electricity purchased (tonnes CO_2)	**3,004**	2,517
Scope 1 – Indirect emissions including travel (tonnes CO_2)	**3,162**	1,766
Total emissions (tonnes CO_2)	**6,171**	4,348
CO_2 ratio (tonnes CO_2 per employee)	**4.99**	5.15
CO_2 ratio (tonnes CO_2 per GWR GBP million)	**11.26**	12,28

1 To ensure CO_2 data is collected on a timely and accurate basis the CO_2 reporting year is a month ahead of the financial year.

The philosophy of transparency of the Kindred Group is shown by the fact that we are always looking for external checks on our performance – as a regulated business that is subject to continuous audit by different regulators and stakeholders, external verification of the way that we work is business as usual for us.

An extremely important external process is the MSCI ESG Ratings review, which was completed in March 2016. The Kindred Group was awarded a "AAA" rating, the highest of any company in the gambling sector.

The MSCI report stated that the Group "has continuously taken proactive measures to manage risks of facing reputational damage related to problem gambling on the part of its customers. Additionally, the Group also scores well above peers on implementing employee engagement programs and offering competitive compensation packages that are likely to reduce turnover and improve productivity and service quality. The company has also set some of the most ambitious targets for energy use reduction across the industry. Further, its practices with regard to customer relations and data security are comparable to industry peers. The Group's corporate governance practices are also well aligned to shareholders' interests."

You can read more about our sustainability tools and activities on our website www.kindredgroup.com/sustainability

Risk management

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

Risk governance

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

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

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

General:
> Strategic
> Operational
> Financial (see Note 2C pages 70 and 71)
> Compliance

Group-specific risks:
> Odds/Trade related risks

Fraud, anti-money laundering and legal risks are discussed in the Responsible gambling section of the Sustainability report pages 22 to 25, and in the General legal environment section on pages 43 and 44.

Risk management process

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

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

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

Sensitivity analysis

The Kindred Group's performance is affected by a number of factors. The sensitivity analysis below only takes into account direct changes. It is likely that actual changes in a specific factor will also affect other factors and that estimates made by the Group and other parties on the basis of a change of circumstance would also affect other factors.

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

Factor	% change	PBT impact GBP m
Gross winnings revenue	+/− 1	+/− 5.441
Administrative expenses	+/− 1	+/− 1.214
Marketing expenses	+/− 1	+/− 1.445

Risk management and internal audit cycle

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

Monthly returns and tracking errors

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

The chart below sets out the monthly return on the Sportsbook from mid-2003 to date (pre-game and live betting combined). The two outside lines represent the upside and downside tracking error of this return, benchmarked against a long-term average return. The tracking errors are measured by taking the standard deviation on the difference in return between the Sportsbook and the average return at a 95 per cent confidence interval. A 95 per cent confidence interval indicates that on average, for 19 months out of 20, the actual return should be between the two tracking error lines.

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

Sports betting integrity at Kindred Group

Match-fixing is threat to all of us. Billions of people around the world enjoy following sports, thrilled about the undetermined and unpredictable nature of the outcome of the event they watch. It is in the best interest of society, but also of Kindred Group, to make sure this unpredictable nature is not taken away by criminals defrauding sports we all love.

Match-fixing is a criminal act, and it can only be defeated when all stakeholders cooperate. As cooperation is key in the battle against match-fixing, the Group acts side by side with other stakeholders such as governments and sports federations in eradicating any attempt to pollute the sport with criminal activity.

In February 2016, the Kindred Group participated in an expert hearing in the Dutch Parliament. As the only remote gaming operator represented in this hearing, Kindred emphasised the importance of establishing local cooperation with the industry as well. Moreover, the Group has continued to engage in dialogues with regulators, politicians, policy makers and other stakeholders in 2016, consistently advocating close cooperation among all stakeholders.

As the Kindred Group operates mostly in an online environment, it can trace back every transaction that took place on its platform. Betting patterns can be monitored on an individual transactional level. Among other things, the ability to make such a detailed audit trail makes the Group an important contributor in the battle against match-fixing.

Based on the *see something, say something* approach, the Group will always report suspicious betting activity. First and foremost, we inform the relevant regulator. Secondly, after teaming up with the Tennis Integrity Unit, we have established cooperation with FIFA Early Warning System as well. This means that we can report suspicious activity directly to the governing bodies of the world's two biggest sports. Thirdly, in case of suspicious betting activity, we will raise this issue with ESSA.

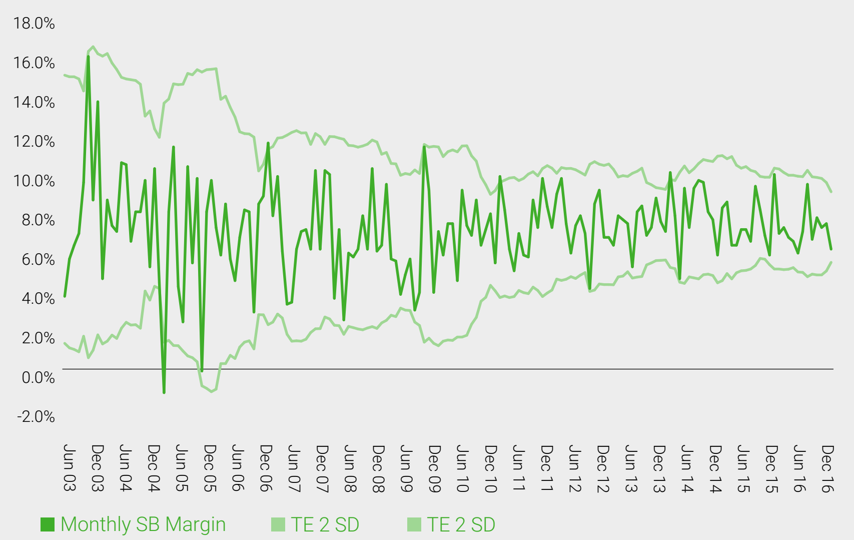
ESSA –Sports Betting Integrity was co-founded by then Unibet in 2005, and serves as a central information hub for its members. ESSA aggregates information on suspicious betting activity throughout the market and passes this on to the relevant organisations. ESSA currently has 24 members plus an affiliate member, which in 2016 offered odds on over 130 thousand sport events. Of these events, 41 events were deemed to be suspicious and were passed on to the authorities.

ESSA works closely with many of the world's leading sport federations, such as the International Olympic Committee (IOC) and FIFA. Moreover, ESSA has signed Memoranda of Understanding with European gaming regulators, to make sure relevant intelligence is shared with the respective authorities as soon as possible.

Contrary to other alert systems, ESSA's Early Warning System is the only warning system that is based upon transactional data and Know Your Customer information, which are key pieces of information to detect and assess suspicious betting behaviour. Therefore, ESSA members are key contributors to the overall fight against match-fixing and corruption in sports.

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

Monthly returns and tracking errors



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

Principal risks and uncertainties

Strategic risks	Mitigation
Non-sustainable re-regulation of core markets If core markets establish a non-sustainable re-regulation model with both high taxes and significant product restrictions, then it is hard to achieve a profitable business. The technical/operational risk posed by future re-regulation is now lower than it was previously, as a result of the significant investments made to the operating platform.	The Kindred Group has ongoing dialogue with regulators and policy-makers in the core markets, providing input regarding new or updated re-regulations to help create a sustainable regulation that is aligned to customer demand and the cross-border digital market reality. The Group's compliance with existing re-regulation is embedded in the wider organisation and tested regularly by external agencies.
Supplier related risks Lack of control over availability of external suppliers gives rise to risk of either business disruption or sub-optimisation. As the industry evolves there is a risk of supplier concentration; if key suppliers acquire dominant or monopoly positions then that creates a risk of uncontrolled price increases. To operate effectively in local markets the Group needs all major product suppliers to be prepared to make the necessary investments to comply with local requirements.	The risk is mitigated by reducing dependency on single suppliers where commercially viable, and working with multiple third-party suppliers. This allows the Group to mitigate the risks of suppliers failing to operate effectively.
Technology and market changes in core markets Kindred Group faces a risk in relation to potential new products, technologies, channels and markets (such as social gaming) that might emerge and change the behaviour of the digital customers. The Group also faces the risk of new market entrants or stronger competition. As a result of these factors, Kindred Group might find it difficult to generate adequate growth to meet medium to long-term market expectations.	The risk is mitigated by a number of activities: > Investments in new markets to help diversify the exposure to any single market. > Mobile investment to ensure that the Kindred Group maintains and enhances its market position. > Focus on innovation projects to explore new revenue streams, or new ways to generate additional revenues or cost savings from the existing business.

Operational risks	Mitigation
Platform stability Failures in the Kindred Group's platform, including those triggered by internal or external IT failures or deliberate acts, could lead to disabling of the site or unavailability of business critical products. An unacceptable level of errors would undermine user experience and could motivate customers to look for other sites.	The risk is mitigated by using continuous monitoring 24/7 to detect any problems as early as possible. All critical servers are duplicated, i.e. if one server fails, another will immediately take over. Following any downtime, a detailed root cause analysis is performed to ensure that the underlying reason for the downtime is understood and rectified.
Failure in recruiting or keeping key staff Failure to recruit or retain existing key staff will lead to difficulties reaching the Group objectives.	The risk is mitigated by identifying key staff and ensuring that Kindred Group is an attractive employer to encourage key staff to stay with the Group. Succession planning is also performed for all key staff and functions.
External security intrusion attempts Either as a result of a cyber-attack or internal security weakness, the Kindred Group customer data, including sensitive data such as passwords and/or banking details, could leak into the public domain. This could have a devastating reputational effect on the Group's brand and business.	To be able to detect any signs of intrusion, Kindred Group has a dedicated Security Operations Centre that monitors the internal networks 24/7. The Group performs several security tests per year to ensure that the systems are secure. The tests are performed by external security companies. Any issues discovered during the tests are resolved. In line with requirements Kindred Group is compliant with and audited against PCI standards. All customer data, including personal information and credit card numbers, are stored encrypted using industry best practice standards.

Financial risks	Mitigation
Intangible asset impairment The Kindred Group has almost GBP 240 million of intangible assets which have indefinite useful lives on the balance sheet. These assets are reviewed annually for impairment to ensure there is no risk of overstatement of assets.	Risk is managed by monitoring and ensuring any issues are anticipated and all steps necessary are taken in time to prevent problems arising (e.g. considering if business restructuring has an impact on goodwill or other asset values).
Foreign exchange The Group operates internationally and in addition to GBP, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona, Norwegian krone, Danish krone and Australian dollar.	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 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 give an indication of the impact of single currency movements on the results from operations. In general, when the reporting currency of GBP weakens against the euro and other major trading currencies of the Group, that would tend to increase operating profits because of the positive operating profits and cash flows generated by the Group. At the year end Kindred Group plc had a revolving loan facility with a maximum level of EUR 112 million. The Group's borrowings as at 31 December 2016 were GBP 54.6 million, and when the Group draws down on the facility a currency translation exposure related to this financial liability will exist. The translation gains and losses will be unrealised until the repayment date. The potential translation gains and losses arising on the loan in future would be offset to the extent that the Group generates positive future cash flows in other areas of the business in euros.

Compliance risks	Mitigation
Tax Kindred Group operates a complex business in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different taxing authorities towards transfer pricing for cross-border businesses.	Risk is managed through active management of Group operations. While operations are not driven by tax, tax is always considered when making major business decisions or changes to the business model.
Regulatory compliance Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on Kindred Group's results and additional costs may be incurred in order to comply with any new laws or regulations.	In managing its taxation affairs, including estimating the amounts of taxation due (both current and deferred) for the purposes of inclusion in the financial statements, Kindred Group relies on the exercise of judgement concerning its understanding of, and compliance with, those laws assisted by professional advice.

Group-specific risks	Mitigation
Odds/Trade The risk that the Group will lose money on its business due to unfavourable outcomes on the events where the Group offers odds.	The Group has, via its Sportsbook supplier Kambi, adopted specific risk management policies that control the maximum risk exposure for each sport or event on which the Group offers odds. The results of the most popular teams in the major football leagues comprise the predominant market risk. Through diversification, which is a key element of the Group's business, the risk is spread across a large number of events and sports. As the live betting product has grown to be a larger part of the total Gross winnings revenue the diversification has increased even further.

Financial review

During 2016 the Group has experienced strong growth across all markets and a solid profit performance, with EBITDA up 57 per cent and EPS up 50 per cent.

Financial statement presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Maltese Companies Act 1995.

The accounting policies as adopted in the published results for the year ended 31 December 2016 have been consistently applied.

Where relevant, certain additional information has been presented in compliance with the Nasdaq Stockholm requirements.

Overall Group performance

The Group's performance of the year is summarised in the table below. The overall increase in active customers (+71 per cent from 2015), the positive contribution from the acquired businesses and our focus on cost control have led respectively to strong growth across all our markets (+54 per cent Gross winnings revenue from 2015) and solid profit performance (+57 per cent EBITDA and +50 per cent Earnings per share from 2015). This proves the scalability of our business and our ability to absorb the impact of regulatory changes.

During the year the GBP weakened against the Group's main currencies, resulting in a positive overall impact on Gross winnings revenue and EBITDA.

Gross winnings revenue

Total Gross winnings revenue in 2016 increased to GBP 544.1 (2015: GBP 354.1) million. Gross winnings revenue from Sports betting amounted to GBP 245.5 (2015: GBP 161.2) million for the full year 2016. Other products (Casino & Games, Poker and Bingo) saw Gross winnings revenue amounting to GBP 298.6 (2015: GBP 192.9) million for the full year 2016.

Gross margin on Sports betting and all products

Live betting accounted for 50.6 (2015: 50.4) per cent of Gross winnings revenue on sports betting, before Free Bets, in 2016. The gross margin for pre-game Sports betting before Free Bets in 2016 was 10.5 (2015: 12.0) per cent. The gross margin for total Sports betting in 2016 before Free Bets was 8.1 (2015: 8.4) per cent, and after Free Bets was 6.8 (2015: 7.2) per cent. Sports betting gross margins can vary from one period to the next, depending on the outcome of sporting events. However, over time these margins will even out.

The gross margin for all products* in 2016 before free bets was 4.7 per cent (2015: 4.7 per cent).

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

	31 December 2016					31 December 2015				
GBP m	**Nordics**	**Western Europe**	**Central Eastern and Southern Europe**	**Other**	**Total**	Nordics	Western Europe	Central Eastern and Southern Europe	Other	Total
Sports betting	80.3	136.5	19.3	9.4	**245.5**	58.2	81.9	12.1	9.0	**161.2**
Other products – Casino, Poker & Other games	159.6	110.0	26.4	2.6	**298.6**	102.1	72.4	16.7	1.7	**192.9**
Gross winnings revenue	**239.9**	**246.5**	**45.7**	**12.0**	**544.1**	**160.3**	**154.3**	**28.8**	**10.7**	**354.1**
Betting duties	-7.4	-53.4	-3.8	-3.1	**-67.7**	-5.3	-26.2	-1.4	-2.1	**-35.0**
Marketing revenue share	-13.6	-9.8	-4.9	-1.5	**-29.8**	-8.3	-6.9	-3.2	-1.3	**-19.7**
Other cost of sales	-49.7	-38.9	-9.1	-4.1	**-101.8**	-31.4	-25.9	-5.7	-3.1	**-66.1**
Gross profit	**169.2**	**144.4**	**27.9**	**3.3**	**344.8**	**115.3**	**95.3**	**18.5**	**4.2**	**233.3**
Marketing costs					**-114.7**					**-78.5**
Administrative expenses					**-121.4**					**-85.1**
Items affecting comparability					**-11.8**					**-6.7**
Profit from operations					**96.9**					**63.0**
Profit before tax					**92.8**					**62.2**
Profit after tax					**83.9**					**55.7**
Net cash*					**38.6**					**46.0**
Earnings per share					**0.366**					**0.244**

* Net cash = Total cash at year end less customer balances.

Total gross winnings revenue

GBP 544.1m

2015: GBP 354.1m

EBITDA

GBP 120.7m

2015: GBP 77.0m

Earnings per share

GBP 0.366

2015: GBP 0.244

Cost of sales

Cost of sales includes betting duties, marketing revenue share and other cost of sales. Betting duties for the full year 2016 amounted to GBP 67.7 (2015: GBP 35.0) million, an increase of 93 per cent from the last year. The increase in betting duties is driven by a growth in both turnover and Gross winnings revenue in the year, along with the impact of regulatory changes and an increase in the percentage of Gross winnings revenue from locally-regulated markets from 31 per cent in 2015 to 35 per cent in 2016. The Group holds local gambling licences in the UK, France, Belgium, Denmark, Germany (Schleswig-Holstein), Italy, Australia, Ireland, Romania and Estonia, as well as international gambling licences in Malta, Gibraltar and Alderney, and pays betting duties in all markets in accordance with applicable local laws. The marketing-related revenue share costs within cost of sales amounted to GBP 29.8 (2015: GBP 19.7) million for the full year 2016. Other cost of sales amounted to GBP 101.8 (2015: GBP 66.1) million for the full year 2016.

Marketing costs

During 2016, marketing costs were GBP 114.7 (2015: GBP 78.5) million. As a result of strong year-on-year organic growth, the acquisitions from the prior year and increased marketing expenditure, active customers during the full year ended 31 December 2016 increased to 2.3 million compared to 1.3 million in 2015.

Administrative expenses

During 2016, ongoing administrative expenses were GBP 121.4 (2015: GBP 85.1) million. This total includes:

> GBP 15.6 (2015: GBP 11.8) million of depreciation and amortisation charges. These charges have increased from the prior year primarily due to the increased investment in our technology and our office relocations which started in 2016. There is also an amortisation element included within items affecting year-on-year comparability as explained below.

> GBP 59.3 (2015: GBP 43.1) million of salaries and associated costs. These costs have increased from the prior year as a result of increasing staff numbers both organically and due to the acquisitions in the prior year.

> GBP 46.5 (2015: GBP 30.2) million of other administration expenses. This primarily includes research and development expenditure, that are not capitalised, and facilities costs across the various Group locations which have increased during the year due to increased activity and employee numbers.

Total administrative expenses accounted for 22.3 (2015: 24.0) per cent of Gross winnings revenue in 2016 demonstrating the focus on cost control as highlighted in the Strategic Report on page 21. Note 4 in the financial statements on page 74 provides more analysis of operating costs, including items affecting the year-on-year comparison of results.

Financial review continued

Items affecting year-on-year comparison

The Group defines items affecting year-on-year comparison 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 2016, items affecting year-on-year comparison included management incentive costs of GBP 3.0 (2015: GBP 0.9) million relating to the acquisitions of iGame and Stan James Online in 2015, foreign currency loss on operating items of GBP 0.6 million (2015: GBP 0.7 million) and the amortisation of acquired intangible assets of GBP 8.2 (2015: GBP 2.2) million for the year. This relates to the charge on assets acquired as part of business combinations. This is included as part of the Group's total amortisation charge shown in Note 11 to the consolidated financial statements.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2016 were GBP 120.7 (2015: GBP 77.0) million. Profit from operations for the full year 2016 was GBP 96.9 (2015: GBP 63.0) million. Each year EBITDA and profit from operations are impacted by items affecting comparability, as detailed above for 2016. In 2015, these metrics were primarily impacted by merger and acquisition costs associated with the acquisitions of iGame and Stan James.

Finance costs

Finance costs for 2016 were GBP 4.5 (2015: GBP 0.9) million. The increase in 2016 is mainly due to foreign exchange losses associated with the repayment of EUR 24 million of the Revolving Credit Facility and the EUR 20 million earn-out payment to the former owners of iGame Group. The foreign exchange losses realised were respectively GBP 1.4 million and GBP 2.2 million.

Profit after tax

Profit after tax for the full year 2016 was GBP 83.9 (2015: GBP 55.7) million.

Development and acquisition costs of intangible assets

In the full year 2016, development expenditure of GBP 14.5 (2015: GBP 9.8) million, was capitalised. The key elements of capitalised development costs during 2016 were local licensing requirements, customer experience improvements, data analytics and information mining. Expenditure of GBP 4.7 (2015: GBP 1.3) million was capitalised in the year with regard to other intangible assets which predominantly comprise of computer software. In 2015, GBP 51.9 million was capitalised as a result of business combinations.

Balance sheet

The Group's strong balance sheet reflects both the Group's growth and its ability to manage working capital. A significant asset on the balance sheet is goodwill.

Goodwill and certain intangible assets recognised in connection with acquisitions are denominated in currencies other than GBP and have therefore been translated at the closing exchange rate as required by IAS 21. This translation adjustment increased the carrying value of goodwill by GBP 12.9 million in 2016 (2015: decrease GBP 3.0 million) and the carrying value of other intangible assets increased by GBP 9.9 million (2015: decrease GBP 0.8 million). These translation adjustments were credited to the currency translation reserve.

Certain non-current assets of the Group relate to capitalised IT development costs. Other non-current assets include computer software, computer hardware, fixtures and fittings, loan to the joint venture, convertible bond and acquired domain names.

The non-cash current assets on the balance sheet relate only to other receivables, prepayments and taxation. The movements in the tax balances in the consolidated balance sheet are influenced by the timing of dividend payments within the Group. Other receivables increased to GBP 20.4 million from GBP 13.3 million in 2015 primarily due to increased activity and rental deposits.

Significant liabilities on the balance sheet include trade and other payables and customer balances (see Notes 16 and 17 on page 82). Other payables has decreased during the year to GBP 0.6 million (from GBP 19.9 million in 2015). This primarily relates to the payment of the earn-out to the former owners of the iGame Group which amounted to a liability of GBP 14.5 million at 31 December 2015.

Financing and cash flow

The Group continues to demonstrate the ability to generate strong operating cash flows and a total of GBP 121.7 (2015: GBP 79.3) million in cash was generated from operating activities during 2016. Operating cash flow before movements in working capital amounted to GBP 122.3 (2015: GBP 77.2) million for the full year.

In May 2016, the Group paid out a dividend of GBP 54.0 million to shareholders. In September 2016, the Group purchased treasury shares of GBP 17.1 million. At 31 December 2016, GBP 54.6 (2015: GBP 56.7) million of the Revolving Credit Facility was utilised. At the year end, the facility had a maximum value of EUR 112 million and terminates in August 2018 (see Note 18 on page 83 for more information).

On 23 February 2017, the boards of Kindred and 32Red plc ("32Red") reached an agreement on the terms of a recommended cash offer pursuant to which Kindred will acquire the entire issued and to be issued share capital of 32Red. The offer values 32Red at GBP 175.6m. The consideration payable under the offer will be funded by new term and revolving facilities (the "Facilities") provided to Kindred by a leading European bank, pursuant to a facilities agreement ("the 2017 Facilities"). More information on this facility agreement is given in Note 31.

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

Introduction to governance

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

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.

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

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

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

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 Code states that a majority of the members of the Board are to be independent of the Group and its management. The Kindred Group's Board of Directors is composed entirely of Non-executive Directors, of which the majority are independent.

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.

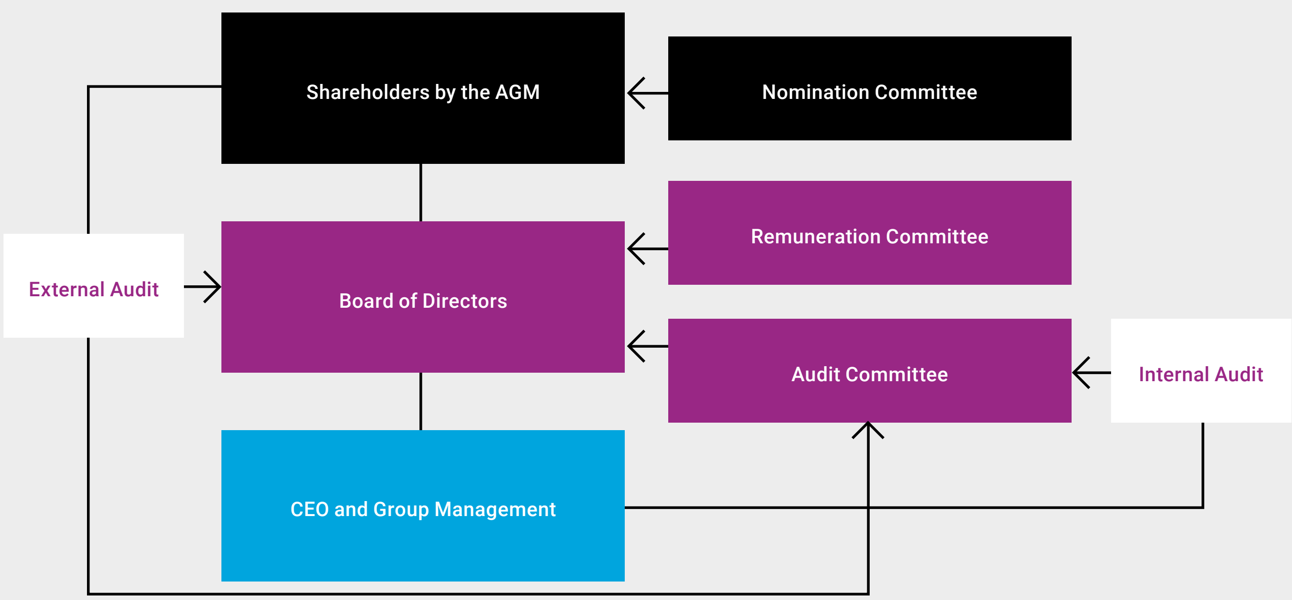
The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board.

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

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

Strategic report
Governance
Financial statements
Other information

Corporate governance model



Board of Directors

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

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

The mentioned holdings include personal holdings, family holdings and holdings through companies in which they have an interest, and are as at 28 February 2017.

Audit Committee
Remuneration Committee
Chairman of Committee

Anders Ström
Chairman of the Board, member of the Nomination Committee

Swedish citizen. Born 1970. Board member since incorporation. After studying Mathematics, Statistics and Economics at Karlstad University he founded sports information company Trav- och Sporttjänsten in 1993. Founder of Kindred Group plc in 1997. He has held various positions within the Unibet Group including Chief Executive Officer and Chairman of the Board. Co-founder of Kambi Sports Solutions in 2010. Chairman of the Advisory Board in Kambi until May 2014 and then Board member of Kambi since the listing.

Other board assignment: Veralda AB.

Holding: 10,266,200 Kindred Group plc SDRs (through company).

Kristofer Arwin
Board member, member of the Audit Committee

Swedish citizen. Born 1970. Board member since 2008. Independent. BSc in Business Administration and Economics from Stockholm University. Mr Arwin is co-founder of TestFreaks, an online reviews solutions business, where he served as CEO between 2006 and 2013. Today Mr Arwin is Chairman of TestFreaks. Mr Arwin is also the founder of price comparison business, Pricerunner, where he served as CEO between 1999 and 2005. In 2004 he sold Pricerunner to NASDAQ listed company ValueClick.

He is also a board member of listed company Addnode Group and Alertsec AB.

Holding: 5,640 Kindred Group plc SDRs.

Sophia Bendz
Board member, member of the Remuneration Committee

Swedish citizen. Born 1980. Board member since 2014. Independent. Sophia was the Global Marketing Director at Spotify 2007–2014, building a strong consumer brand from scratch, launching and marketing the service globally. Today she is working as an Executive in Residence at Atomico, angel investor and adviser to start ups and serves as a Board Director at Avanza. She is also a co-founder of non-profit foundation AllBright.se. She studied International Marketing and Economics at Stockholm University and spent the last five years living in New York City but is now located in her hometown, Stockholm.

Holding: 7,616 Kindred Group plc SDRs.

Peter Boggs
Board member, member of the Remuneration Committee

US citizen. Born 1948. Board member since 2002. Independent. BA in American Studies from Washington College, Maryland, USA. Previous engagements include: 1975–1981: President and COO of NDMS Inc., a US political lobbying and fundraising company; 1981–1985: Managing Director of Brown Direct, Division of Earle Palmer Brown Inc., a US advertising agency; 1985–1991: Director of Ogilvy & Mather Direct Plc, London; 1991–2002: President and COO of Grey Direct Worldwide, a division of Grey Worldwide Inc., New York.

Holding: 112,240 Kindred Group plc SDRs.

Nigel Cooper

Deputy Chairman of the Board, Chairman of the Audit Committee

British citizen. Born 1949. Board member since 2010. Independent. Fellow of the Institute of Chartered Accountants in England and Wales. Mr Cooper was 33 years in the accounting profession, 21 years as a partner with KPMG in Milan and London, specialising in advertising, media and technology clients. After leaving KPMG in September 2005 he joined the Internet property portal Rightmove Plc, prior to the flotation of the company on the LSE in 2006, as Non-executive Director and Chairman of the Audit Committee. In May 2008, he was appointed to the board of Metro International, the Swedish free newspaper group, quoted on NASDAQ OMX Nordic exchange, as Independent Non-executive Director and Chairman of the Audit Committee. He left the Board of Rightmove in March 2009. Following the company being taken private, he left the Board of Metro in January 2012.

Mr Cooper was appointed as Independent Non-executive Director to the Board of Parmalat Spa in June 2011 and to the Board of Impregilo in May 2012, both companies listed on the Italian stock exchange. Following takeovers of the Boards of the companies he left both companies during 2012.

Holding: 49,900 Kindred Group plc SDRs.

Stefan Lundborg

Board member, Chairman of the Remuneration Committee

Swedish citizen. Born 1965. Board member since 2010. Independent. Investor and entrepreneur.

Chairman of the Board, HELSA vårdutveckling Sverige AB (Private healthcare in Sweden).

Member of the Board, LOX Container Technology AB (Security systems service in shipping).

Chairman of the Board, Note Design Studio AB (Designer of the year 2016 in Sweden).

Chairman of the Board, Monomak AB.

Investor, Prima Barn & Vuxen Psykiatri AB.

Holding: 403,600 Kindred Group plc SDRs.

Peter Friis

Board member

Danish citizen. Born 1972. Board member since 2014. Independent. BA in Communications from Roskilde University. Vice President, Northern Europe, Google.

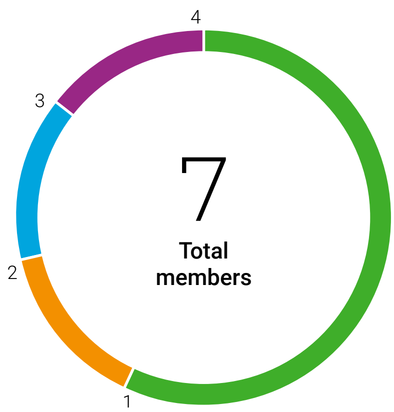
Holding: 2,000 Kindred Group plc SDRs.

Therese Hillman

Board member, Member of the Audit Committee

On 4 October 2016, Therese Hillman notified the Board of Unibet Group plc of her resignation because of her new employment.

Board diversity by nationality



1	**Swedish**	4
2	**British**	1
3	**Danish**	1
4	**American**	1

Executive Committee

Kindred Group's Executive Committee consists of the CEO and eight senior officers of which two are women.

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

Henrik Tjärnström
Chief Executive Officer

Swedish citizen. Born 1970. MSc in Industrial Engineering and Management from the Institute of Technology, Linköping University, Sweden. Senior Financial Manager at Skanska Infrastructure Development AB 2001–2008. Member of the Unibet Group Board of Directors 2003–2008. CFO of Unibet Group 2008–2010. CEO since 2010.

Holding: 1,325,867 Kindred Group plc SDRs and 151,160 Performance Share Rights.

Albin de Beauregard
Chief Financial Officer

French citizen. Born 1978. Master's degree in Finance and Accounting from Ecole Supérieure de Commerce et de Management, a French 'Grande Ecole'. After various positions in Finance in the Bouygues Group, Albin de Beauregard joined Eurosportbet as CFO in 2009 and when the Kindred Group (then Unibet Group) acquired Eurosportbet in 2011, Mr de Beauregard was appointed CFO France for the Group until 2014 when he moved to London to take the role as Strategic Finance Projects Manager and most recently Head of Internal Audit. Mr de Beauregard was appointed CFO of the Kindred Group in 2016.

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

Holding: 603 Kindred Group plc SDRs.

Rhodri Darch
Chief Strategy Officer

British citizen. Born 1978. BSc from The University of Birmingham. Rhodri Darch has worked in the online gambling industry since 2006 and has been a part of the Kindred Group (then Unibet Group) since 2009 when he joined as Head of the Payments department. Mr Darch was appointed CPO in 2010 and CSO in 2014. He holds extensive experience with web and mobile product development, innovation research and delivery, customer experience, customer intelligence, and corporate strategy. Before entering the gambling industry, Mr Darch was a Captain in the British army for six years.

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

Holding: 4,856 Kindred Group plc SDRs.

Daniel Eskola
Chief Product Officer

Swedish citizen. Born 1980. BSc in Business and Administration from Uppsala University, Sweden. Daniel Eskola holds over eleven years of experience in the online gambling industry, with five years of experience from the B2B side before joining Kindred Group (Unibet Group) in the summer of 2010. Since then Mr Eskola has held various roles such as Head of Poker and Head of Gaming within the Group, prior to being appointed CPO in June 2015. Mr Eskola also acts as COO for Unibet International Ltd in Malta since April 2016.

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

Holding: 14,332 Kindred Group plc SDRs.

Ebba Ljungerud
Chief Commercial Officer

Swedish citizen. Born 1972. BSc in Economics from Lund University. Ebba Ljungerud joined the Kindred Group (then Unibet Group) in 2010 when she took the role as CCO of Maria. Ms. Ljungerud has international experience from several different gaming brands and holds more than ten years of experience in the media industry. Ms. Ljungerud served as a Marketing Director as well as Executive Vice President for Swedish companies, focusing mainly on print and online media. From 2014 to 2016 Ms. Ljungerud was CPO of the Group, and in 2016 she was appointed CCO of the Kindred Group.

Other assignment: Non-executive Director of the Board, Paradox Interactive

Holding: 6,656 Kindred Group plc SDRs.

Britt Boeskov
Chief Programme Officer

Danish citizen. Born 1978. Master's degree in Management from Copenhagen Business School. Britt Boeskov joined the Kindred Group (Unibet Group) as a Management Trainee in 2005, and joined the Group's executive management team in 2008, first as Head of Marcom Services, then in 2009 as CPO. She has experience in leading complex strategic and transformational C-level projects, and from managing Kindred's online and mobile gambling products.

Holding: 4,856 Kindred Group plc SDRs.

Marcus Smedman
Chief Technology Officer

Swedish citizen. Born 1969. Studied Electronics and Computer Science at Uppsala University. Marcus Smedman has been a part of the Kindred Group since 2011, when he joined the Tech team as a consultant. Since then he has held various roles as Team Leader, Head of Development Australia and Head of Development global. In January 2015 Mr Smedman was appointed CTO being responsible for Kindred Tech strategy and operation globally. Mr Smedman has worked in the IT industry since the mid 1990s, working as a java developer, team lead, development manager and more.

Holding: 922 Kindred Group plc SDRs.

Tommi Maijala
Chief Commercial Officer Malta

Finnish citizen. Born 1976. LLM from the University of Helsinki and MSc in Economics from Aalto University, Helsinki.

Tommi Maijala holds strong experience from the online gambling industry through his roles as Director and CEO of the iGame Group. Mr Maijala became part of the Kindred Group (then Unibet Group) when the Group acquired iGame in 2015 and he was appointed CCO Malta leading the Group's operations in France, UK and Australia in December 2016. Before joining the iGame Group, Mr Maijala worked with large companies like Wärtsilä Corporations and Nordea.

Holding: 18,000 Kindred Group plc SDRs.

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 Hayward holds over 25 years of HR experience gained in a variety of sectors. Mr Hayward was appointed CHRO of the Kindred Group (the Unibet Group) in 2012. Before joining the Kindred Group, Mr Hayward was part of Siemens plc over a period of 10 years. He has worked at board level within multisite and multinational organisations and has worked with HR management at both strategic and operational level. Mr Hayward is Fellow of the Chartered Institute of Personnel and Development.

Holding: 2,426 Kindred Group plc SDRs.

Corporate governance statement

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

Foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden are required to apply either the Swedish Code, or the corporate governance code in force in the country where the Company has its registered office, or the code of the country in which its shares have their primary listing.

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

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

The following statement on pages 38 to 42 has not been audited.

The Board of Directors

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

The following Directors elected at the AGM on 17 May 2016 served during the year and subsequently, unless otherwise stated:

Anders Ström
Chairman

Nigel Cooper
Non-executive Deputy Chairman

Kristofer Arwin
Non-executive

Sophia Bendz
Non-executive

Peter Boggs
Non-executive

Peter Friis
Non-executive

Therese Hillman
Non-executive

Stefan Lundborg
Non-executive

On 4 October 2016, Therese Hillman notified the Board of Unibet Group plc of her resignation because of her new employment.

All Directors will seek re-election at the forthcoming AGM. The emoluments and interests of the Directors are shown on page 50.

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

As outlined on pages 34 and 35 the Board comprises the Chairman and six Directors. The Swedish Code identifies the fundamental importance of independent Non-executive Directors in ensuring the objective balance of a Board, and sets out criteria to be considered in determining the independence of Non-executive Directors. In accordance with Provision 4.4 of the Code, the Board considers Kristofer Arwin, Sophia Bendz, Peter Boggs, Nigel Cooper, Peter Friis and Stefan Lundborg to be independent Non-executive Directors. Anders Ström is Chairman of the Board and is also a member of the Board of Kambi Group plc. Anders Ström also receives remuneration for advice and other services to the Kindred Group, which is disclosed in the Remuneration Committee report on page 50.

Brief resumés of the Board and Chief Executive Officer can be found on pages 34 and 35.

To ensure effectiveness, the Board's composition brings together a balance of skills and experience appropriate to the requirements of the business. The composition of the Board and recommendations for the appointment of Directors are dealt with by the Nomination Committee and its activities are set out on page 42.

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

The working procedures of the Board of Directors

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

At least once a year the Board reviews the relevance and appropriateness of the Rules of Procedure and the reporting structure and Instructions.

In view of the contractual relationship between the Group and Kambi Group plc and that some Directors may be sitting on the Board of the Company and on the Board of Kambi Group plc, a Director who is also a Director of Kambi Group plc shall not receive any documents, nor shall he/she attend any discussion or vote in respect of any contract or arrangement or any other proposal whatsoever involving Kambi Group plc or the Group's relationship with it unless all the other Directors request the Director to attend such meeting and to receive such documents.

The Board has a standard agenda, including receiving and considering reports from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) and from the Audit, Nomination 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.

The Chairman, supported by the Deputy Chairman, is responsible for: the leadership of the Board; setting its agenda and taking full account of the issues and concerns of all 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 and usually once a year.

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

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

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

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

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

The Board work during 2016

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

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

The Board has also considered and then proposed to the owners, a change of the name of the holding company Unibet Group plc to Kindred Group plc in order to improve synergy, clarity and flexibility around the Group's multi-brand strategy. This name changed was approved by the share owners at an Extra General Meeting on 6 December 2016.

	Board[2]	Audit Committee	Remuneration Committee
Number of meetings held	6	5	4
Name			
Kristofer Arwin	6	5	–
Sophia Bendz	4	–	3
Peter Boggs	6	–	4
Nigel Cooper, Deputy Chairman	6	5	–
Peter Friis	5	–	–
Therese Hillman[1]	4	4	–
Stefan Lundborg	6	–	4
Anders Ström, Chairman	6	–	–

1 On 4 October 2016, Therese Hillman notified the Board of Unibet Group plc of her resignation because of her new employment.

2 In addition to the full Board meetings tabled above, the Board holds short quarterly meetings to review and approve the results of the Group, including receiving reports from the Audit Committee.

Corporate governance statement continued

Sustainability perspective

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

- Responsible gaming and player safety – as part of a customer-centric strategy.
- Compliance with laws and regulations – as a major player in a highly regulated industry.
- Best practice in corporate governance – as fits a high value publicly-listed company.
- Environmental impact – addressed both through disclosure and our decision-making.
- Employee engagement – as part of our commitment to play in our communities.
- Tax policy – so Kindred Group pays the right taxes in the right territories as part of its contribution to wider society.

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

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

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

For more information about how the Kindred Group considers sustainability please refer to pages 22 to 25.

Evaluation of the Board of Directors

In accordance with Provision 8.1 of the Code, the Board has a process to formally evaluate its own performance and that of its Committees. The performance of the Board and its Committees has been the subject of Board discussion, led by the Chairman, to consider effectiveness against performance criteria and potential risks to performance. The performance evaluations of the Board have been structured in such a way to ensure a balanced and objective review of Directors' performance. Following this performance review, the Chairman is responsible for ensuring that the appropriate actions are taken, such as training.

The evaluation has also helped the Nomination Committee in identifying Board performance, competence, industry and international experience, diversity and expertise.

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

Remuneration and Directors' and Officers' Liability insurance

The Annual General Meeting establishes the principles and the maximum amount of the Directors' fees. A Director can, during a short period of time, supply consultancy services, but only if this is more cost-effective and better than any external alternative. Any such consultancy fee is disclosed in the Remuneration Committee report on page 50. None of the Directors hold share options issued by the Group. The Kindred Group has taken out Directors' and Officers' liability insurance for the full year covering the risk of personal liability for their services to the Group. Cover is in place for an indemnity level of GBP 5 million in aggregate.

Communication with owners and investors

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

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

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

The Board of Directors' report on internal control over financial reporting for the financial year 2016.

Introduction

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

Description

a. Control environment

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

b. Risk assessment

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

c. Control activities

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

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

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

d. Information and communication

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

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

e. Monitoring

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

On behalf of the Board

Malta, 8 March 2017

Anders Ström
Chairman and Director

Nigel Cooper
Director

Statement of Compliance with the Swedish Corporate Governance Code

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

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

Audit Committee report

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and 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, which met five times during the year, comprises three independent Non-executive Directors: Kristofer Arwin, Nigel Cooper and Therese Hillman. On 4 October 2016, Therese Hillman notified the Board of Kindred Group plc of her resignation because of her new employment. The Committee is chaired by Nigel Cooper, a senior finance professional who has extensive accounting and financial management expertise. Where appropriate, the Committee consulted with the Chairman of the Board, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) regarding their proposals. The external auditors also attended the majority of the meetings.

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

Accounting and key areas of judgement

The main areas considered by the Committee in relation to 2016 are set out below:

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

The Committee considered the work done and the conclusions reached by the external auditors, PwC, in this area as part of their audit and agreed that no impairment was necessary.

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

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

The Committee evaluated the control environment and risk management processes in place to comply with licencing regulations, responsible gambling and anti-money laundering obligations. The Committee reviewed the Group's reports on litigation matters provided by management and discussed with them the implications for the business. 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.

Corporate governance statement continued

The Committee is also responsible for reviewing the Group's systems of internal control and risk management, its sustainability practices and determines the scope of work undertaken by the CFO, the General Counsel and the Group Head of Risk. It receives reports from the CFO, with whom the results are discussed on a regular basis. The Group Head of Risk reports to the Audit Committee as required.

The Internal Audit department resides within the Corporate Office but reports to the Audit Committee. The Head of Internal Audit has at all times direct access to the Audit Committee. The Internal Audit function acts as an independent function that intends to evaluate and improve the effectiveness of risk management, control and governance processes. Its work is performed in accordance with International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors. The Audit Committee agrees the scope of work of Internal Audit and receives reports on completed audit reviews. Senior management are responsible for following up on any recommendations suggested by the Internal Audit department. The Audit Committee also evaluates the performance of the Internal Audit function.

The Committee remains satisfied that the controls in place, and the review process overseen by the CFO, the Group Head of Risk and the Head of Internal Audit, are effective in monitoring the established systems.

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

Re-tendering of audit services

PwC have been auditors to the Company since 2005 when they were appointed following a competitive tender. A retendering process was followed this year. Three international firms were shortlisted on the basis of their relevant expertise in the sector and each firm that was invited to submit a proposal did so. Each firm was provided with a standard pack of information and met with various members of the management, finance, IT and Internal Audit teams prior to submitting their proposal. The bidding firms were advised as to the criteria against which their proposal would be assessed. The proposals were reviewed by all members of the Committee, and each firm made presentations to the Committee members and the Chief Financial Officer.

Following a review of the proposals and the presentations, each firm was assessed against specific criteria which included:

> Quality and integrity of the audit.
> Understanding of the business.
> Industry knowledge.
> Demonstrating proactivity and bringing insights on our business and the market in which the Group operates.
> Demonstrating good coordination of audit efforts and ensuring audit quality consistency across multiple offices and countries.

A recommendation was made by the Audit Committee to the Nomination Committee. As a result of the audit tender process, it will be proposed to the 2017 AGM that PricewaterhouseCoopers LLP UK and PricewaterhouseCoopers Malta were re-appointed as the auditors. The auditors' tenure runs from one AGM to the next and there are no contractual obligations that restrict the Committee's choice of external auditors.

During the year, PwC Malta and PwC LLP UK, reported to the Committee on their audit strategy and the scope of audit work. The Committee has reviewed the performance of the external auditors and the level of non-audit fees paid to the external auditors during the year. These are disclosed in Note 4 on page 74. The provision of non-audit services, and tax compliance and routine taxation advice, must be referred to the Committee where it is likely to exceed a pre-determined threshold. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

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

The Board remains satisfied that the Group's systems of internal control and risk management, together with the work of the CFO, the General Counsel, the Head of Risk and the Head of Internal Audit is effective in monitoring, controlling and reporting the Group's risks.

Nomination Committee report

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

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

In its 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, as relates to gender, nationality, and industry experiences in order to achieve a well-functioning composition of the Board of Directors and an extra effort has been put into finding a composition of the Board with more diversity, especially with respect to gender.

The Nomination Committee met five times for the 2016 AGM. At the AGM on 17 May 2016, it was decided that the Nomination Committee for the AGM 2017 shall consist of not less than four and not more than five members, of which one should be the Chairman of the Board.

The Nomination Committee for the 2017 AGM consists Evert Carlsson, Swedbank Robur Fonder (chairman), Jonas Eixmann, Andra AP-fonden, Olof Jonasson, Första AP-fonden, Yvonne Sörberg, Handelsbanken Fonder, and Anders Ström, Chairman of the Board of Directors. The Committee met three times for the 2017 AGM.

Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 48 to 50.

General legal environment

With a growing local licence portfolio, increased regulatory scrutiny and demanding legal requirements on both EU and national level, the online gambling industry is increasing in complexity.

More than ever, the Kindred Group (Kindred) believes in the positive and competitive differentiating potential of being a compliant operator. The Kindred Group has further established itself as a digital leader with a number of first-mover initiatives and has continued to share its know-how to educate stakeholders on the importance of fact-based and sustainable policymaking.

A substantial part of Kindred's Gross winnings revenue continues to be derived from locally regulated markets situated within the European Union (EU). The Group is established within the EU and currently holds licences in a number of EU member states, including France, Malta, Italy, Belgium, Denmark, the United Kingdom, Romania, Germany (Schleswig-Holstein), Ireland and Estonia. Kindred is also licensed in Gibraltar and holds a licence from the Northern Territory Racing Commission to operate its Australian business.

With the national implementation of the 4th EU Anti-Money Laundering Directive due by 26 June 2017, Member States have been conducting consultations and risk assessments on how to best transpose the directive into national law. The Directive focuses strongly on customer due diligence, the use of big data and source of funds information. The revision of the 4th EU Directive is already being discussed in the European Parliament with further focus on eID and anonymous payment methods. The European Commission is also conducting a Supranational Risk Assessment to analyse the risks of money laundering and terrorist financing affecting the internal market in relation to cross-border activities, to be published during the second quarter of 2017.

Following the entry into force of the point of consumption VAT rules for electronically supplied services on 1 January 2015, a number of member states now levy VAT on online gambling and betting, including France, Germany, Ireland and most recently Belgium. The discussion at EU level regarding the definition of electronically supplied services and the scope of human intervention as basis for a VAT exemption nevertheless remains ongoing and could impact the scope of the levy going forward.

With the publication of the General Data Protection Regulation in May 2016, which will become directly applicable in the member states by 25 May 2018, compliance obligations in relation to dealing with customer data, obtaining customer consent for data processing purposes and sanctions and fines for data breaches have materialised. With the appointment of a Group Data Protection Officer, Kindred is preparing for the upcoming changes, focusing on safeguarding optimal user experience.

Despite a clear signal in 2015 from the European Commission regarding increased enforcement efforts against member states whose legislative framework is not compliant with EU law, the 2013 infringement package has come to a standstill and no new actions have been taken. The Swedish referral to the Court of Justice of the EU has also not progressed. The European Gaming and Betting Association (EGBA) is closely monitoring national developments in the various member states, encouraging follow-up actions by the European Commission in 2017.

Netherlands

A significant step has been taken in the Dutch re-regulation process in 2016, with the House of Representatives adopting the draft Remote gaming act with a 111 versus 39 majority on 7 July 2016, confirming the overall political support to regulate online gambling services. The draft act covers a full product scope with a 29 per cent taxation on gross winnings, a strong focus on responsible gaming and a well-aligned advertising framework. The Senate is now to review the draft act and vote in plenary. General elections will be held on 15 March 2017, after which the new government will be formed. The preparation of secondary legislation continues simultaneously. Kindred continues to engage with relevant stakeholders in order to achieve sustainable regulation in the Netherlands. The adoption of the draft act and the notification and approval of secondary legislation will trigger the commencement of the licensing process, which is unlikely to start before the first half of 2018.

Kindred continues to weigh its legal options and obtained, together with other operators, important court victories in March, September and October 2016 in relation to the exclusive horse race betting licence and the exclusive sport betting licence. In all three cases, the courts ruled that the licences had been allocated non-transparently in violation of EU law over the years and that operators such as Kindred had been unlawfully

General legal environment continued

excluded from the application process. Similar appeals against the remaining exclusive licences are pending and rulings are expected to be issued in 2017.

Kindred achieved an important court victory in a pending dispute regarding its duty of care. On 25 October 2016, the Amsterdam Court of Appeal confirmed the March 2015 ruling from the court of 1st instance that Kindred did not violate its duty of care, that online gambling is widely accepted in the Netherlands and that Kindred provided sufficient responsible gaming tools and information to stay in control. The ruling on the merits of the case is hereby final.

Belgium

In light of the 2016 budgetary discussions, the Belgian government abolished the existing VAT exemption for online gambling on 4 July 2016. Since 1 August 2016, 21 per cent VAT is levied on online gambling and betting services provided to Belgian customers; the existing VAT exemption for lotteries and landbased gambling and betting remains in place. The differential VAT treatment between online gambling and betting on the one hand and lotteries and landbased gambling and betting on the other hand raises material legal issues from a fiscal neutrality and discrimination point of view. To that end, the Walloon region and a number of licensed operators, including Kindred, have submitted a request before the Belgian Constitutional Court to annul the Programme Bill introducing the VAT measure. The case will be continued in 2017.

On 27 January 2016, the Brussels commercial court ruled that the exploitation of multi-product websites breaches the Gambling Act, arguing that there is a similar prohibition to accumulate activities in an offline environment, and that bets cannot be accepted online. The case is currently pending in appeal and triggered a number of other legal proceedings, including licence annulment requests before the Council of State. These cases have now come to a standstill (with the exception of the casino appeal) following a referral by the Council of State of a preliminary question to the Constitutional Court to rule upon the compatibility with the Belgian constitution, in particular the principle of equal treatment and non-discrimination, of the alleged cumul prohibition contained in the Gambling Act. Kindred, in conjunction with a number of other licensed operators, has intervened in this procedure in December 2016. A ruling by the constitutional court is not expected before the second quarter of 2018.

UK

Two years after awarding the first remote operating licences, the UK Gambling Commission (UKGC) announced it would be raising the standards in terms of trust and consumer protection and increase enforcement efforts against systematic and repeated failings to comply with licensing requirements and applicable legislation. The UKGC has also launched a review of advertisement rules, a consultation on technical standards and an investigation in relation to the fairness of terms and conditions with the support of the Competition and Markets Authority. The preparatory work on the industry-funded National Online Self Exclusion Scheme (NOSES) continues with an ongoing tender process and a completion target date at the end of 2017. The UK government further announced the introduction of a horse race betting levy (10 per cent Gross winnings revenue), raising potential questions from a competition law point of view, as well as the taxation of free bets for 2017, pushing up the overall tax pressure. The Brexit effect on the UK gambling industry remains yet to be seen.

Sweden

With very successful participation in the 'Almedalen' political week in July 2016, Kindred managed to further establish itself as a digital champion in both Sweden and further afield. With the launch, as first ever online gambling operator, of the BankID™ electronic authentication system in November 2016, Kindred confirmed its position as market leading pioneer and digital expert. The investigation into a Swedish licensing system by a governmental commission, launched in September 2015, was further developed throughout 2016 with a strong focus on high channelisation, a sustainable level of taxation (15-20 per cent Gross winnings revenue) and no ISP blocking. The investigation is to be finalised by 31 March 2017, after which the legislative and parliamentary process is expected to be initiated. However, with general elections planned for September 2018 and the subsequent formation of a new government, it is unlikely that any effective changes will be implemented before 2019. At the same time, legislative actions have been taken in December 2016 to strengthen the monopoly position of the existing incumbents ahead of re-regulation. Kindred continues to closely monitor all regulatory developments, also as founding member of the Branschföreningen för onlinespel (BOS), and explore its legal options to keep momentum in the re-regulation process. The referral of Sweden to the Court of Justice of the EU remains pending whilst the European Commission closely monitors the legislative developments.

Norway

The lack of general parliamentary support in favour of re-regulation was confirmed in the gambling policy white paper published by the Ministry of Culture in December 2016; according to the Norwegian government, the existing monopoly is most suitable to achieve consumer protection and the monopoly market share will increase in the years to come. The government is not in favour of introducing a licensing regime and Kindred continues to consider its legal actions in light of the fundamental principles of the EEA Agreement, the EU Convention on Human Rights and the Norwegian Constitution.

It is expected the Parliament will further discuss follow-up actions in 2017, ahead of the September 2017 general elections, but genuine re-regulations efforts are still far away. Kindred has increased efforts in reaching out to politicians and other key stakeholders to further establish itself as a trustworthy speaking partner and educate stakeholders in a bid to maintain a status quo in the market.

Shares and share capital

Kindred Group plc's issued share capital as at 31 December 2016 comprised 230,126,200 ordinary shares each with a par value of GBP 0.000625. All ordinary shares carry equal voting rights and rights to share in the assets and profits of the Group.

Listing of Swedish Depositary Receipts

Kindred Group plc (the Company) is listed on Nasdaq Stockholm through Swedish Depositary Receipts (SDRs) issued by Skandinaviska Enskilda Banken AB (publ). One SDR represents one ordinary share. On 8 June 2004, the SDRs were listed on the O-list of the Stockholm Stock Exchange (Stockholmsbörsen). From 1 January 2016, the SDRs have been listed on the LargeCap part of the Nordic List at the Nasdaq Stockholm.

The trading symbol after the split is KIND SDB and the ISIN code is SE000 787 1645. The Kindred Group has a liquidity guarantee agreement with Carnegie Bank AB.

Dividend policy

For details of the dividend policy please refer to the Directors' Report on page 51.

Dividend for 2016

The Board of Directors has recommended a dividend of GBP 0.310 (2015: 0.235) per share/SDR, which is approximately SEK 3.46 (2015: 2.87, paid out 23 May 2016) with the exchange rate 11.165 GBP/SEK at 13 February 2017, to be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM) the dividend will be paid on 23 May 2017 and amounts to a total of GBP 71.4 (2015: 54.0) million, which is approximately 75 per cent of the Group's free cash flow for 2016. The Board has reviewed the projected cash requirements for 2017 and is proposing to increase the dividend for this year above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

No dividend will be paid on the shares/SDRs held by the Company following the share buy-back programme (2015: nil).

Share buy-back programme

At the AGMs from 2007 to 2016 the shareholders approved a share buy-back 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 the 2016 approval was 23,011,704 in line with the conditions laid out for the share buyback 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 and 387,717 were acquired during 2011. During 2016, 2,400,396 shares/SDRs were acquired. In 2016, 315,538 of the shares/SDRs held by the Group were used in connection with the Group's share option and performance share plans (2015: 22,813). The number of issued shares at 31 December 2016 was 230,126,200 of which 2,585,266 are held by the Company, representing 1.1 per cent of the total number of shares.

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

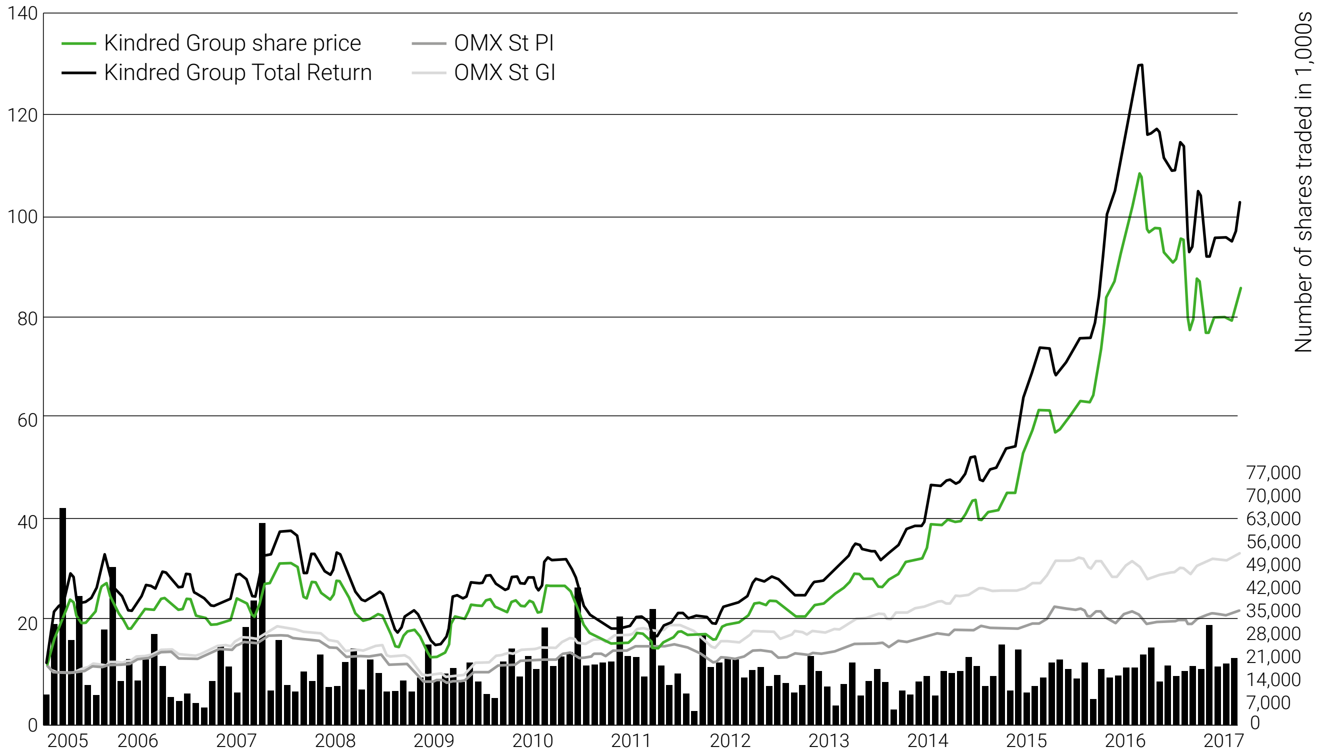
Eight-year summary[1]	**2016**	2015	2014	2013	2012	2011	2010	2009
Equity per share GBP	**1.058**	0.926	0.889	0.881	0.791	0.788	0.627	0.543
Equity per share after full dilution GBP	**1.056**	0.924	0.874	0.863	0.785	0.703	0.627	0.542
EBITDA per share GBP	**0.527**	0.337	0.513	0.283	0.235	0.215	0.195	0.187
Earnings per share GBP	**0.366**	0.244	0.414	0.179	0.142	0.159	0.144	0.120
Earnings per share after full dilution GBP	**0.365**	0.239	0.405	0.177	0.141	0.159	0.144	0.120
Net cash per share GBP	**0.168**	0.200	0.162	0.098	0.072	0.063	0.050	0.051
Cash flow per share GBP	**-0.012**	0.086	0.075	0.023	0.040	0.021	0.004	-0.054
Dividend per share SEK	**0.310**[2]	2.870	2.679	1.463	0.889	0.761	0.560	0.960
Return on average equity %	**42**	30	49	24	21	26	26	29
Equity: assets ratio %	**54**	53	70	68	64	68	65	58
Number of shares at year end	**230,126,200**	230,117,040	228,303,600	226,264,976	226,210,128	226,064,304	226,064,304	226,064,304
Fully diluted number of shares at year end	**230,520,323**	230,575,697	232,254,904	230,924,080	227,907,536	226,341,096	226,150,168	226,579,256
Average number of shares	**229,096,939**	228,237,047	225,668,296	223,679,136	223,181,208	223,365,280	224,497,960	223,643,712
Average number of fully diluted shares	**229,737,902**	232,806,853	230,422,080	226,646,096	224,108,648	223,365,280	224,707,480	223,913,904

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

Shares and share capital continued

Share price performance
Kindred Group plc's (formerly Unibet Group plc's) SDRs ended the year at SEK 85.55 having started the year at SEK 104.90. The lowest price during the year was SEK 73.20 and the highest price was SEK 107.30. As at 31 December 2016, Kindred Group plc had a market capitalisation of approximately SEK 19.7 billion equivalent to GBP 1.8 billion (2015: SEK 24.9 billion equivalent to GBP 2.0 billion).

Trading volumes
In 2016, there were 623,404 trades in Kindred Group plc's SDRs, representing a total value of SEK 570.5 billion (2015: SEK 513.2 billion).



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

Transaction	Year	Issue price	Change in number ordinary shares	Total number ordinary shares	Par value per share GBP	Increase in share capital GBP	Share capital GBP
Issued in Group reorganisation	2006	–	21,841,092	28,241,092	0.005	109,205.46	141,205.46
Exercise of share options	2009	12.16	16,946	28,258,038	0.005	84.73	141,290.19
Exercise of share options	2012	13.99	10,000	28,268,038	0.005	50	141,340.19
Exercise of share options	2012	14.59	750	28,268,788	0.005	3.75	141,343.94
Exercise of share options	2012	14.05	478	28,269,266	0.005	2.39	141,346.33
Exercise of share options	2012	13.99	7,000	28,276,266	0.005	35	141,381.33
Exercise of share options	2013	12.72	6,856	28,283,122	0.005	34.28	141,415.61
Exercise of share options	2014	13.01	2,729	28,285,851	0.005	13.65	141,429.26
Exercise of share options	2014	13.81	15,814	28,301,665	0.005	79.07	141,508.33
Exercise of share options	2014	12.7	8,186	28,309,851	0.005	40.93	141,549.26
Exercise of share options	2014	14.86	228,099	28,537,950	0.005	1,140.50	142,689.76
Exercise of share options	2015	17.95	225,680	28,763,630	0.005	1,128.40	143,818.15
Exercise of share options	2015	15.74	1,000	28,764,630	0.005	5.00	143,823.15
Share split 8:1	2015	–	201,352,410	230,117,040	0.000625	–	143,823.15
Exercise of share options	2016	17.95	9,160	230,126,200	0.000625	5.73	143,828.87

Dialogue with capital markets

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

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

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

Kindred Group plc arranges the following capital market activities:

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

Analysis of shareholdings at 28 February 2017

Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/votes %	Accumulated %
Swedbank Robur Fonder	22,504,023	9.8	9.8
Andra AP-fonden	13,042,734	5.7	15.4
Anders Ström through company	10,266,200	4.5	19.9
Första AP-fonden	9,882,563	4.3	24.2
Handelsbanken Fonder	9,703,906	4.2	28.4
Lannebo Fonder	8,792,243	3.8	32.2
Columbia Acorn	8,756,203	3.8	36.0
SEB Investment Management	8,526,730	3.7	39.7
Skandia Liv	5,651,531	2.5	42.2
Länsförsäkringar fondförvaltning	5,520,151	2.4	44.6
Tredje AP-fonden	5,234,132	2.3	46.9
DnB & Skandia Fonder	5,122,858	2.2	49.1
AMF Fonder	4,315,280	1.9	51.0
Nordea Fonder	3,847,641	1.7	52.7
Kindred Group plc[1]	2,585,266	1.1	53.8
Others	106,374,739	46.2	100.0
Total	**230,126,200**	**100.0**	

1 As a result of the share buy-back programmes.

Ownership distribution at 28 February 2017

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/SDRs	Share capital/votes %
1–10,000	19,561	15,218,417	7
10,001–100,000	444	12,735,201	5
100,001–500,000	65	14,260,746	6
500,001–1,000,000	27	18,465,144	8
1,000,001–	41	169,446,692	74
Total	**20,138**	**230,126,200**	**100**

Ownership structure at 28 February 2017

Source: Euroclear Sweden.

Organisation type/name	Percentage %
Swedish financial institutions	35
Other Swedish financial entities	7
Other Swedish legal entities	10
Non-Swedish owners	41
Swedish naturalised persons	7
Total	**100**

Share ownership data

On 28 February 2017, Kindred Group plc had 20,138 holders of SDRs.

On 28 February 2017 the Company's 14 largest owners represented 52.7 per cent of the capital and votes, as shown in the table above.

Remuneration Committee report

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

The purpose is to support the strategic aims of the business and shareholder interest, by enabling the recruitment, motivation and retention of key employees, while complying with the requirements of regulatory and governance bodies.

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

The Remuneration Committee

The Committee held four meetings during 2016 all of which were chaired by Stefan Lundborg and also attended by Peter Boggs. Sophia Bendz attended three meetings. The Chief Human Resources Officer (CHRO) acted as secretary to the Committee and the CEO, CFO and CHRO were co-opted on an ad-hoc basis to provide advice and support on remuneration related issues. Where required on specific projects, the Committee was also supported by external advisers.

Remuneration policy

The policy of the Board is to attract, retain and motivate the best managers by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The compensation packages need to be fair and reasonable in comparison with companies of a similar size, industry and international scope. The components of remuneration for executive managers comprise base salary, benefits, performance-related salary and long-term incentives.

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

The remuneration packages of senior managers

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

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

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

Under the standard annual cycle of bonuses for the CEO and other executive management, formal approval and payment of bonuses is typically completed after the publication of the results for the fourth quarter. Remuneration reported in the table on the page opposite is the remuneration paid during 2016. Participation in long-term incentive schemes is based on position in the Group, performance and country of residence.

Equity awards are made through the Performance Share Plan which was introduced in 2013. They are granted under the terms of the Kindred Performance Share Plan, and are linked to the performance of the Group to further align senior management's interests with those of the shareholders. The 861,321 PSP shares outstanding at 31 December 2016 may generally only be exercised if the holder is employed by the Kindred Group at the date of exercise. Exceptions are made in special circumstances.

Developments in 2016

One grant was made under the Kindred Performance Share Plan (PSP) approved at the AGM in 2013. The grant was made in September 2016 to Kindred Group employees totalling 411,713 shares/SDRs. The PSP performance measures are non-market based providing participants with a high degree of alignment to Group performance. PSP awards will depend on the Group achieving financial performance targets over three financial years establishing a clearer link between how the Group performs and the value that the PSP can deliver. These targets are Gross Contribution (Gross Winnings Revenue less Cost of Sales less Marketing Costs), Free Cash Flow per Share and EBITDA and will be measured on an aggregate basis between the full year 2016 and the full year 2018 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 2018.

The Board approved in September a new all employee long term incentive plan (LTIP) which gives an opportunity for all employees to receive shares/SDR's in the Company at the end of 2020 subject to achievement of set financial targets.

The Remuneration Committee have reviewed the existing Executive Management variable remuneration programmes. The Board approved the introduction of an equity based Long Term Incentive Plan (LTIP) recommended by the Remuneration Committee which will operate until the end of FY 2020. This replaced the previous cash based LTIP for Executive Management which matured at the end of FY 2016. The grant was made in October 2016 to Kindred Group employees, including the Executive Committee, totalling 1,481,866 shares/SDRs. The Remuneration Committee have reviewed all other components of Executive Management namely base salary and performance related salary in line with external market benchmark data.

The Board approved the introduction of an employer contributory pension scheme for all employees based in Malta. The scheme went live in January 2017 and brings Malta in line with all other group locations.

The Remuneration Committee reviewed the process for governing the payment of Board members and have introduced a new procedure to improve the governance and approval of Extraordinary Board work. The purpose of this procedure is to provide further guidance to Directors a framework and clearer audit trail when they are delivering work for the Company which falls outside of the normal scope of work for which they receive their directors' emoluments.

Vesting of 2013 Unibet Performance Share Plan (PSP)

In respect of the PSP grant made in September 2013 all targets were achieved at greater than 100 per cent so the full value of the PSP Grant was vested. Details of the targets achieved were as follows:

Performance Target	% Achieved
EBITDA	108%
Gross Contribution	106%
Free Cash Flow	112%

Remuneration of the Board of Directors

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

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

Total emoluments (audited)

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

The closing price of the Company's SDRs at 30 December 2016 was SEK 85.55, and it ranged from SEK 73.20 to SEK 107.90 during 2016.

Remuneration Committee report continued

	Fees/salary GBP 000	Other[1] GBP 000	**2016 Total GBP 000**	2015 Total GBP 000
Directors				
Anders Ström, Chairman	160.0	140.0	**300.0**	268.4
Kristofer Arwin	75.3	8.0	**83.3**	70.3
Sophia Bendz	61.3	5.0	**66.3**	48.3
Peter Boggs	65.3	3.0	**68.3**	60.3
Nigel Cooper	105.3	20.0	**125.3**	112.3
Peter Friis	53.3	–	**53.3**	48.3
Therese Hillman[2]	57.3	10.0	**67.3**	48.0
Stefan Lundborg	–	88.9	**88.9**	79.3
	577.8	**274.9**	**852.7**	**735.2**
Executive committee				
Henrik Tjärnström, CEO	798.0	–	**798.0**	663.8
Other Executive management	1,324.4	–	**1,324.4**	1,448.1
Total	**2,700.2**	**274.9**	**2,975.1**	**2,847.1**

1 Other emoluments comprise additional amounts payable such as consultancy and fees payable to a company for the provision of a director.
2 Therese Hillman resigned from the Board on 4 October 2016.

Directors' interests (audited)

The Directors' and Executive managements' beneficial interests in the shares/SDRs of Kindred Group plc as at 31 December 2016 are set out below:

	Ordinary shares/ SDRs at 31 December 2016	Ordinary shares/ SDRs at 31 December 2015	**Performance Share Rights at 31 December 2016**	Performance Share Rights at 31 December 2015	Share options at 31 December 2015
Directors					
Kristofer Arwin	5,640	5,640	–	–	–
Sophia Bendz	7,616	7,616	–	–	–
Peter Boggs	112,240	112,240	–	–	–
Nigel Cooper	49,900	40,000	–	–	–
Peter Friis	2,000	2,000	–	–	–
Therese Hillman[1]	–	1,560	–	–	–
Stefan Lundborg	403,600	320,000	–	–	–
Anders Ström	10,266,200	11,760,000	–	–	–
	10,847,196	**12,249,056**	**–**	**–**	**–**
Executive committee					
Henrik Tjärnström, CEO	1,325,867	1,307,152	151,160	14,335	–
Other Executive management	52,651	21,600	526,726	26,618	6,781
Total	**12,225,714**	**13,577,808**	**677,886**	**40,953**	**6,781**

1 Therese Hillman resigned from the Board on 4 October 2016.

Performance graph (unaudited)

Shown on page 46 is a performance graph that compares the Total Shareholder Return (TSR) of Kindred Group plc SDRs with the OMX Stockholm Price Index, this being the index where Kindred Group plc is listed and therefore the most appropriate comparison.

TSR is defined as the return shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time.

Stefan Lundborg
Chairman, Remuneration Committee

Directors' report

The Directors present their Annual report on the affairs of the Group, together with the audited consolidated financial statements and auditors' report, for the year ended 31 December 2016.

Principal activities

The Kindred Group is an online gaming business, with over 16.5 million registered customers worldwide as at 31 December 2016, and is one of the largest independent publicly-quoted online gaming operators in Europe.

The Kindred Group is one of Europe's leading providers in moneytainment®, operating in 20 different languages in more than 100 countries. The Kindred Group offers pre-game and live Sports betting, Racing, Poker, Casino & Games and Bingo through several subsidiaries and brands. The internet, accessed via mobile, tablet or desktop, is the main distribution channel for the Group's products.

While the Group's core markets are in Europe and Australia, it addresses global markets excluding only territories that the Group has consistently blocked for legal reasons such as the USA, Turkey and similar markets. The Kindred Group is a member of the European Gaming and Betting Association, the Remote Gambling Association in the UK and is audited and certified by eCOGRA in relation to the pan-European CEN standard on consumer protection and responsible gaming.

On average, the Kindred Group handles over 19 million transactions every day (including Sports betting and Casino & Games) and has around 30,000 betting opportunities on major international and local sporting events every day.

The principal subsidiaries and associated undertakings which affect the results and net assets of the Group in the year are listed in Note 13 to the consolidated financial statements.

Results and dividends

The consolidated income statement is set out on page 60 and shows the result for the year. The profit after tax was GBP 83.9 (2015: GBP 55.7) million.

The Kindred Group's Board of Directors' dividend policy is to pay a dividend and/or share buy-backs of up to 50 per cent of the Group's free cash flow (defined as cash flow from operations, adjusted for movements in working capital, capital investments and tax payments).

In addition to the dividend described above, which would normally be in the form of annual cash dividends, the Board can also decide to distribute one-off dividends or execute share buy-backs, where management and the Board consider that the Group has generated surplus cash that it does not require either to fund its normal operations, acquisitions or other corporate development projects.

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

Dividend for 2016

The Board of Directors proposes a dividend of GBP 0.310 (2015: 0.235) per share/SDR, which is approximately SEK 3.46 (2015: SEK 2.87 paid out 23 May 2016) using the exchange rate 11.165 GBP/SEK at 13 February 2017, to be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM), the dividend will be paid on 23 May 2017 and amounts to a total of GBP 71.4 (2015: GBP 54.0) million, which is approximately 75 per cent of the Group's free cash flow for 2016. The Board has reviewed the projected cash requirements for 2017 and is proposing to increase the dividend this year above the 50 per cent of free cash flow policy. This is in line with the dividend policy to distribute surplus cash.

No dividend is paid on the shares/SDRs held by the Company following the share buy-back programme.

Business review

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

Details of Key Performance Indicators are set out on pages 20 and 21. For further information on risk management, refer to pages 26 and 27 and Notes 2C and 2D on pages 70 and 72.

Significant events during 2016

On 21 January 2016, the Unibet Group was awarded Social Responsible Operator of the Year and Sports Betting Operator of the Year at the EGR Nordics Awards.

On 1 February 2016, the Unibet Group was awarded Socially Responsible Operator at the International Gaming Awards.

On 25 February 2016, the Unibet Group was given the highest possible ESG (Environmental, social and governance) rating of AAA, by MSCI.

On 31 March 2016, the Unibet Group plc paid the first earn-out payment of EUR 7.5 million to the former owners of the iGame Group. The cost of paying the maximum earn-out of EUR 20 million was fully provided in the financial statements of Unibet Group at 31 December 2015, so this payment has no impact on Unibet Group's reported results for 2016. On 22 September 2016, the Board of Unibet Group plc decided to start exercising the buy-back mandate, which was approved at the Annual General Meeting on 17 May 2016.

Directors' report continued

On 29 September 2016, the Board of Unibet Group plc announced that they are considering proposing a change in the name of the holding company Unibet Group plc to Kindred Group plc to the shareholders.

On 4 October 2016, Therese Hillman notified the Board of Unibet Group plc of her resignation because of her new employment.

On 20 October 2016, the Unibet Group signed a cooperation agreement with the FIFA subsidiary Early Warning System GmbH (EWS) in order to help safeguard the integrity of sports and betting. Under the agreement, the Group will exchange information with EWS and cooperate on efforts to improve prevention measures and education in the field of sports betting integrity.

Significant events after the year end

On 16 January 2017, the Kindred Group became the first operator to successfully complete an external audit against the official 2014 EU Recommendation on Consumer Protection and Responsible Gambling (2014/478/EU).

The independent audit was conducted by eCOGRA, a leading audit body accredited in several countries.

On 18 January 2017, the Kindred Group launched a new online casino brand directed towards high rollers in the Norwegian and Swedish market: storspiller.com and storspelare.com.

On 6 February 2017, the Group was awarded "Bingo Operator of the Year" at the IGA awards.

On 23 February 2017, the boards of Kindred and 32Red plc ("32Red") reached an agreement on the terms of a recommended cash offer pursuant to which Kindred will acquire the entire issued and to be issued share capital of 32Red. The offer values 32Red at GBP 175.6 million. 32Red is listed on the AIM market of the London Stock Exchange. This transaction is consistent with Kindred's multi-brand strategy and will further enhance Kindred's position in the online casino market in the UK.

The cash consideration payable under the offer will be funded by new acquisition facilities of up to GBP 178 million, specifically for the purposes of this transaction. On 3 March 2017, Kindred confirmed that in addition to the irrevocable undertakings received in respect of 71.1 per cent of the shares of 32Red, it had purchased sufficient shares in 32Red in the market to give it assurance that it would secure ownership of more than 75 per cent of the issued shares of 32Red. For further information, refer to Note 31.

Future developments

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

Directors and their interests

The following Directors elected at the AGM on 12 May 2016 served during the year and subsequently, unless otherwise stated:

Anders Ström	Chairman
Kristofer Arwin	Non-executive
Sophia Bendz	Non-executive
Peter Boggs	Non-executive
Nigel Cooper	Non-executive
Peter Friis	Non-executive
Therese Hillman[1]	Non-executive
Stefan Lundborg	Non-executive

1 On 4 October 2016, Therese Hillman notified the Board of Unibet Group plc of her resignation because of her new employment.

All Directors will seek re-election at the forthcoming AGM.

The interests of the Directors are shown on page 50.

Research and development

The Group capitalises certain expenditure when it relates to the development of the core IT platform of the business. During the year the Group capitalised GBP 14.5 (2015: GBP 9.8) million of development expenditure, and expensed GBP 19.9 (2015: GBP 12.6) million.

Employees

The Kindred Group is committed to equality of opportunity in all aspects of employment including recruitment, training and benefits whatever the gender, marital status, gender reassignment status, disability, race, national origin, ethnic origin, colour, nationality, sexual orientation, religion, belief or age of an employee, considering only the individual's aptitudes, abilities and the requirements of the job.

The Kindred 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 Nation's Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption and the Universal declaration on human rights.

The Group recognises the importance of ensuring 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 22 to 25.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Malta Companies Act, 1995 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 the Directors 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, 1995. 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 2016 are included in the Annual report and accounts 2016, which is published in hard copy printed form and is made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Disclosure of information to the auditors

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

Independent auditors

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

On behalf of the Board

Malta, 8 March 2017

Anders Ström
Chairman and Director

Nigel Cooper
Director

Independent auditors' report
To the Shareholders of Kindred Group (formerly Unibet Group) plc

Report on the audit of the financial statements

Our opinion

In our opinion:

> Kindred Group (formerly Unibet Group) plc's (the "Group") consolidated financial statements of the Group and its subsidiaries (the "financial statements") give a true and fair view of the financial position of the Group and its subsidiaries as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

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

What we have audited

Kindred Group (formerly Unibet Group) plc's financial statements, set out on pages 60 to 90, comprise:

> the consolidated balance sheet as at 31 December 2016;

> the consolidated income statement and consolidated statement of comprehensive income for the year then ended;

> the consolidated statement of changes in equity for the year then ended;

> the consolidated cash flow statement for the year then ended; and

> the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

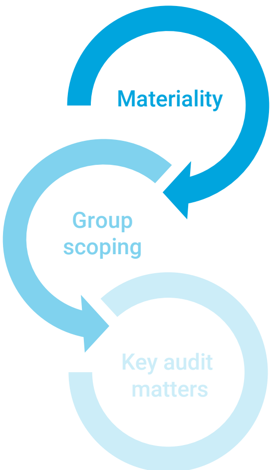
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



> Overall group materiality: GBP 4.8 million which represents 5% of profit before tax (excluding items affecting comparability as defined in Note 2A).

> PwC UK and PwC Malta are the joint group auditors with responsibility for the oversight of planning, execution and completion of the audit, and are supported by a number of other component network audit teams who perform procedures in accordance with the instructions provided by the joint group auditors.

> Our work performed has provided coverage over 97% of Gross Winnings Revenue and 95% of Profit before Tax.

> Impairment assessments for goodwill

> Compliance with laws and regulations given the developing nature of the digital gaming sector

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall group materiality	GBP 4.8 million for 2016
How we determined it	5% of profit before tax excluding items affecting comparability as defined in note 2A.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above GBP 250k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Independent auditors' report To the Shareholders of Kindred Group (formerly Unibet Group) plc continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for goodwill This key audit matter specifically pertains to the goodwill associated with the acquisitions of Betchoice (Unibet Australia), Stan James Online and iGame. 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 184.9 million including amounts relating to the acquisitions of Betchoice (Unibet Australia) (GBP 11.1 million), Stan James Online (GBP 5.8 million) and iGame (GBP 29.9 million). Whilst the annual impairment review of goodwill performed by management as at 31 December 2016 supported the carrying values above, we focused on this area as the preparation of these assessments involves a significant degree of judgment. Further, the results, especially those relating to the Unibet Australia business, are sensitive to changes in the future forecasts of cash flows and other assumptions such as growth and discount rates.	In respect of each impairment assessment over goodwill, a key component of our work was to consider the budgets and cash flow forecasts prepared by management, as outlined below. This was then supplemented by specific procedures in relation to the various assumptions used. Procedures performed: We obtained the annual impairment assessments performed by management in respect of goodwill and compared the carrying value of each CGU (as defined in note 11) as at 31 December 2016 with the higher of fair value less costs to dispose and value in use. We agreed the cash flow forecasts therein to the latest Board approved budgets and plans. We evaluated the assumptions in the forecasts and plans and considered the evidence in support of them, principally in relation to historical trends and actual performance in 2016. This included considering trends in gross win and margins and changes to the cost base and whether the expected growth was appropriately reflected. Our work did not highlight any material issues. Furthermore, we assessed the accuracy of management's historic forecasting ability when considering the assumptions used within the value in use models. We also considered the risk adjusted discount rates used in the goodwill impairment assessments by comparing them with the cost of capital of the Group. We found these to be consistent and in line with our expectations. We performed sensitivity analysis on the level of cash flows, the risk adjusted discount rates and growth rates used in the impairment assessments and concur with management's conclusion that for Stan James Online and iGame a material change in these assumptions would be required to trigger an impairment charge to goodwill. For Betchoice (Unibet Australia), if the forecast growth rate in revenue is not achieved or becomes unrealistic in future years and is not compensated by savings in planned marketing and operating costs then an impairment charge may arise. Given the above, in order to assess the recoverable amount of the Unibet Australia business, management obtained an external valuation. We have considered the objectivity and competence of management's expert and assessed the key assumptions included in this valuation. When comparing the carrying value of this CGU with the fair value less costs to dispose, we did not identify a material impairment. In addition to testing the results of the impairment assessments performed by management, we also considered the disclosures given in the financial statements and found that these satisfied the requirements of IAS 36.

Key audit matter	How our audit addressed the key audit matter
Compliance with laws and regulations given the developing nature of the digital gaming sector Refer to pages 33 and 35 (Governance Section), pages 43 and 44 (Legal Section) and note 2B (Critical accounting estimates and assumptions). The international legal and licencing framework for digital gaming is territory specific, and in some territories this remains uncertain. Regulations are developing and this evolving environment makes compliance an increasingly complex area with territory specific regulations, responsible gambling and anti-money laundering obligations. Given the potential for litigation and licence withdrawal, the risk of non-compliance with digital gaming laws and licence regulations could give rise to material fines, penalties, legal claims or market exclusion. There is also a reputational and financial risk together with a going concern risk should any future changes or interpretation of the law mean that the business cannot continue in certain territories.	We evaluated the controls and risk management processes in operation in respect of compliance with digital licencing regulations, responsible gambling and anti-money laundering obligations covering player registration controls, customer deposits and withdrawals. We assessed how management monitor legal and regulatory developments and their assessment of the potential impact on the business. We also read, where required, external legal and regulatory advice sought by the Group. Further, we inquired of management and the Group's legal advisers about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals or provisions to be recorded. Whilst acknowledging that there are instances where this becomes a judgmental area, we found that the Group had an appropriate basis of accounting for these matters in the financial statements and the resultant disclosures in the financial statements were appropriate.
Recognition and disclosure of tax charges and provisions Refer to pages 33 to 35 (Governance Section) and note 2B (Critical accounting estimates and assumptions). The Group operates cross borders and is subject to different tax authorities and regulations, relating to extensive exposure. The taxation environment (including corporation taxes and indirect taxes) is complex and can change very quickly and could result in material exposure to liabilities.	We discussed with management and their tax experts how the Group manages and controls each individual company across the various territories and jurisdictions in which it operates and how the local tax obligations are assessed. We also obtained and read relevant tax correspondence with the respective tax authorities together with any external tax advice obtained by the Group to assist them in supporting their tax position. With considerable input from our tax experts across the various key jurisdictions in which the Group operates, we assessed the key judgments with respect to the tax positions taken. We obtained evidence to support the provisions and consider these to reflect management's best estimate. We found that the overall position adopted in the financial statements and the related disclosures in respect of tax was reasonable.

Independent auditors' report To the Shareholders of Kindred Group (formerly Unibet Group) plc continued

Other information

The Directors are responsible for the other information. The other information comprises the Strategic report section on pages 2 to 32, the Governance report section on pages 33 to 53 as well as information relating to the Annual General Meeting and Definitions (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 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 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.

Auditors' 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 judgment and maintain professional scepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

> Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

> Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

Based on the work we have performed:

> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

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

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

> Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.

> The financial statements are not in agreement with the accounting records and returns.

> We have not received all the information and explanations we require for our audit.

> Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

Other matters

This report, including the opinions, has been prepared for and only for the Group's members as a body in accordance with Section 179 of the Maltese Companies Act 1995 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We have reported separately on the parent company financial statements of Kindred Group (formerly Unibet Group) plc for the year ended 31 December 2016.

Simon Flynn
Partner
8 March 2017

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

John Waters
Partner
8 March 2017

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

Consolidated income statement

GBP m	Note	Year ended 31 December 2016	Year ended 31 December 2015
Gross winnings revenue	3	**544.1**	**354.1**
Betting duties	3	-67.7	-35.0
Marketing revenue share	3	-29.8	-19.7
Other cost of sales	3	-101.8	-66.1
Cost of sales		**-199.3**	**-120.8**
Gross profit		**344.8**	**233.3**
Marketing costs	4	-114.7	-78.5
Administrative expenses	4	-121.4	-85.1
Underlying profit before items affecting comparability		**108.7**	**69.7**
M&A costs	4	–	-0.7
Management incentive costs relating to acquisitions	4	-3.0	-0.9
Impact of Bonza acquisition	4	–	-0.6
Settlement of prior period betting duties and licence costs	4	–	-1.6
Amortisation of acquired intangible assets	4	-8.2	-2.2
Foreign currency loss on operating items	4	-0.6	-0.7
Profit from operations	3	**96.9**	**63.0**
Finance costs	6	-4.5	-0.9
Finance income	7	0.2	0.2
Share of profit/(loss) from associate	13	0.2	-0.1
Profit before tax		**92.8**	**62.2**
Income tax expense	8	-8.9	-6.5
Profit after tax		**83.9**	**55.7**

All the above amounts relate to continuing operations and are wholly attributable to owners of the parent.

Key ratios

	Note	2016	2015
Operating margin (Profit from operations/Gross winnings revenue for the year)		18%	18%
Return on total assets (Profit after tax/average of opening and closing assets for the year)		20%	16%
Return on average equity (EBIT/average of opening and closing equity for the year)		42%	30%
Equity: asset ratio		54%	53%
EBITDA margin		22%	22%
Net cash/EBITDA (rolling 12-month basis)		0.320	0.597
Employees at year end		1,162	1,038
Earnings per share, GBP	10	0.366	0.244
Fully diluted earnings per share, GBP	10	0.365	0.239
Number of shares at year end	21	230,126,200	230,117,040
Fully diluted number of shares at year end		230,520,323	230,575,697
Weighted average number of outstanding shares	10	229,096,939	228,237,047
Weighted average number of fully diluted outstanding shares	10	229,737,902	232,806,853

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 2016	Year ended 31 December 2015
Profit for the year	83.9	55.7
Other comprehensive income		
Currency translation adjustments taken to equity	16.1	-4.4
Total comprehensive income for the year	**100.0**	**51.3**

Profit and total comprehensive income 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 2016	As at 31 December 2015
Assets			
Non-current assets			
Goodwill	11	184.9	172.0
Other intangible assets	11	93.9	85.9
Investment in associate	13	1.6	1.4
Property, plant and equipment	12	12.7	7.6
Deferred tax assets	19	8.8	7.1
Convertible bond	23	6.6	5.6
Other non-current assets	2A	2.2	1.6
		310.7	**281.2**
Current assets			
Trade and other receivables	15	30.6	23.3
Taxation recoverable		20.5	11.6
Cash and cash equivalents	28	89.4	83.4
		140.5	**118.3**
Total assets		**451.2**	**399.5**
Equity and liabilities			
Capital and reserves			
Share capital	21	0.1	0.1
Share premium	21	81.5	81.5
Currency translation reserve	21	14.7	-1.4
Reorganisation reserve	21	-42.9	-42.9
Retained earnings		190.1	175.8
Total equity attributable to the owners		**243.5**	**213.1**
Non-current liabilities			
Deferred tax liabilities	19	4.2	3.4
		4.2	**3.4**
Current liabilities			
Borrowings	18	54.6	56.7
Trade and other payables	16	60.0	65.7
Customer balances	17	50.8	37.4
Deferred income	14	4.2	3.0
Tax liabilities		33.9	20.2
		203.5	**183.0**
Total liabilities		**207.7**	**186.4**
Total equity and liabilities		**451.2**	**399.5**

The official closing middle rate of exchange applicable between the presentation currency and the euro issued by the European Central Bank as at 31 December 2016 was 1.168 (2015: 1.362).

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

The financial statements on pages 60 to 90 were authorised for issue by the Board of Directors on 8 March 2017 and were signed on its behalf by:

Anders Ström
Chairman and Director

Nigel Cooper
Director

Consolidated statement of changes in equity

GBP m	Note	Share capital	Share premium	Currency translation reserve	Reorganisation reserve	Retained earnings	Total
Balance as at 1 January 2015		0.1	78.1	3.0	-42.9	164.6	**202.9**
Comprehensive income							
Profit for the year		–	–	–	–	55.7	**55.7**
Other comprehensive income							
Translation adjustment		–	–	-4.4	–	–	**-4.4**
Total comprehensive income		**–**	**–**	**-4.4**	**–**	**55.7**	**51.3**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	0.6	**0.6**
Equity settled employee benefit plan	20	–	–	–	–	0.3	**0.3**
Deferred tax relating to share option scheme		–	–	–	–	1.0	**1.0**
Proceeds from shares issued	21	–	3.4	–	–	–	**3.4**
Disposal of treasury shares	21	–	–	–	–	0.3	**0.3**
Dividend paid	9	–	–	–	–	-46.7	**-46.7**
Total transactions with owners		**–**	**3.4**	**–**	**–**	**-44.5**	**-41.1**
At 31 December 2015		**0.1**	**81.5**	**-1.4**	**-42.9**	**175.8**	**213.1**
Comprehensive income							
Profit for the year		–	–	–	–	83.9	**83.9**
Other comprehensive income							
Translation adjustment		–	–	16.1	–	–	**16.1**
Total comprehensive income		**–**	**–**	**16.1**	**–**	**83.9**	**100.0**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	0.1	**0.1**
Equity settled employee benefit plan	20	–	–	–	–	0.7	**0.7**
Treasury share buy-back	21	–	–	–	–	-17.1	**-17.1**
Disposal of treasury shares	21	–	–	–	–	0.7	**0.7**
Dividend paid	9	–	–	–	–	-54.0	**-54.0**
Total transactions with owners		**–**	**–**	**–**	**–**	**-69.6**	**-69.6**
At 31 December 2016		**0.1**	**81.5**	**14.7**	**-42.9**	**190.1**	**243.5**

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 2016	Year ended 31 December 2015
Operating activities			
Profit from operations		96.9	63.0
Adjustments for:			
Depreciation of property, plant and equipment	12	5.1	2.9
Amortisation of intangible assets	11	18.7	11.1
Loss on disposal of property, plant and equipment	4	0.2	0.1
Loss on disposal of intangible assets	4	0.1	–
Impact of Bonza acquisition		–	-0.3
Share-based payments	20	0.6	0.6
Equity settled employee benefit plan	21	0.7	0.3
Foreign exchange on dividend		–	-0.5
Increase in trade and other receivables		-7.8	-7.9
Increase in trade and other payables, including customer balances		13.7	15.8
Cash flows from operating activities		**128.2**	**85.1**
Net income taxes paid		-6.5	-5.8
Net cash generated from operating activities		**121.7**	**79.3**
Investing activities			
Acquisition of subsidiaries, net of cash acquired		–	-56.3
Settlement of contingent consideration	22	-16.7	–
Interest received		0.2	0.2
Interest paid		-0.8	-0.3
Purchases of property, plant and equipment	12	-10.4	-5.9
Proceeds from sale of property, plant and equipment		0.5	–
Development and acquisition costs of intangible assets	11	-19.2	-11.1
Net cash used in investing activities		**-46.4**	**-73.4**
Financing activities			
Dividend paid	9	-54.0	-46.7
Disposal of treasury shares	21	0.2	0.3
Proceeds of issue of new shares for share options	21	–	3.4
Treasury share buy-back	21	-17.1	–
Proceeds from borrowings		51.7	56.9
Repayment of borrowings		-58.8	–
Net cash (used in)/generated from financing activities		**-78.0**	**13.9**
Net (decrease)/increase in cash and cash equivalents		**-2.7**	**19.8**
Cash and cash equivalents at the beginning of the year		**83.4**	**67.0**
Effect of foreign exchange rate changes		8.7	-3.4
Cash and cash equivalents at the end of the year	28	**89.4**	**83.4**

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

Notes to the consolidated financial statements

1: Basis of preparation

On 6 December 2016, at an Extraordinary General Meeting, shareholders approved the proposed change of name of the holding company Unibet Group plc to Kindred Group plc. The first day of trading under Kindred Group plc was 12 December 2016.

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 1995.

The consolidated financial statements have been prepared under the historical cost convention, subject to modification where appropriate by the revaluation of financial assets and liabilities at fair value through profit or loss. The individual parent financial statements have been prepared separately.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of twelve months following the signing of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

(a) New and amended standards and interpretations effective from 1 January 2016 and adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year commencing 1 January 2016:

- Annual Improvements to IFRSs: 2010-2012 Cycle and 2011-2013 Cycle
- Annual Improvements to IFRSs: 2012-2014 Cycle
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
- Amendments to IAS 27, 'Separate financial statements' on the equity method
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures within the consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

IFRS 16, "Leases", sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from contracts with customers. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. The Group is yet to assess IFRS 16's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2019.

IFRS 15, "Revenue", replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application i.e. without restating the comparative period. IFRS 15 is effective from 1 January 2018. The Group is yet to assess the impact of IFRS 15 on its financial statements other than to clarify that any impact will be limited to Poker Gross winnings revenue as all other Gross winnings revenue is measured under IAS 39.

The following amendments have also been issued but are not yet effective, and have not been early adopted:

- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses
- Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions
- Annual improvements 2014–2016
- IFRIC 22, 'Foreign currency transactions and advance consideration'

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

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies

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

Basis of consolidation

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

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

All associate entities and joint ventures are accounted for by applying the equity accounting method. The Group's policy surrounding associates and joint ventures 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 periods.

Items affecting comparability include, to the extent they are material, merger and acquisition transaction costs, management incentive costs relating to acquisitions, settlement of prior period betting duties and licence costs, amortisation of acquired assets and foreign currency gains and losses on operating items.

Revenue recognition

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

Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed after the cost of promotional bonuses within the financial period. Where it is not probable that open sports bets at the end of the financial period will be settled, the associated Gross winnings revenue is deferred and presented at fair value as deferred income on the balance sheet.

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

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

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

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

Segment reporting

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

Leases

The Group's leases are currently all operating leases (leases in which a significant portion of the risks and rewards of ownership are retained by the lessor). Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease (net of any incentive received from the lessor).

Foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill is carried at cost, less accumulated impairment losses.

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

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

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

(i) An asset is created that can be identified (such as a database or software);
(ii) There is both an intention, the ability and the internal resource to use the asset;
(iii) It is probable that the asset created will generate future economic benefits;
(iv) The development cost of the asset can be measured reliably.

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

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

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

Acquired intangibles include brands, customer databases, development costs and trade names. The Maria, Stan James and some of the iGame collection of brands together with the Bingo.com and iGame domains are considered to have indefinite economic lives as allowed by the standard and are therefore not subject to amortisation. Instead they are subject to annual impairment tests, allocated to cash-generating units alongside goodwill. All other acquired intangible assets are being amortised on a straight-line basis over three to five years, as the Directors believe this to be their useful economic life.

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

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

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

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

Associated companies and joint ventures
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.

Joint ventures are all companies over which the Group has joint control, generally accompanying a shareholding of approximately 50 per cent of the voting rights.

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

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

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

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

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

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

- Office equipment, fixtures and fittings, 3-5 years
- Computer hardware, 3 years
- Buildings, 40 years or length of leasehold
- Land, not depreciated

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

The residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

If any impairment is identified in the carrying value of an asset, it is written down to its recoverable amount.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options 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 loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include options on convertible loan instruments. If such a financial asset is acquired principally for the purpose of selling in the short term they are classified as current assets. If a financial asset is acquired with expected future cash flows or benefits over periods greater than 12 months they are classified as non-current assets.

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

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

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

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

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

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

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

Deferred income
Deferred income, representing revenue which can be measured reliably but where transactions have not closed at the balance sheet date, is recognised at fair value with gains or losses recognised in the income statement.

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

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

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

Share-based employee remuneration
The Group operates several equity-settled share-based compensation plans, under which Group companies receive services from employees as consideration for equity instruments (options or performance shares) in Kindred Group plc. The fair value of the employee services received in exchange for the grant of options or performance shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or 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 options over its equity instruments or performance share awards to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company's financial statements.

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

Notes to the consolidated financial statements continued

2A: Summary of significant accounting policies continued

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

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

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.

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

Dividend distribution

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

2B: Critical accounting estimates and assumptions

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

Impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated on page 67. The recoverable amount of cash-generating units has been determined based on value-in-use calculations which require the use of estimates (see Note 11).

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business.

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 and 44. The Group routinely makes estimates concerning the potential outcome of such risks.

Valuation of intangible assets on acquisition

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

2C: Financial risk management

Financial risk factors

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

Market risk

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

To achieve the desired risk profile, the Group conducts proprietary trading with a small number of well-known companies.

The Chief Product Officer assesses risk levels for individual events as well as from a longer-term perspective. Independent employees make risk evaluations for the various regions.

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

Foreign currency exchange risk

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

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

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

The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to isolate the impact of single currency movements on the results from operations. During 2016 the rate of exchange of the euro strengthened against GBP by 14.3 per cent (from a rate of EUR 1.362 per GBP to a rate of EUR 1.168 per GBP). The rate of exchange of the Swedish krona strengthened by 10.9 per cent (from a rate of SEK 12.521 per GBP to a rate of SEK 11.157 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 are contained in Note 17 on page 82.

As an element of the Group's borrowings at the end of the financial year are denominated in EUR and SEK, there is a currency translation exposure related to that financial liability. Based on the exchange rate between these currencies and GBP at 31 December 2016, a 2 per cent fall in the value of GBP against both EUR and SEK would give rise to an exchange loss of approximately GBP 0.7 million. Until such time as the loan becomes repayable such translation gains and losses are unrealised. Where the borrowings have been matched to the currency of an acquisition any such translation gains and losses are reflected in the Group's currency translation reserve.

However at the year end, the Group does have access to a EUR 112 million loan facility with a leading international bank and at such time that the Group draws down further on the facility a currency translation exposure related to that financial liability will arise. Any potential future translation gains and losses arising on the loan would be offset to the extent that the Group generates positive future cash flows in euros.

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, with the exception of a select group of Australian customers in accordance with accepted commercial practice in the Australian market. Therefore the only exposure to credit risk in respect of its sports betting business arises in respect of the limited trading activities that it occasionally conducts with other parties in order to lay off its exposure. In respect of betting on other products, the Group works with a small number of partners and at any time may have a small degree of credit exposure.

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

The Group also manages credit risk by using a large number of banking and payment solution providers. See Note 2F on page 72.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding for the business. 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. As at 31 December 2016, the unused credit facility available to be drawn on was EUR 48.8 million (see Note 18 on page 83). The Group also monitored adherence to debt covenants that related to the Revolving Credit Facility in accordance with the conditions of those instruments, and has been fully compliant with such conditions.

Of the Group's total financial liabilities of GBP 167.2 (2015: 161.3) million, GBP 167.2 (2015: GBP 161.3) million mature in less than one year and GBP nil (2015: nil) mature in more than one year. The Group always maintains cash balances in excess of customer balances.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. See also Notes 14 and 16 for further information on the Group's financial liabilities.

	At December 2016			At 31 December 2015		
GBP m	**Less than 1 year**	**Between 1–2 years**	**Between 2–5 years**	**Less than 1 year**	**Between 1–2 years**	**Between 2–5 years**
Deferred income	4.2	–	–	3.0	–	–
Trade and other payables[1]	57.6	–	–	64.2	–	–
Customer balances	50.8	–	–	37.4	–	–
Borrowings	54.6	–	–	56.7	–	–

1 Including contingent consideration payable (in 2015) and excluding non-financial liabilities.

Notes to the consolidated financial statements continued

2D: Capital risk management
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure both to reduce the cost of capital and to provide appropriate funding for expansion of the business. The Group has a consistent record of positive operating cash flows as well as significant ability to manage the timing and extent of discretionary expenditure in the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

2E: Fair value estimation
The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For further information on fair value estimates see Note 14 on page 82.

2F: Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Since the Group does not have significant trade receivables other than payment solution providers, the credit risk associated with its normal operations is principally in relation to fraudulent transactions as described in Note 2C on page 70.

The Group uses a large number of banks and payment solution providers both in order to provide maximum access to markets and convenience for customers and also to ensure that credit risk in banking relationships is spread.

The credit ratings of the Group's principal banking partners at 31 December 2016 and 2015, based on publicly reported Fitch ratings, are as follows:

GBP m	2016	2015
AA-	26.2	2.7
A+	6.8	31.3
A	0.1	0.2
A-	0.2	0.2
BBB+	1.2	16.3
BBB	14.2	–
Not rated	40.6	32.6
Other	0.1	0.1
Total cash and cash equivalents	**89.4**	**83.4**

The Group continually monitors its credit risk with banking partners and did not incur any losses during 2016 as a result of bank failures.

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

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

3: Operating segments
Management has determined the operating segments based on the reports reviewed by the CEO and Executive Committee and provided to the Board, which are used to make strategic decisions.

Management considers the business primarily from a geographic perspective, emphasising the primary role of territory management in driving the business forward. Products and brands are also an important part of the Group's operational matrix. However, the product teams are considered as suppliers of products and services to the territory managers. This reflects the fact that products may be sourced both internally and externally from independent suppliers. Brands are also managed from a geographic perspective by the territory managers.

The reportable operating segments derive their revenues from online Sports Betting, Casino & Games, Poker and other betting operations.

The primary measure used by the CEO and 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 2016 is as follows:

31 December 2016 GBP m	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	239.9	246.5	45.7	12.0	**544.1**
Betting duties	-7.4	-53.4	-3.8	-3.1	**-67.7**
Marketing revenue share	-13.6	-9.8	-4.9	-1.5	**-29.8**
Other cost of sales	-49.7	-38.9	-9.1	-4.1	**-101.8**
Gross profit	**169.2**	**144.4**	**27.9**	**3.3**	**344.8**
Marketing costs					**-114.7**
Administrative expenses					**-121.4**
Items affecting comparability					**-11.8**
Profit from operations					**96.9**

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2015 is as follows:

31 December 2015 GBP m	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	160.3	154.3	28.8	10.7	**354.1**
Betting duties	-5.3	-26.2	-1.4	-2.1	**-35.0**
Marketing revenue share	-8.3	-6.9	-3.2	-1.3	**-19.7**
Other cost of sales	-31.4	-25.9	-5.7	-3.1	**-66.1**
Gross profit	**115.3**	**95.3**	**18.5**	**4.2**	**233.3**
Marketing costs					**-78.5**
Administrative expenses					**-85.1**
Items affecting comparability					**-6.7**
Profit from operations					**63.0**

Product revenues
Gross winnings revenue by principal product groups:

GBP m	2016	2015
Sports betting	245.5	161.2
Casino & Games	269.4	171.6
Poker	12.5	7.6
Other	16.7	13.7
	544.1	**354.1**

Notes to the consolidated financial statements continued

4: Expenses by nature

GBP m	31 December 2016	31 December 2015
Betting duties	67.7	35.0
Marketing revenue share	29.8	19.7
Other cost of sales	101.8	66.1
Marketing costs	114.7	78.5
Administrative expenses		
Fees payable to statutory auditor	0.7	0.6
Operating lease rentals	3.0	2.0
Depreciation of property, plant and equipment	5.1	2.9
Amortisation of intangible assets	10.5	8.9
Loss on disposal of property, plant and equipment	0.2	0.1
Loss on disposal of intangible assets	0.1	–
Employee costs	59.3	43.1
Research and development expenditure	19.9	12.6
Other	22.6	14.9
Total administrative expenses	**121.4**	**85.1**
Items affecting comparability		
Merger and acquisition transaction costs	–	0.7
Management incentive costs relating to acquisitions	3.0	0.9
Impact of Bonza acquisition	–	0.6
Settlement of prior period betting duties and licence costs	–	1.6
Amortisation of acquired intangible assets	8.2	2.2
Foreign exchange loss on operating items	0.6	0.7
Total items affecting comparability	**11.8**	**6.7**

As explained within the accounting policy note on page 66, 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 2016, items affecting year-on-year comparison included:

> Management incentive costs of GBP 3.0 (2015: 0.9) million relating to the acquisitions of iGame and Stan James Online.

> Amortisation of acquired intangible assets within items affecting comparability is the charge on IFRS 3 Business combination acquired assets over the useful economic life of the asset, and is included as part of the Group's total amortisation charge shown in Note 11 on page 77.

In addition to items seen in the current year, in 2015 items affecting year-on-year comparison included:

> Merger and acquisition costs associated with the acquisitions of iGame and Stan James Online amounting to GBP 0.7 million.

> The final net impact for the year of GBP 0.6 million following the completion of the acquisition of the remaining part of the real money Bonza social gaming business. Prior to this acquisition, adjustments were made to the carrying value of the Group's loan to Bonza, while it was a joint venture.

> A one-off payment to the Romanian tax authorities of GBP 1.6 million to cover the settlement of prior period betting duties, interest, penalties and fees in order to secure a licence to operate in the recently re-regulated Romanian market.

Fees payable to the statutory auditor can be broken down as follows:

GBP m	31 December 2016	31 December 2015
Annual statutory audit	0.6	0.4
Other assurance services	0.1	0.2
	0.7	**0.6**

The annual statutory audit fee in 2016 includes fees for the local statutory audits of some recently acquired businesses.

5: Employee costs

Employee costs can be broken down as follows:

GBP m	31 December 2016	31 December 2015
Wages and salaries	48.3	34.7
Share option charge – value of employee services (see Note 20)	0.8	0.6
Equity settled employee benefit plan	0.7	0.1
Social security costs	7.4	6.1
Pension costs	2.1	1.6
	59.3	**43.1**

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

Average employee numbers are provided as below:

Average number of employees for the year	31 December 2016	31 December 2015
Finance, administration and management	282	200
Marketing (including trading)	443	316
Customer services	191	148
Research and development	223	158
	1,139	**822**

6: Finance costs

GBP m	31 December 2016	31 December 2015
Interest and fees payable on bank borrowings	0.9	0.4
Foreign exchange loss on dividend payment	–	0.5
Foreign exchange loss on iGame earnout payment	2.2	–
Foreign exchange loss on borrowings	1.4	–
	4.5	**0.9**

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

7: Finance income

GBP m	31 December 2016	31 December 2015
Interest receivable on convertible bond and bank deposits	0.2	0.2
	0.2	**0.2**

8: Income tax expense

GBP m	Note	31 December 2016	31 December 2015
Current tax:			
Income tax expense		9.6	5.6
Deferred tax:			
Deferred tax (credit)/ expense	19	-0.7	0.9
Total tax expense		**8.9**	**6.5**

Income tax in Malta is calculated at a basic rate of 35 per cent (2015: 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.

Regarding the UK jurisdiction, as a result of the changes in the UK corporation tax rate to 19 per cent which was substantively enacted on 26 October 2015 and effective from 1 April 2017 and to 18 per cent which was substantively enacted on 26 October 2015 and effective from 1 April 2020, the relevant deferred tax balances have been remeasured.

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

GBP m	31 December 2016	31 December 2015
Profit before tax	92.8	62.2
Taxation at the basic income tax rate of 35% (2015: 35%)	32.5	21.8
Effects of:		
Tax recoverable[1]	-20.6	-12.2
Overseas tax rates	-4.5	-2.6
Items of income/ expenditure not taxable/ deductible	1.1	1.1
Other	0.4	-1.6
Tax expense	**8.9**	**6.5**

1 The tax recoverable of GBP 20,549,000 (2015: 12,184,000) represents Malta tax refundable in accordance with applicable fiscal legislation on intra-Group dividends distributed during the year and the Malta tax that shall be recoverable upon distribution of unremitted earnings.

Notes to the consolidated financial statements continued

8: Income tax expense continued

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

GBP m	31 December 2016	31 December 2015
Current tax credit in relation to:		
Share-based payments	–	-1.2
Deferred tax charge in relation to:		
Share-based payments	0.2	0.2
Total income tax recognised directly in equity	**0.2**	**-1.0**

9: Dividend

GBP m	31 December 2016	31 December 2015
Dividend paid[1] GBP 0.235 per share (2015: GBP 0.205 per share)	54.0	46.7

1 The dividend declared on 15 May 2015 was paid in SEK on 20 May 2015 based on foreign exchange rates on the declaration date. Due to differences in the exchange rates between 15 May and 20 May, the GBP equivalent of the total cash payment was GBP 47.4 million. In 2016 no such foreign exchange difference arose and the amount declared and paid were equal to one another.

The Board of Directors is proposing a final dividend in respect of the financial year ending 31 December 2016 of GBP 0.310 per ordinary share/SDR, which will absorb an estimated GBP 71.4 million of shareholders' funds. If approved at the AGM on 16 May 2017, the dividend will be paid on 23 May 2017 to shareholders who are on the Euroclear Sweden register on 18 May 2017.

The Board has reviewed the projected cash requirements for 2017 and is proposing a dividend of approximately 75 per cent of the Group's free cash flow for 2016. This is in line with the dividend policy to distribute surplus cash.

10: Earnings per share

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

GBP m	31 December 2016	31 December 2015
Earnings		
Earnings for the purposes of basic earnings per share	**83.9**	55.7
Earnings for the purposes of diluted earnings per share	**83.9**	55.7
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**229,096,939**	228,237,047
Effect of dilutive potential ordinary shares – share awards	**640,963**	4,569,806
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**229,737,902**	232,806,853
Earnings per share GBP		
Basic earnings per share	**0.366**	0.244
Fully diluted earnings per share	**0.365**	0.239

The nominal value per share is GBP 0.000625.

11: Intangible assets

GBP m	Goodwill	Other intangible assets: Development costs	Computer software	Customer database	Brands and other	Total
Cost						
At 1 January 2015	143.5	58.9	9.8	11.7	22.1	**102.5**
Additions	–	9.8	1.3	–	–	**11.1**
Additions – through business combinations	31.2	3.6	0.1	15.3	32.9	**51.9**
Fair value adjustments	0.3	–	–	–	-0.2	**-0.2**
Disposals	–	-1.6	-0.6	–	–	**-2.2**
Currency translation adjustment	-3.0	-0.1	-0.1	-0.2	-0.4	**-0.8**
At 31 December 2015	**172.0**	**70.6**	**10.5**	**26.8**	**54.4**	**162.3**
Additions	–	14.5	4.7	–	–	**19.2**
Disposals	–	-0.2	-3.0	–	–	**-3.2**
Currency translation adjustment	12.9	1.0	0.5	1.9	6.5	**9.9**
At 31 December 2016	**184.9**	**85.9**	**12.7**	**28.7**	**60.9**	**188.2**
Accumulated amortisation						
At 1 January 2015	–	46.4	6.9	11.5	3.3	**68.1**
Charge for the year	–	8.2	1.4	1.5	–	**11.1**
Disposals	–	-1.6	-0.6	–	–	**-2.2**
Currency translation adjustment	–	-0.1	-0.1	-0.3	-0.1	**-0.6**
At 31 December 2015	**–**	**52.9**	**7.6**	**12.7**	**3.2**	**76.4**
Charge for the year	–	11.1	2.1	5.4	0.1	**18.7**
Disposals	–	-0.2	-2.9	–	–	**-3.1**
Currency translation adjustment	–	0.5	0.4	1.0	0.4	**2.3**
At 31 December 2016	**–**	**64.3**	**7.2**	**19.1**	**3.7**	**94.3**
Net book value						
At 31 December 2016	**184.9**	**21.6**	**5.5**	**9.6**	**57.2**	**93.9**
At 31 December 2015	172.0	17.7	2.9	14.1	51.2	85.9

Goodwill balances related to acquisitions and other intangible assets were subject to foreign currency adjustments as shown in the above table and explained within the Group's accounting policies outlined in Note 2A on page 67.

Goodwill, some brands and domains arising on business combinations, together with any material separately acquired brands or domains are not subject to amortisation, but are reviewed annually or more frequently if events require for impairment, as described below. The amortisation periods for all other classes of intangible assets are outlined in Note 2A on page 67.

Notes to the consolidated financial statements continued

11: Intangible assets continued

Impairment review

Goodwill

Goodwill is allocated by management to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units to which goodwill is monitored are reviewed for appropriateness each year and are outlined below:

CGU	GBP m	Description
Group operations	132.6	Following the acquisitions of the MrBookmaker Group in 2005, the Maria Group in 2007, Guildhall Media Invest in 2008, and Bet24 in 2012, the activities and customers of the acquired businesses have been integrated into the existing businesses of the Kindred Group and the combined businesses are now managed on a unified basis. Management considers the combined business to be one cash-generating unit, as the originally purchased businesses are no longer separately identifiable.
Solfive	5.5	The acquisition of Solfive (acquired 12 December 2011) has continued to operate on a substantially separate basis at 31 December 2016 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at the year end.
Betchoice	11.1	The acquisition of Betchoice (acquired 29 February 2012) has continued to operate on a substantially separate basis at 31 December 2016 as a result of regulatory requirements. It is therefore considered to be a separate cash-generating unit at the year end.
iGame	29.9	The acquisition of iGame (acquired 16 September 2015) has continued to operate on a substantially separate basis at 31 December 2016. It is therefore considered to be a separate cash-generating unit.
Stan James Online	5.8	The acquisition of Stan James Online (acquired 30 September 2015) has continued to operate on a substantially separate basis at 31 December 2016. It is therefore considered to be a separate cash-generating unit.
Total	**184.9**	

The total goodwill of GBP 184.9 million was tested for impairment on a value-in-use basis, based on the four year plan approved by the Board and extrapolated projections allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry comparatives. These calculations used pre-tax cash flow projections based on actual 2016 trading performance, extrapolated forward using growth rates and assumptions consistent with the Group's experience and industry comparatives.

Based on the Group's impairment review, there is no indication of impairment on any of the separate cash-generating units. In carrying out their assessment of the goodwill, the Board believe there are no cash-generating units where reasonably possible changes to the underlying assumptions exist that would give rise to impairment, with the exception of the Betchoice acquisition. In relation to the Betchoice acquisition, if the forecast growth rate in revenue is not achieved or becomes unrealistic in future years and is not compensated by savings in planned marketing and operating costs, then an impairment charge may arise.

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:

	Group operations	Solfive	Betchoice	iGame	Stan James Online
EBITDA margin/per cent	16.7 – 23.5	3.9 – 9.7	0.0 – 11.6	40.7 – 49.4	6.2 – 12.4
Risk adjusted discount rate/per cent	10.0	10.0	10.0	12.0	11.0
Long-term growth rate/per cent	2.0	2.0	2.0	2.0	2.0

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

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

Intangible asset	CGU	GBP m	Description
Maria brand and Bingo.com domain	Group operations	19.8	The Maria business, the brand and the Bingo.com domain are an integrated part of the wider business and have therefore been allocated to the same Group operations cash-generating unit.
iGame brands	iGame	25.7	The iGame brands are part of the iGame acquisition and have therefore been allocated to the iGame cash-generating unit.
Stan James brand	Stan James Online	6.2	The Stan James brand is part of the Stan James acquisition and has therefore been allocated to the Stan James cash-generating unit.
iGame domains	iGame	3.3	The iGame domains are part of the iGame acquisition and have therefore been allocated to the iGame cash-generating unit.
Total		**55.0**	

The total other intangible assets of GBP 55.0 million was tested for impairment on a value-in-use basis, based on the four year plan approved by the Board and extrapolated projections allocated to the above cash-generating units using growth rates and assumptions consistent with the Group's experience and industry comparatives. These calculations used pre-tax cash flow projections based on actual 2016 trading performance, extrapolated forward using growth rates and assumptions consistent with the Group's experience and industry comparatives.

At the end of the year, management took the decision to discontinue some of the iGame brands and migrate these customers to some of the Group's main brands. As a result GBP 1.5 million has been reclassified as intangible assets with definite lives and will therefore be amortised over the following three years.

Based on management's review, there is no indication of impairment on any of the separate cash-generating units. In carrying out their assessment of the goodwill, the Directors believe there are no cash-generating units where reasonably possible changes to their assumptions exist that would give rise to impairment.

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

	Maria brand and Bingo.com domain	iGame brands	Stan James brand	iGame domains
EBITDA margin/per cent	16.7 – 23.5	40.7 – 48.4	6.2 – 12.4	40.7 – 49.4
Risk adjusted discount rate/per cent	10.0	12.0	11.0	10.0
Long-term growth rate/per cent	2.0	2.0	2.0	2.0

Notes to the consolidated financial statements continued

12: Property, plant and equipment

GBP m	Note	Land and buildings	Computer hardware	Office equipment, fixtures and fittings	Total
Cost					
At 1 January 2015		0.4	10.6	4.7	**15.7**
Additions		–	5.1	0.8	**5.9**
Additions – through business combinations		–	0.2	0.4	**0.6**
Disposals		–	-3.4	-0.7	**-4.1**
Reclassifications		–	0.4	-0.4	**–**
Foreign exchange translation difference		–	-0.3	-0.1	**-0.4**
At 31 December 2015		**0.4**	**12.6**	**4.7**	**17.7**
Additions		–	9.0	1.4	**10.4**
Disposals		-0.4	-5.0	-0.8	**-6.2**
Reclassifications		–	0.1	-0.1	**–**
Foreign exchange translation difference		–	1.0	0.3	**1.3**
At 31 December 2016		**–**	**17.7**	**5.5**	**23.2**
Accumulated depreciation					
At 1 January 2015		–	7.8	3.6	**11.4**
Charge for the year	4	–	2.4	0.5	**2.9**
Disposals		–	-3.4	-0.6	**-4.0**
Reclassifications		0.1	0.3	-0.4	**–**
Foreign exchange translation difference		–	-0.2	–	**-0.2**
At 31 December 2015		**0.1**	**6.9**	**3.1**	**10.1**
Charge for the year	4	–	4.2	0.9	**5.1**
Disposals		-0.1	-5.0	-0.5	**-5.6**
Reclassifications		–	0.1	-0.1	**–**
Foreign exchange translation difference		–	0.6	0.3	**0.9**
At 31 December 2016		**–**	**6.8**	**3.7**	**10.5**
Net book value					
At 31 December 2016		**–**	**10.9**	**1.8**	**12.7**
At 31 December 2015		0.3	5.7	1.6	7.6

13: Subsidiaries and associated companies

Details of the Group's principal subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership and voting power %
Unibet Alderney Limited	Alderney	100%
Betchoice Corporation Pty Limited	Australia	100%
Unibet Australia Pty Ltd	Australia	100%
Unifoot NV	Belgium	100%
Global IP and Support Services LP	British Virgin Islands	100%
iG Entertainment Limited	British Virgin Islands	100%
Stan James IP Limited	British Virgin Islands	100%
iGame Estonia OU	Estonia	100%
Solfive SAS	France	100%
SPS SAS	France	100%
Platinum Gaming Limited	Gibraltar	100%
SJU Limited	Gibraltar	100%
Firstclear Limited	Great Britain	100%
Kindred (London) Limited	Great Britain	100%
Kindred Services Limited	Great Britain	100%
Global Services (Channel Islands) Limited	Guernsey	100%
Unibet Italia SRL	Italy	100%
Global Leisure Partners Limited	Malta	100%
iGame Holding plc	Malta	100%
iGame Malta Limited	Malta	100%
Lexbyte Digital Limited	Malta	100%
Maria Holdings Limited	Malta	100%
Moneytainment Media Limited	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%
Wild Card Consulting Limited	Malta	100%
North Development AB	Sweden	100%
PR Entertainment AB	Sweden	100%

The movements in the Group's interest in its associate is shown below:

GBP m	2016	2015
Carrying value at 1 January	1.4	1.5
Share of profit/(loss) from associate	0.2	-0.1
Carrying value at 31 December	**1.6**	**1.4**

Notes to the consolidated financial statements continued

14: Financial instruments

The carrying value of the Group's financial assets and financial liabilities approximated to their fair values at the year end. At 31 December 2016, other receivables of GBP 20.4 (2015: GBP 13.3) million were considered to be fully performing. Because of the nature of the Group's business, the Group does not carry any provision for impairment of receivables, with the exception of betting on credit which is strictly limited to a select group of Australian customers in accordance with accepted commercial practice in the Australian market. The Group does not hold any collateral as security for its receivables.

The Group's financial assets consist of loans and receivables, except for assets at fair value through profit and loss of GBP 0.2 (2015: GBP 0.3) million. Financial assets at fair value through profit and loss consist of the embedded option on the convertible bond of GBP 0.2 million (2015: GBP 0.3 million).

The Group's financial liabilities consist of other financial liabilities, except for liabilities at fair value through profit and loss of GBP 4.2 (2015: GBP 17.5) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at the balance sheet date of GBP 4.2 (2015: GBP 3.0) million and the contingent consideration payable on the acquisition of the iGame Group of GBP nil (2015: GBP 14.5) million.

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

15: Trade and other receivables

GBP m	31 December 2016	31 December 2015
Due within one year:		
Other receivables	20.4	13.3
Prepayments and accrued income	10.2	10.0
	30.6	**23.3**

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

16: Trade and other payables

GBP m	31 December 2016	31 December 2015
Due within one year:		
Trade payables	12.5	9.3
Other taxation and social security	2.4	1.5
Other payables	0.6	19.9
Accruals	44.5	35.0
	60.0	**65.7**

17: Customer balances

Customer balances of GBP 50.8 (2015: 37.4) 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:

	31 December 2016	31 December 2015
EUR	45%	47%
SEK	14%	12%
NOK	9%	7%
DKK	6%	6%
USD	4%	5%
GBP	13%	14%
AUD	4%	4%
Other	5%	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.

18: Borrowings

GBP m	31 December 2016	31 December 2015
Due within one year:		
Bank borrowings	54.6	56.7
Total borrowings	**54.6**	**56.7**

Bank borrowings

In August 2015, the Kindred Group agreed a new Revolving Credit Facility held with a leading international bank, with a maximum value of EUR 120 million. On 31 August 2016, in line with the original agreement, the facility was reduced to EUR 112 million. As at 31 December 2016, the balance of the facility utilised was GBP 54.6 million.

The borrowings are denominated in GBP, EUR and SEK. At 31 December 2016, the GBP portion had a fixed interest rate of 0.75 per cent above LIBOR, the EUR portion had a fixed interest rate of 0.75 per cent above EURIBOR and the SEK portion had a fixed interest rate of 0.75 per cent above STIBOR. The borrowings are unsecured. At 31 December 2016, the termination date of the Revolving Credit Facility was 31 August 2018 and the fair value of the bank borrowings was GBP 54.6 (2015: GBP 56.7) million.

The Revolving Credit Facility is subject to financial undertakings, principally in relation to debt service ratio and limitations in respect of permitted business acquisitions and disposals. At 31 December 2016 the Kindred Group was in compliance with these undertakings. The Group anticipates continued full compliance and that if the facility is further utilised in future, it will be repaid in accordance with contracted terms at any such time.

Following the recommended cash offer pursuant to which Kindred Group will acquire the entire issued and to be issued share capital of 32Red, a new term and revolving facilities agreement was signed on 23 February 2017. More information on this agreement is given in Note 31.

19: Deferred tax

The following are the deferred tax liabilities and assets (prior to offset) recognised by the Group and movements thereon during the current and prior reporting year:

GBP m	Note	Unremitted earnings	Property, plant and equipment	Unrealised exchange differences	Tax losses	Intangible assets	Other	Total
At 1 January 2015:								
Deferred tax liability		–	–	0.7	–	0.5	0.6	**1.8**
Deferred tax asset		-5.0	-0.3	–	-3.0	–	-1.0	**-9.3**
Charge/(credit) to income for the year	8	1.8	0.1	-0.3	-0.8	0.2	-0.1	**0.9**
Movement for the year in relation to acquisitions		–	–	–	–	1.5	0.5	**2.0**
Charge directly to equity		–	–	–	–	–	0.2	**0.2**
Transfer to currency translation reserve		0.5	–	–	0.2	–	–	**0.7**
At 31 December 2015:								
Deferred tax liability		–	–	0.4	–	2.2	1.4	**4.0**
Deferred tax asset		-2.7	-0.2	-0.1	-3.6	–	-1.1	**-7.7**
Charge/(credit) to income for the year	8	0.1	-0.3	-0.3	-0.4	–	0.2	**-0.7**
Charge directly to equity		–	–	–	–	–	0.2	**0.2**
Transfer to currency translation reserve		–	–	–	-0.7	0.3	-0.1	**-0.5**
At 31 December 2016:								
Deferred tax liability		–	–	–	–	**2.4**	**1.8**	**4.2**
Deferred tax asset		**-2.6**	**-0.5**	**–**	**-4.7**	**–**	**-1.1**	**-8.9**

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 taxes 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.

Notes to the consolidated financial statements continued

19: Deferred tax continued

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

GBP m	31 December 2016	31 December 2015
Deferred tax liabilities	4.2	3.4
Deferred tax assets	-8.8	-7.1
Net assets	**-4.6**	**-3.7**

At 31 December 2016 the Group had unutilised trading tax losses of GBP 45,596,000 (2015: GBP 38,015,000) and other unutilised tax losses of GBP 1,469,000 (2015: GBP 1,469,000) available for offset against future profits. The amount of unutilised trading tax losses and other unutilised tax losses at 31 December 2016 for which a deferred tax asset has been recognised is GBP 15,437,000 (2015: GBP 11,955,000), and GBP Nil (2015: GBP Nil), respectively. No deferred tax asset has been recognised in respect of the remaining unutilised trading tax losses and in respect of the other remaining unutilised tax losses due to insufficient evidence of their reversal in future periods.

The major component of trading tax losses for which no deferred tax asset has been recognised arose from unutilised trading tax losses acquired as part of the Solfive acquisition, for which there is insufficient evidence of reversal. These losses represent GBP 30,159,000 (2015: GBP 26,060,000) of the total unutilised trading tax losses disclosed above. There is no specific expiry date of the total remaining unutilised tax losses for which no deferred tax asset has been recognised.

The aggregate amount of other deductible temporary differences at 31 December 2016 for which deferred tax assets have been recognised is GBP 10,388,000 (2015: GBP 9,135,000). This includes a deductible temporary difference in respect of unexercised share options for the amount of GBP 1,530,000 (2015: GBP 1,948,000), whereby the deferred tax on the deductible temporary difference of GBP 35,000 (2015: GBP 1,143,000) has been credited directly to equity. A deferred tax asset has not been recognised for other deductible temporary differences of GBP 397,000 (2015: GBP 634,440).

20: Share-based payments

The Group operates a number of share-based payment schemes as set out within this note. During 2016, 16,053 options (2015: 249,493) were exercised under the rules of the Group Executive Option Scheme and 196,274 share awards vested within the 2013 Group Performance Share Plan. The total charge for the year relating to employee share-based payment plans was GBP 1.5 million (2015: GBP 0.6 million).

All employee long term incentive plan (LTIP)

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

In accordance with the change of a 100 per cent cash settled incentive plan under IAS 19, the Group recognised a share-based payment charge from June 2015 in relation to those who elected to receive shares and reclassified the provision for the 100 per cent cash settled scheme before June 2015 to equity. As at 31 December 2016, the equity settled employee benefit plan provision amounted GBP 0.5 million (2015: GBP 0.3 million).

The grants are subject to achieving business performance targets in the 2016 financial year and continued employment. The assessment of the actual business performance against the target conditions demonstrated that these have been achieved at greater than 100 per cent. This plan will vest in March 2017.

In September 2016, the Kindred Group Board approved a long-term incentive plan for all employees and the executive management team ("20+20 All Employee Share Plan" and "20+20 Executive Management Incentive Scheme"). As a result, 1,481,866 share awards have been granted on 3 October 2016 and will vest after December 2020. These are subject to achieving business performance targets in the 2020 financial year and continued employment. The targets have been set and approved by the Remuneration Committee and the Board of Directors in December 2016. The total amount expensed is recognised over the vesting period of the plan, which is four years.

The total charge recognised in 2016 in relation to both the employee long-term incentive plans was GBP 0.7 million.

Performance Share Plan (PSP)

The introduction of the Group Performance Share Plan was approved at the 2013 AGM under which future share-based payments to senior management and key employees will be made. The PSP performance measures are non-market based conditions providing participants with a high degree of alignment to Company performance.

Grants of performance share rights are subject to achieving business performance targets over three financial years and continued employment. These targets are: Gross Contribution (Gross winnings revenue, less Cost of sales, less marketing costs), Free Cash Flow per Share and EBITDA. 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.

In November 2016, the full value of the 2013 Performance Share Plan grant vested. The assessment of the actual business performance against the target conditions demonstrated that all targets over the three financial years 2013-2015 have been achieved at greater than 100 per cent. The number of share awards vested was 196,274.

Performance targets	Target achieved
EBITDA	108%
Gross Contribution	106%
Free Cash Flow	112%

On 30 September 2016, the Group granted a number of 411,713 new performance share awards to senior management and key employees ("2016 Performance Share Plan"). These grants will vest after September 2019 and are subject to achieving business performance targets over the three financial years 2016-2018 and continued employment. The targets for the 2016 Performance Share Plan have been set and approved by the Remuneration Committee and the Board of Directors in early September 2016. The total amount expensed is recognised over the vesting period of the plan, which is three years. The total charge recognised in 2016 in relation to performance share plans was GBP 0.6 million.

Executive Share Option Schemes (ESOS)
The Unibet Group plc ESOS was first introduced in December 2000 and revised in May 2004. Following the introduction of the PSP, no future share-based payments are made under the ESOS.

During the year, in the exercise windows ended on 15 March 2016 and on 15 June 2016, respectively 5,459 and 10,594 share options were exercised under the rules of the Group Executive Option Scheme. The exercise of the options under the rules of the Group Executive Option Scheme ended in June 2016.

Grants made under both the PSP, ESOS and 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:

	ESOS (options)	**PSP awards[1] (post share split)**					**2020 AESP awards (post share split)**
Grant date	**16 Aug 2012**	**30 Sep 2013**	**30 Sep 2014**	**30 Jun 2015**	**5 Nov 2015**	**30 Sep 2016**	**3 Oct 2016**
Average share price prior to grant GBP	16.29	–	–	–	–	–	–
Exercise price GBP	17.95	–	–	–	–	–	–
Number of employees	72	75	91	100	14	123	1,125
Shares under option/award	329,885	31,100	31,848	38,464	2,430	411,713	1,481,866
Vesting period (years)	3.50	3.50	3.50	3.50	3.50	3	4
Expected volatility %	24	16	23	18	25	32	32
Option life (years)	3.50	3.50	3.50	3.50	3.50	3	4
Expected life (years)	3.50	3.50	3.50	3.50	3.50	3	4
Risk-free rate %	1.50	–	–	–	–	–	–
Expected dividends expressed as dividend yield %	3.47	2.81	3.57	4.15	2.71	3.29	3.28
Fair value per option/award GBP	1.84	22.58	27.18	34.17	55.07	6.46	6.28

1 Award is a legally enforceable conditional right to acquire 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 ESOS grants is the approximate implicit risk-free interest rate for the options' term to maturity, based on the three-year maturity rate offered by Riksbanken at the respective dates of each grant.

A reconciliation of option movements over the year to 31 December 2016 is shown below:

	2016		**2015**	
ESOS	**Number**	**Weighted average exercise price GBP**	**Number**	**Weighted average exercise price GBP**
Outstanding at 1 January	16,053	17.95	267,241	17.87
Exercised	-16,053	17.95	-249,493	17.87
Granted	–	–	–	–
Lapsed	–	–	-1,695	17.95
Outstanding at 31 December	**–**	**–**	**16,053**	**17.95**

Notes to the consolidated financial statements continued

20: Share-based payments continued

PSP	2016 Number	2015 Number (post share-split)
Outstanding at 1 January	782,552	490,520
Vested	-196,274	–
Granted	411,713	327,152
Lapsed	-136,670	-35,120
Outstanding at 31 December	**861,321**	**782,552**

2020 All employee long term incentive plan	2016 Number	2015 Number
Outstanding at 1 January	–	–
Vested	–	–
Granted	1,481,866	–
Lapsed	-7,105	–
Outstanding at 31 December	**1,474,761**	–

The grants under the PSP and long-term plan 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.

Dilution effects
143,775 shares awards lapsed or were cancelled during 2016. If all share-based programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 1,460.05 (2015: GBP 569.36) by the issue of a total maximum of 2,336,082 ordinary shares (2015: 910,976 ordinary shares), corresponding to 1 per cent (2015: 0.39 per cent) of the capital and votes in the Company.

The principal terms of the PSP and all employee long-term incentive plan (LTIP) schemes are set out below.

i) Performance Share Plan ("PSP")
Under the Performance Share Plan, shares awards are granted to employees of the Company and any subsidiary companies. These awards vest based on the successful completion of performance targets set by the Board. The awards are shares or SDRs and not options, therefore there is no exercise price associated with the awards. All other principal terms of the scheme including responsibility, exercise periods, changes of control, scheme and individual limits are set out below:

Responsibility for operation
The PSP scheme is operated by the Directors of the Company, through the Remuneration Committee appointed by the Board, which consists mainly of Non-executive Directors of the Company.

Eligibility
An individual is eligible to be granted an Award only if they are an employee (including an executive director) of a Participating Company.

Grant of awards
Awards may be granted at the discretion of the Directors, or the Remuneration Committee, to selected employees at a senior level. Awards are not pensionable or transferable.

Individual limits
The Board of Directors will decide the maximum number of ordinary shares or SDRs, which may be granted under the PSP plan to individual participants.

Scheme limit

At any time, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or be issuable under the PSP scheme and all other employees' share schemes operated by the Company. This limit does not include awards which have lapsed or been surrendered.

The rules of the PSP scheme allow the Directors to grant awards on the basis that they will vest only to the extent that certain performance conditions have been satisfied. Awards may, however, vest in certain circumstances. These include, for example, an employee leaving because of ill health, retirement, redundancy or death. On cessation of employment for other reasons, awards will normally lapse.

Change of control, merger or other reorganisations

Awards may generally vest early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, participants may be allowed or, in certain cases, required to exchange their awards for awards over shares in the acquiring company.

Issue of shares

Any ordinary shares issued on the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

ii) Share option scheme – Approved and Unapproved ESOS

The Approved Scheme is substantially the same as the Unapproved Scheme, except that it has been drafted to comply with the relevant United Kingdom tax legislation so that options granted under it will attract UK benefits.

Option price

The option price must not be less than the market value of the ordinary shares or SDRs. For this purpose, market value means the weighted average of the market quotations on the five trading days immediately prior to the date of grant.

Exercise of options

Options will normally be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the fifth anniversary of the date of grant. It is intended to grant options on the basis that they will become exercisable on the third anniversary of grant, for a period of one year, and expire on the fourth anniversary of grant. Exercise of options may take place only within prescribed exercise windows during the one-year exercise period. Exercise of an option is subject to continued employment.

21: Share capital and reserves

a) Share capital

GBP	2016	2015
Authorised:		
1,600,000,000 (2015: 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 – 230,117,040 (2015: 28,537,950) ordinary shares of GBP 0.000625 (2015: 0.005) each	143,823	142,689
Issue of share capital – 9,160 (2015: 226,680) shares of GBP 0.000625 (2015: 0.005) each	6	1,134
At 31 December – 230,126,200 (2015: 230,117,040) ordinary shares of GBP 0.000625 each	**143,829**	**143,823**

During 2016, 16,053 employee share options were exercised. Of these 1,145 options were exercised by issuing 9,160 ordinary shares with a par value of GBP 0.000625 at prices of SEK 189 per option. The total proceeds of this issue of new shares was GBP 17,869 (SEK 216,405) of which GBP 6 was an increase in issued share capital and GBP 17,863 was an increase in share premium.

The remaining 14,908 options were exercised using SDRs from the Group share buy-back programme. These were sold at the option price of SEK 188.99 for net proceeds of GBP 235,070 (SEK 2,817,518) which has been taken to equity.

On 22 September 2016, the Board of Kindred Group plc decided to start exercising the buy-back mandate, which was approved at the Annual General Meeting on 17 May 2016. Under this mandate, 2,400,396 SDRs were purchased at a total price of GBP 17,109,484.

In November 2016, 196,274 of the shares repurchased were used in connection with the vesting of the 2013 performance shares plan.

Notes to the consolidated financial statements continued

21: Share capital and reserves continued

As at 31 December 2016 the total amount of issued shares in the Kindred Group plc was 230,126,200 with a par value of GBP 0.000625. Of these, 2,585,266 shares are held by the Group as a result of previous repurchase programmes. When these shares are repurchased or subsequently sold, the impact is reflected within retained earnings. As at 31 December 2016, the amount of shares repurchased that were used in connection with the exercise of share options by employees and the vesting of performance shares was 315,538.

During 2015, before the share split, 226,680 shares were issued by the Company at prices of SEK 166 and SEK 189 per share, as a result of the exercise of employee share options. The total proceeds of this issue of new shares was GBP 3,364,061 (SEK 42,770,208) of which GBP 1,133 was an increase in issued share capital and GBP 3,362,928 was an increase in share premium.

During 2015, before the share split, 22,813 of the shares repurchased were used in connection with the exercise of share options by employees. The 22,813 shares were sold for net proceeds to the Company of GBP 318,910 (SEK 4,163,721) at the option prices of SEK 166 and SEK 189.

b) Share premium

Apart from the premium arising on the issue of new shares related to the share option scheme as described above, there was no movement in share premium in 2016 nor the previous year.

22: Business combinations

On 7 August 2015, the Group entered into an agreement to acquire 100 per cent of the issued share capital of iGame Holding plc and its subsidiaries "iGame". The transaction was finalised on 16 September 2015.

In accordance with the terms of the purchase agreement earn-out payments may be payable based on iGame's results for the period up to 30 June 2016.

Those targets were met in full and therefore the Group has paid the maximum earn-out payment of EUR 20 million during the year to the former owners of the iGame Group.

The cost of paying the maximum earn-out of EUR 20 million was fully provided in the financial statements of Kindred Group plc at 31 December 2015. However, an accounting FX impact of GBP 2.2 million was recognised in the Group's reported results for 2016.

23: Convertible bond

In connection with the disposal of Kambi, the Group subscribed to a EUR 8.0 million (GBP 6.0 million) convertible bond issued by Kambi. The bond has an embedded contingent option to provide change of control protection to the Group. The option can only be exercised on the occurrence of limited trigger events. The fair value of the option at 31 December 2016 was GBP 0.2 million (2015: GBP 0.3 million).

24: Capital and other commitments

The Group has not entered into any contracted non-current asset expenditure as at 31 December 2016.

25: Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, including provision for rent reviews and for early termination.

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

GBP m	31 December 2016	31 December 2015
No later than one year	3.1	2.5
Later than one year and no later than five years	19.7	4.7
Later than five years	24.1	0.2
	46.9	**7.4**

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

Included within the numbers above are the new lease commitments in relation to the new offices in London and Gibraltar.

26: Related party transactions

For details of Directors' and Executive Committee remuneration please refer to the Remuneration Committee Report on pages 48 and 50.

During 2016, the Group maintained relations with Football United International Limited of which Kindred Group's Board members Anders Ström and Stefan Lundborg are both non-executive Board members. Under the terms of the contract, the Kindred Group can make use of football related podcasts, videos and content. Total services rendered and paid to Football United International Limited during 2016 was GBP 140,770.

27: Contingent liabilities

Currently the Group has not provided for potential or actual 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. Following the adverse result of an old legal case with Green Cycle Associates in relation to sponsorship fees of EUR 1 million, the Group has filed an appeal before the Court of Appeals in Sweden. Further details on the legal environment can be found in the General legal environment section on pages 43 and 44.

28: Cash and cash equivalents

GBP 5.9 million (2015: GBP 5.5 million) of restricted cash balances are included within the total cash and cash equivalents balance of GBP 89.4 million at 31 December 2016 (2015: GBP 83.4 million).

29: Reconciliation of EBITDA to profit from operations

GBP m	2016	2015
EBITDA	120.7	77.0
Depreciation	-5.1	-2.9
Amortisation	-18.7	-11.1
Profit from operations	**96.9**	**63.0**

The table above shows how EBITDA, which is a non-GAAP measure, is derived from the profit from operations reported in the consolidated income statement.

30: Reconciliation of adjusted operating cash flow and free cash flow to profit from operations

GBP m	Year ended 31 December 2016	Year ended 31 December 2015
Profit from operations	96.9	63.0
Adjustments for:		
Depreciation of property, plant and equipment	5.1	2.9
Amortisation of intangible assets	18.7	11.1
Loss on disposal of property, plant and equipment	0.2	0.1
Loss on disposal of intangible assets	0.1	–
Impact of Bonza acquisition	–	-0.3
Share-based payments	0.6	0.6
Equity settled employee benefit plan	0.7	0.3
Foreign exchange on dividend	–	-0.5
Operating cash flow before movements in working capital	**122.3**	**77.2**
Movements in receivables	-7.8	-7.9
Movements in payables	13.7	15.8
Income taxes paid	-6.5	-5.8
Purchases of property, plant and equipment	-10.4	-5.9
Purchases of intangible assets	-19.2	-11.1
Items affecting comparability[1]	3.0	–
Acquisition of subsidiaries, net of cash acquired	–	-56.3
Free cash flow[2]	**95.1**	**6.0**

1 Items affecting comparability excludes amortisation of acquired intangible assets and foreign currency loss on operating items.
2 Free cash flow for the purposes of determining the dividend in 2015 includes share option proceeds, but excludes merger and acquisition activity and the settlement of prior period betting duties and licence costs.

The table above shows how adjusted operating cash flow, and free cash flow which are non-GAAP measures, are derived from the adjusted profit from operations reported in the consolidated income statement.

Notes to the consolidated financial statements continued

31: Subsequent events

On 18 January 2017, the Kindred Group repaid EUR 8 million of its borrowings.

On 23 February 2017, the boards of Kindred and 32Red plc ("32Red") reached an agreement on the terms of a recommended cash offer pursuant to which Kindred will acquire the entire issued and to be issued share capital of 32Red. The offer values 32Red at GBP 175.6m. 32Red is listed on the AIM market of the London Stock Exchange. This transaction is consistent with Kindred's multi-brand strategy and will further enhance Kindred's position in the online casino market in the UK.

The consideration payable under the offer will be funded by new term and revolving facilities (the "Facilities") provided to Kindred by a leading European bank, pursuant to a facilities agreement ("the 2017 Facilities").

The 2017 Facilities comprise of:

(i) a GBP 110,000,000 term loan ("the Term Loan") to be applied towards, amongst other things, financing the offer;

(ii) a EUR 112,000,000 revolving facility "A" ("Revolving Facility A") to be applied towards, amongst other things, financing the offer, refinancing Kindred's existing revolving facility dated 31 August 2015 and towards any market purchases of 32Red Shares, and

(iii) a GBP 68,000,000 revolving facility "B" ("Revolving Facility B) to be applied towards, amongst other things, financing the offer and any market purchases of 32Red Shares.

The Term Loan is repayable in equal bi-annual instalments of GBP 15,000,000, starting on 31 December 2017 and ending on 31 December 2019. The Term Loan needs to be repaid in full by the date that is three years from the date of the Facilities Agreement (23 February 2020). Both Revolving Facility A and Revolving Facility B are to be repaid in full on the last day of each respective Interest Period. Revolving Facility A is required to be repaid in full by 31 August 2018 and Revolving Facility B needs to be repaid in full by the date that is three years from the date of the Facilities Agreement (23 February 2020).

Interest shall accrue on each advance under the Facilities 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 and EURIBOR for Loans in EUR) (and if the applicable IBOR is below zero, IBOR will be deemed to be zero) plus the Applicable Margin. The Applicable Margin for: (i) the Term Loan (drawn in GBP) is 2.00 per cent. per annum; (ii) any Revolving Facility A Loan is 0.75 per cent. per annum; and (iii) any Revolving Facility B Loan (drawn in GBP) is 1.75 per cent. per annum and (drawn in an Optional Currency) is 1.35 per cent. per annum.

The Facilities Agreement includes certain customary covenants which will regulate Kindred and its subsidiaries' ability to, amongst other things, incur additional debt, grant security interests, give guarantees and enter into any mergers.

Annual General Meeting

The Annual General Meeting (AGM) of Kindred Group plc will be held at 10.00 CET on 16 May 2017, at Moderna Museet, Skeppsholmen, Stockholm in Sweden.

Right to participate

Holders of Swedish Depositary Receipts (SDRs) who wish to attend the AGM must be registered at Euroclear Sweden AB on 5 May 2017 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 17.00 CET on 11 May 2017, by filling in the enrolment form provided at www.kindredgroup.com/AGM, "Registration form for AGM 2017". 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 5 May and 16 May 2017.

Dividend

The Board of Directors proposes a dividend of GBP 0.310 (2015: 0.235) per share/SDR, which is approximately SEK 3.46 (2015: 2.87 paid out 24 May 2016) with the exchange rate 11.165 GBP/SEK at 13 February 2017 per ordinary share, to be paid to holders of ordinary shares and SDRs. If decided by the AGM, the dividend is expected to be distributed on 23 May 2017 and amounts to a total of GBP 71.4 (2015: 54.0) million, which is approximately 75 per cent of the Group's free cash flow for 2016. The Board has reviewed the projected cash requirements for 2017 and is proposing for this year to maintain the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

Financial information

Kindred Group plc's financial information is available in Swedish and English. Reports can be obtained from the Kindred Group's website, **www.kindredgroup.com** or ordered by email at info@kindredgroup.com. Distribution will be via email.

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The Kindred Group will publish financial reports for the financial year 2017 on the following dates:

Interim Report January – March, on 26 April 2017
Interim Report January – June, on 26 July 2017
Interim Report January – September, on 1 November 2017
Full Year Report 2017, on 7 February 2018

Definitions

Average number of employees: Average number of employees for the year based on headcount at each month end.

Cash flow per share: Net increase/(decrease) in cash and cash equivalents, divided by the number of ordinary shares at the balance sheet date.

Dividend per share: Dividend paid divided by the number of ordinary shares at the payment date.

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

EBIT: Earnings before interest and taxation, equates to profit from operations.

EBIT margin: EBIT as a percentage of Gross winnings revenue.

EBITDA: Profit from operations before depreciation and amortisation charges.

EBITDA margin: EBITDA as a percentage of Gross winnings revenue.

Equity: assets ratio: Shareholders' equity as a percentage of total assets.

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

Gross profit: Gross winnings revenue less cost of sales.

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

Net cash: Total cash at the balance sheet date less customer balances.

Number of active customers: Number of active customers is defined as the total registered customers who have placed a bet with the Kindred Group either during the last three months or at any time during the year, depending on the reference.

Number of registered customers: Number of registered customers means the total number of customers on the Kindred Group's customer database.

Operating margin: Profit from operations as a percentage of Gross winnings revenue.

Profit margin: Profit after tax as a percentage of Gross winnings revenue.

Return on average equity: EBIT as a percentage of average equity.

Return on total assets: Profit after tax as a percentage of average total assets.

Turnover: Amount of bets placed on sporting events and games.

Underlying EBITDA: Profit from operations before depreciation and amortisation charges and items affecting comparability (excluding amortisation of acquired intangible assets and foreign currency differences on operating items).

Weighted average number of shares: Calculated as the weighted average number of ordinary shares outstanding during the year.

Weighted average number of shares, fully diluted: Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effects of exercising all share options) during the year.

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