

•boku

Into the Big Pond

Boku, Inc.
Annual Report and Accounts
for the year ended 31 December 2020



Boku is building the future of mobile commerce, growing, monetising and securing transactions for billions of consumers around the world.

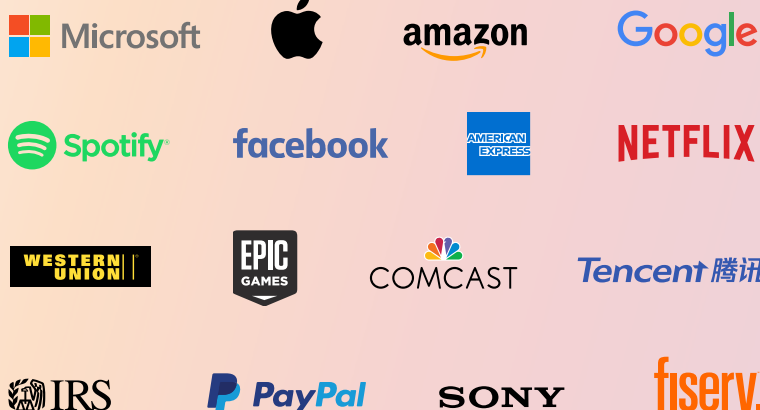
Mobile devices are the most widely distributed consumer technology in the world today, with over five billion devices connected to a global network of operators. Boku's platform ensures that our over 500 customers, including six of the seven most valuable companies in the world, can collect payments for digital goods and secure consumer transactions and data in every corner of the globe.

Boku has integrated over 220 payment types including carrier billing and mobile wallets into its M1ST (Mobile First) Payments Network. Merchants can integrate all of these payment types through a single connection, gaining access to the billions of consumers who prefer to pay with their phone.

Boku provides the most comprehensive network of mobile identity to streamline and secure valuable online transactions, delivering superior user experience and reduced instances of fraud for digital service providers, including financial institutions.

To learn more about Boku, as well as obtain the latest information of interest to investors and stakeholders, please visit our website at www.boku.com

Our customers



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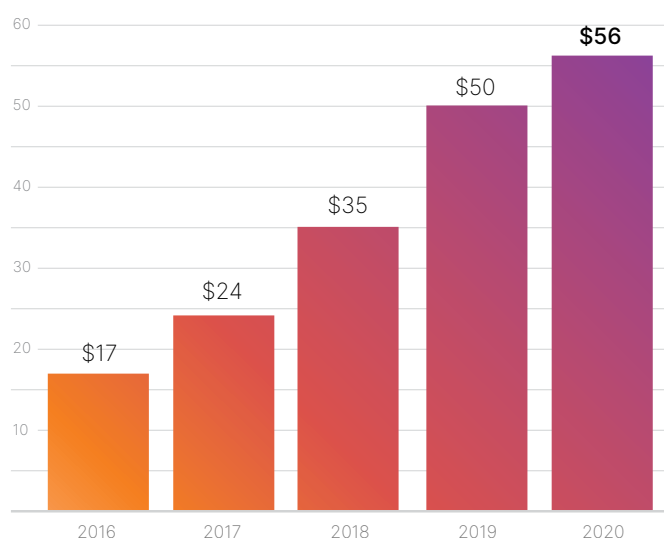
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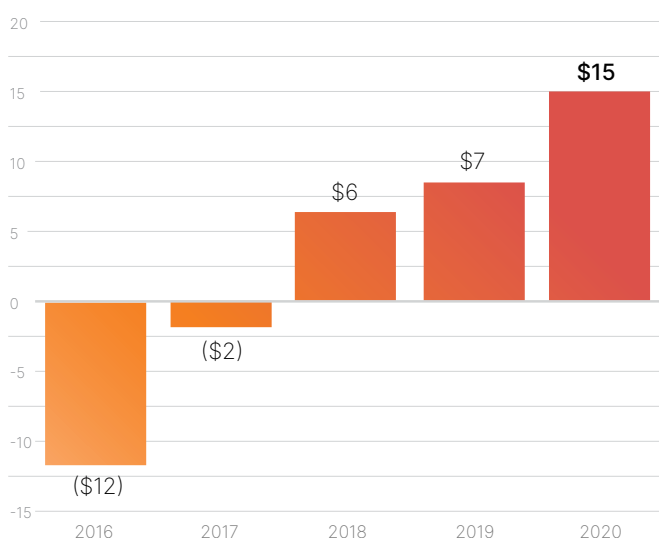
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Highlights

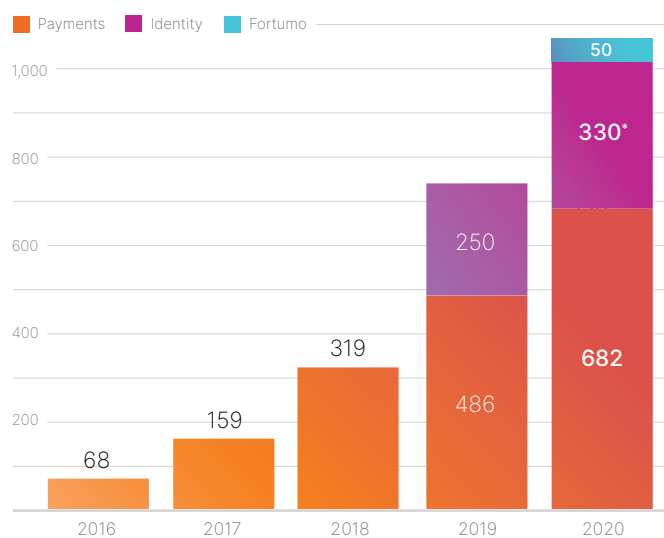
Strong Revenue Growth (\$USD millions)



Adjusted EBITDA Growth (\$USD millions)

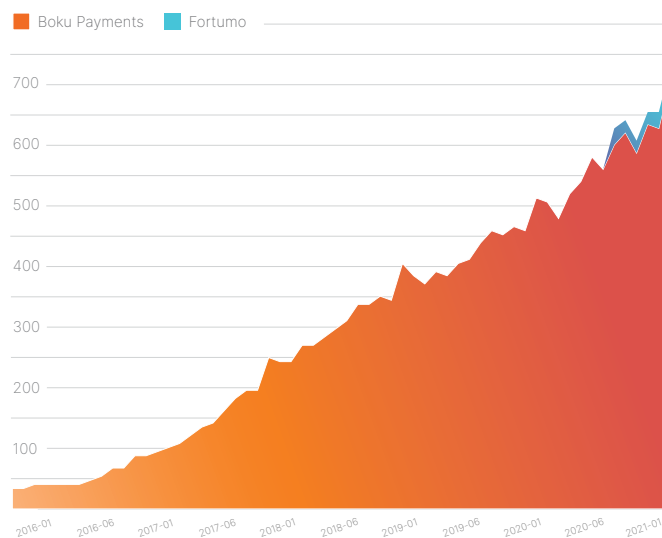


Billable Transactions (millions)



*data not comparable to prior year due to different data collection methodology

Total Payments Volume, Payments (\$USD millions)



Chairman's Statement

For many organisations 2020 was a challenging year. Externally events were dominated by a global pandemic, but Boku was able to execute on its plan. At a Group level, revenues exceeded \$56 million and Adjusted EBITDA* more than doubled to \$15.3 million, up from last year's figures of \$46.8 million** and \$7.4 million respectively. The heart of our business is the Boku platform. This year we processed record numbers of transactions – peaking at more than 400 each second. The platform connects more than 220 mobile wallets and network operators for both payment and identity services to Boku's customers, including many of the world's largest companies.



The core Direct Carrier Billing ("DCB") business performed strongly during the year. As more people stayed at home during the pandemic, demand for home entertainment increased and Boku benefited, pushing up the value processed through the system in 2020 to just under \$7 billion, 38% up on 2019. New users recruited in 2020 reached a new record as well at \$25.9 million across our Payments and bundling programmes. Adjusted EBITDA for the Payments division increased to \$19.2 million.

In 2020, Boku acquired Fortumo, the second most profitable DCB company behind Boku, which sells on a global scale. The transaction was well received by the market and has performed in line with expectations, contributing \$4.5 million of revenue and \$1.5 million of Adjusted EBITDA in the six months to 31 December, during which their figures were consolidated.

Boku Identity was not able to deliver the level of progress we had previously expected but despite negative impacts from the pandemic and supply issues in the US, was able to make progress with Adjusted EBITDA losses reduced to \$3.9 million.

We were pleased to welcome Charlotta Ginman to the Board during the year. She is an experienced Non-Executive Director, with executive experience with Nokia. She is already contributing to the Board and has joined the Audit and Remuneration Committees, allowing me to step back, in line with best corporate governance practices. I also wish to thank the other Non-Executive Directors, Stewart Roberts, who chairs the Audit Committee and Richard Hargreaves who chairs the Remuneration committee, for the service on the Board and contribution to the Company during the year.

In 2021, a key focus of the Company's management is to operationalise and scale our mobile wallet business. We have made a promising start with some big wins with important customers. Boku is well positioned to leverage these early successes as we build Boku into a mainstream, fintech payment platform specialising in next-generation Payments.

Mark Britto
Non-Executive Chairman
15 March 2021

**Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, impairment of goodwill, non-recurring payment revenue, stock option expenses, forex gains/losses and exceptional items – see Consolidated Statement of Comprehensive Income.*

*** 2019 comparative revenue excludes \$3.3 million of non-recurring payments revenue to better reflect underlying performance*



Strategic Report - Into the Big Pond

It's a feeling that everyone can recognise: the knot in your stomach the first day that you go to big school. Excitement mixed with trepidation. In your old school, you were the top of the tree, the big fish; in the new school you're the small fish, trying to make your way in a bigger pond. Boku too is a company in transition, building on its market leadership in one sector to enter a new and bigger market.

In 2020, Boku cemented its leadership in Direct Carrier Billing ('DCB') with 38% organic growth in the value processed through our platform, supplemented by the acquisition of Fortumo, the second most profitable company in the market (after Boku). We also started to expand beyond the bounds of DCB. We are at an inflection point: going from being the leading provider in the DCB niche to become a mainstream Payments fintech which specialises in mobile-native next-generation payments.

In 2021 and beyond, we will continue in this direction: no longer constrained by the limits of putting charges onto phone bills, we will expand out of the 5% of e-commerce that is digital content into non-digital sectors with a carefully curated set of local payment methods. In years to come, if we execute successfully, over time, this new market will be many times bigger than our existing DCB business.

The Foundations: Direct Carrier Billing – Strong and Growing

Because DCB is expensive compared to other payment methods, it earns its corn by recruiting new users for its customers. This is an imperative for the biggest digital companies in the world. As entertainment increasingly becomes digital, app stores, music, video streaming and games companies are fighting to acquire new customers

We have
successfully
helped our
merchants to
recruit more
than 50 million
new users

and look to a partner like Boku to help them do so. Our super simple, frictionless, one tap to register products have built a customer base that includes all the digital giants: Apple, Amazon, Microsoft, Facebook, Sony, Spotify, Netflix and many more. They use us because we deliver: over the past two years we have successfully helped our merchants to recruit more than 50 million new users.

Dealing with global companies is a core strength of Boku. It is hard to think of any other company which simultaneously serves six of the seven most valuable companies in the world. This gives us scale and scale is important. Over the last decade, Boku has established a high-quality network of connections to more than 200 mobile network operators. Replicating this network is hard – carriers are choosy about which companies get the ability to add charges to their customers’ bills and only grant this privilege to organisations through which they can make a return. Put simply, we have the carrier connections because we have the merchants and we recruit new merchants because we have the carrier connections.

It is this market position that has allowed Boku to triple its payment revenues from \$17.2 million to \$51.2 million over the last four years. Impressive growth to be sure, but, in the immortal words of Bachman Turner Overdrive, “You Ain’t Seen Nothing Yet”.

The average merchant on the Boku platform is connected to 32 out of the 204 carriers connected to its platform. For sure, not all carriers are the same size and scale and there is a tendency to activate the most lucrative connections

Boku simultaneously serves six of the seven most valuable companies in the world

first, nevertheless, this raw statistic gives an accurate sense that there is a lot of growth left in the DCB business. We have plenty of growth to come, plenty of white space into which we can expand.

This growth is easily accommodated by the Boku Platform. During the same period that payment revenues tripled, total costs for the

Payments Business Unit (Operating Expenditure and Cost of Goods Sold) increased by only 15%. Roaring revenue growth, coupled with modest increases in expenses lead to extraordinary gearing: looking at the payment segment alone, Adjusted EBITDA rocketed from a loss of \$12.3 million in 2016 to \$19.2 million profit this year.



Into the Big Pond

From Facebook to Fridges, Flights and Furniture

According to Statista, the digital commerce market was worth around \$120 billion in 2019 and it's growing at double digit annual rates as consumers switch to digital and streaming and away from physical and broadcast. Our support for those digital merchants is what drives our DCB business forward.

But \$120 billion is the small pond. Digital content is a mere 5% of global e-commerce. People spend more on food, fashion, fridges and furniture than they do on Facebook.

Boku is investing the money that we make in DCB not only to sustain that business, but also to grow into non digital sectors. We are investing to grab our share of the \$2.4 trillion dollar e-commerce market.

We are attacking on two fronts: Identity and Wallets.



Exploiting the Carrier Connections: Boku Identity

Boku Identity uses carrier connections to solve problems in Identity. The magic ingredient is the rather unsurprising fact that your mobile network operator knows your phone number without having to ask. We can turn this into a number of applications: we can confirm the registered owner of a phone – useful if someone is trying to apply for a loan in your name, but using their mobile; silently verifying your phone number, obviating the need to copy the six digit number from one of those fiddly text messages.

Although COVID-19 has impacted the progress of our Identity business, it has also primed the world for greater adoption of digital identity services as we move forward. COVID-19 has been an accelerant for digital transformation, especially in sectors like financial services. With the need to create new accounts as well as operating them moved almost exclusively to digital channels, digital identity enables transactions to be executed seamlessly and securely.

Short term results have disappointed somewhat due to the impact of COVID-19 and supply issues in the US, the path to profitability for Identity has extended, requiring a re-evaluation of its asset value to the Group. However, behind the numbers, real progress has been made. We enter 2021 with a much wider network of supply internationally and with significant contract wins such as GDC, LexisNexis and FIS. The foundations for renewed growth are there. The challenge in 2021 is to activate the merchants that we've signed, across the network that we have built. Early signs are promising: Boku helps Americans to fill in their tax returns electronically, prevents fraud on ridesharing apps in Indonesia and simplifies the sign up of new users on social networks in the UK, Canada and Australia.

More Payment Methods for More Merchants

Whilst DCB is effectively confined to digital goods we have launched and will be adding many new payment methods that can service digital and non digital merchants. We are not looking to replicate the work of the many fine, card-centric, payment processors. Cards, whilst growing absolutely are losing share in the electronic Payments market to new payment types like mobile wallets, 'buy now pay later' and real-time bank payment schemes. Boku's

In Asia, wallets account for a greater proportion of ecommerce spending than credit and debit cards combined

strategy is not to implement the widest possible range of local payment methods, rather we seek to work with a carefully curated set of fast-growing ones which, will help our customers to grow.

The payment phenomenon of the last few years is mobile wallets. For many people, especially in Asia, wallets were their first electronic payment method. Used face-to-face with a QR code and online with one tap access, mobile wallets are firmly established in many countries

as the default way to pay. In Asia, it's brands like Alipay, Grabpay and Kakaopay that are the go to, not cards. Even in markets like Japan and South Korea, with some of the highest payment card penetration rates on earth, mobile wallets are cementing their status. Cards are seen as antiquated and inflexible. In Asia, wallets now account for a greater proportion of ecommerce spending than credit and debit cards combined.

But they are fragmented – there are approximately as many wallets per country in Asia as there are mobile network operators. Therein lies our opportunity -- wallets benefit from aggregation in the same way that DCB does. Moreover their unstandardised nature lends itself to Boku's skill set of taking disparate, unstandardised inputs and coalescing them into a single homogenous API which is easy to consume for large global merchants.

In 2019 we started to build connections to wallets, launching Grabpay and Gopay. In 2020 we started to cross sell them to our existing merchants, where we have the advantage of already being an incumbent payment processor. We were able to announce the launches of a Global Games Console provider in Korea and a Global Music Streaming service in Indonesia. These connections were won against significant competition from mainstream cards-first payment processors. These wins validate the thesis that Boku can compete and win, when we pick our battles carefully.

Into the Big Pond

Swim Lanes

On 1 July 2020, Boku bought Fortumo for a maximum consideration of \$45 million. Fortumo, based in Estonia, was the second most profitable global DCB company. Through the acquisition, the Group was able to consolidate its position as the market leader in DCB. Fortumo brought some very specific capabilities into the Group: the ability to deal with large numbers of merchants, a best-in-class bundling solution, key merchants such as Amazon and Epic Games, together with some new connections in emerging markets. Fortumo's capabilities complement Boku's existing business with its focus on a few global merchants and expansion into new payment types.

Going forward we will focus Fortumo on expanding the DCB business and exploit its bundling capabilities, whereas Boku will continue its support for strategic merchants and focus on the expansion into local payment methods, especially wallets. We have built a cross connect that allows Fortumo's EU Platform and Boku's US Platform to use the others carrier and wallet connections.

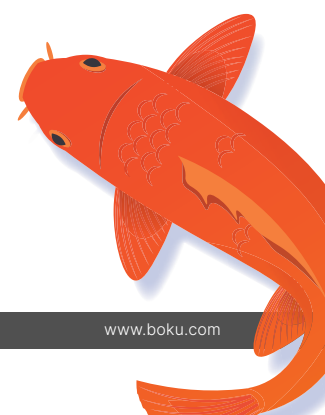
The US platform will receive investment in 2021 to make us a better local payment processor, with support for the features non digital merchants require. The EU platform will also receive investment to improve our bundling offer.

Diving In

Although it is not widely recognised, Boku has advantages over the large cards-first payment companies: we, uniquely, are an incumbent payment processor with all the world's largest digital brands. We can compete with the big players on level terms and win but there are potentially bigger wins to be had— wallets in Asia account for 65% of electronic spending, a multiple of DCB's market share.

But the real prize lies outside digital. In 2021 we will expand our reach – supporting wallets and other local payment methods --and enhance our system and start selling to merchants who will come to Boku for wallets alone. It will take some investment, but using our strong cashflow we are determined to seize this opportunity, determined to break out of digital, determined to be relevant to more payments for more merchants and determined to make Boku a mainstream payment processor. That is the mission henceforward.

To swim in the Big Pond.



Environmental, Social and Governance

Championing a balanced work force

We are a proactive and enthusiastic promoter of social mobility and inclusion within our workforce; and support all our staff in their career progression. We value the fact that our colleagues come from a diverse range of backgrounds and nationalities with our workforce spread across the globe, including the United Kingdom, Germany, United States, India, Singapore, Japan, Taiwan, France and Estonia.

Our recruitment processes are reviewed regularly and are designed to enhance diversity and social mobility in our recruitment channels. For example:

- we aim to make our opportunities available to those who can show us that they have the aptitude to join Boku and the attitude our clients are looking for, regardless of where they grew up or educational path;
- we use competence-based questions during the interview process, ensuring candidates are not assessed on social capital; and
- all of our staff involved in interviewing applicants undergo training to help mitigate any unconscious bias.

Our inclusive approach to recruitment enables us to strive for balanced representation and a culture of equality.

Working environments

We continue to invest in improving the working environment for our teams, creating innovative spaces which encourage collaboration between teams. The Group has a flexible working policy to facilitate those with families and other needs or commitments outside of work; we also encourage working from home where possible. In the past year we have moved into new offices in London and we continue to invest in technologies which ensure that our team members can work productively regardless of where they are.

Well-being during the pandemic

Our primary focus during the Covid-19 pandemic has been on the health and well-being of our team. Boku was quick to adapt to the changing working environment with our team members working effectively remotely and with a strong focus on employee engagement. Managers have been encouraged to keep in regular touch with their teams by video and conference calls, together with using our communication technologies to share experiences between the regions and offices.

A key factor in our ability to operate our Group business effectively during the pandemic has been our team members' ability to work remotely and flexibly as well as the cohesiveness of our global teams. Our continued strong engagement with customers, suppliers and investors has also led to increased levels of confidence amongst our stakeholders, reinforcing their confidence in Boku's ability to operate with strength and integrity.

Environment

Given the nature of our business and the fact we utilise leased facilities, our environmental impact is relatively low compared with other sectors. However, we are committed to finding ways to operate the business in more efficient and environmentally advantageous ways (which can also provide financial benefits). For instance, we promote recycling of technology and office consumables by providing recycling points in each of our offices.

We will seek to review and update our initiatives and plans to help to mitigate our environmental footprint further.

Governance

Boku follows the QCA code. During the year, the Board was expanded to include a further non-executive director. The Board now comprises four Non-Executives Directors and two Executive Directors. Three of the Non-Executive Directors are deemed independent; only independent Directors sit on the Audit and Remuneration Committees. Further details can be seen elsewhere in the report.

Chief Executive Officer's Report

Group Performance

Boku performed strongly in 2020 with revenues up to \$56.4 million and Adjusted EBITDA more than doubled compared to 2019, driven by the performance of Boku Payments but the central fact of 2020 is COVID-19. It has changed the way that we work and live and had an adverse impact on our Identity business, requiring its value to be re-assessed. Restrictions have affected the way that we travel, communicate and get entertained. Coronavirus has depressed spending, but that spikey ball of RNA has also changed the things we buy and the way we pay.

Industries dependent on face-to-face contact have been decimated. Some – hospitality, for example – will bounce back when restrictions are released, but for others, the pandemic has accelerated pre-existing trends. It turns out that many people didn't really like driving into town to go shopping and for many types of goods the switch to online will be permanent.

The way we entertain ourselves has been changing for a while. CDs have been cleared from the shelves and DVDs sent to the car boot sale, as we switch to digital consumption. Games, especially mobile games, were already growing like crazy pre-COVID-19. The lockdowns have accelerated these trends and Boku's customers have benefited, but since the transition was already well developed, what we've seen is a boost, not a transformation of our business. Boku has long benefited from the tailwinds of mobile adoption and digital disruption and 2020 was no different.



Strong Organic Performance in Payments

In 2020, we have been able to help our customers acquire more than 25.9 million new users across Payment and bundling programmes; more Payment users are repeat users too, with that figure hitting a high of 91% averaged throughout the year. Value processed through our system increased to \$6.9 billion, a 38.3% increase since last year. We exited the year on a run rate which exceeded \$8.5 billion. Truly the lines on the charts are going up and to the right!

Our growth did not just come from existing connections in in a particular geography – new launches have been made for Apple, Sony, Spotify, Netflix, Tencent, Microsoft, Google and many other smaller merchants.

Boku takes a percentage of the value processed through its systems as revenue. We charge different prices depending on whether we provide a technical connection only or additionally handle the settlement of the funds. Over recent years the lower priced technical service has been growing faster than the higher priced settlement service, leading to lower reported take rates, despite stable pricing. This year, those trends stabilised as more settlement model business was processed through connections developed in prior years.

Acquisition of Fortumo

Scale is important in platform businesses. By being the largest, Boku is able to offer the most robust and feature-rich platform at the lowest unit cost in the industry. Most of our growth has been organic: quality inorganic opportunities are few and far between. In July 2020, we were delighted to acquire Fortumo, the second most profitable company in the DCB business, behind Boku. The enterprise value associated with the acquisition was a maximum of \$45 million, with \$5.4 million being dependent on the achievement of a demanding Adjusted EBITDA target in the 12 months ending June 2021. Since acquisition, the business has performed in line with our and the markets expectations, which will mean that the full earnout is unlikely to be payable.

Fortumo has brought impressive new capabilities into the Group: customer relationships with Amazon, Epic Games and more than 400 other, mostly settlement model, merchants, a platform with semi-automated onboarding capabilities, new carrier connections, especially in some emerging markets, and the best bundling platform in the market. Going forward we will concentrate new DCB and bundling investment in Fortumo's EU platform, whilst the original Boku US platform will focus on strategic merchants and new local payment methods, including wallets.

Strong Financial Performance in Payments

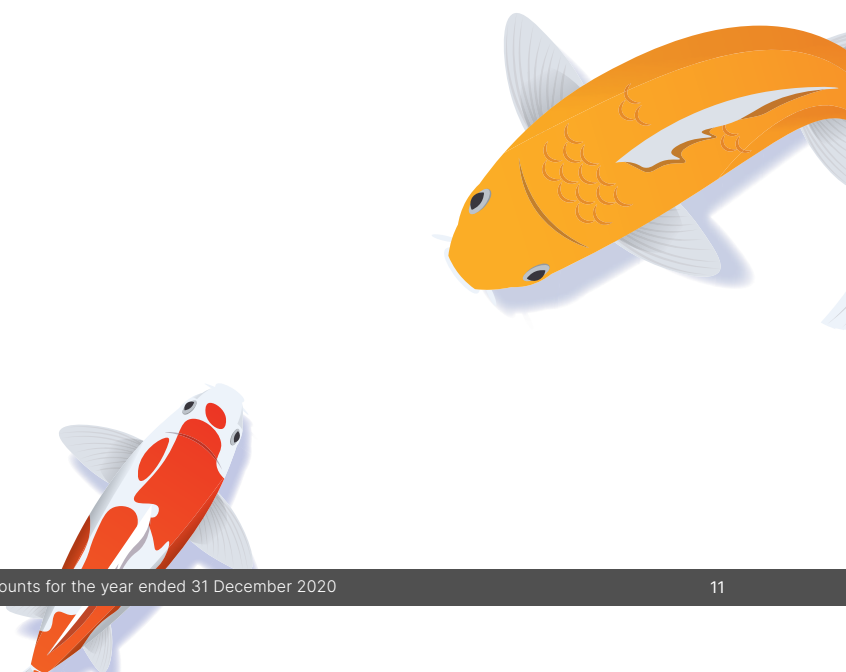
Taking Boku and Fortumo revenues together, revenue from the Payments division grew to \$51.2 million up 27% from 2019's figure of \$40.2 million*. Fortumo contributed \$4.5 million, in line with expectations. Adjusted EBITDA leverage in the Payments business is impressive with Payments Adjusted EBITDA up 54% to \$19.2 million (including \$1.5 million contribution from Fortumo).

Progress on Identity

Boku Identity was able to post narrower adjusted EBITDA losses of \$3.9 million. Revenues at \$5.2 million were lower than the previous year due to carrier supply issues and the impact of COVID-19. The business is still poised to grow but from a lower base and at a lower rate, meaning that the path to break even is longer than previously thought, resulting in an impairment to the carrying value of goodwill of \$20.8 million.

Turning to non financial measures, the global carrier network now reaches more than 200 carriers in 60 countries. Contracts have been signed with customers like GDC, LexisNexis and FIS. The focus for 2021 is to connect these merchants to international markets and thus increase revenues.

** Adjusted for the impact of \$3.3 million of non-recurring revenue*



Chief Executive Officer's Report

Promise of Wallets

For Boku, DCB is the starter, the main course is local payments. We're using the connections that we have to all the world's leading digital merchants as a beachhead from which we can cross sell other payment methods. The first of these is mobile wallets. They are the payment phenomenon of the last five years. Popular with consumers, in demand from merchants.

Just like DCB, mobile wallets are highly fragmented, with multiple wallets in individual countries, battling for consumers, just like mobile operators. For our merchants, Boku has harmonised this complex, global infrastructure into a single Payments network. The market is in need of a similar approach for mobile wallets; the value that Boku can deliver to merchants through a single mobile Payments network is immense.

In 2020 we processed transactions from 13 accounts across 11 wallets in 7 countries. Pleasingly amongst these were major merchants in console games and streaming music. These accounts were won in competition with mainstream cards-first payment processors. We expect to be able to announce further progress during 2021. The significance is two-fold: first with wallets we can process a larger share of our customers sales and secondly, go outside digital and serve the general ecommerce market which is 20 times as big. That is the main course.

Actual experience has also been encouraging: volume growth has been material, albeit off a small base. Where wallets and DCB are connected to the same merchant in the same country we can see faster adoption, higher average transaction values and more users.

Helping Others During the Pandemic

At Boku we recognise that with our good fortune, comes responsibilities. We have also tried to do our bit to help those less fortunate than ourselves. We have claimed no Government money in any of the countries in which we operate (and have returned it in one instance where it was automatically credited to us), and we have continued to employ our office support staff and contractors despite offices being closed. Now is the time to support the

In 2020, we've been able to deliver a record number of new connections

support workers. We have used some of the savings that we have made from reduced travel on a "We Not Me" programme of donations to local causes nominated by employees.

Companies are not just collections of assets and intellectual property; technology companies like

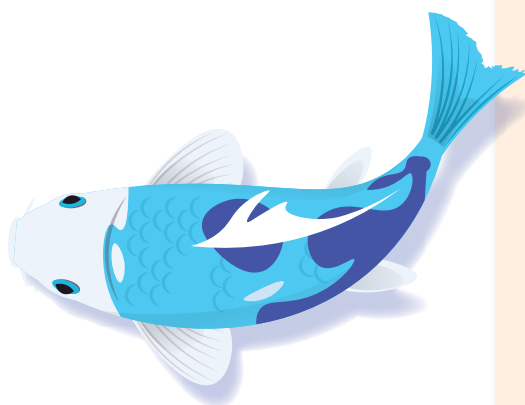
Boku are groups of people working towards a common aim, with belief and conviction. Without our people, without the right people, we are nothing. We are careful when we hire and we ensure that all, every single one of our employees wheresoever located and however senior or junior, gets the chance to be a shareholder in our company.

Through the crisis, our employees have repaid that trust in spades. They have been magnificent. The flexible working practices that we had in place before restrictions hit meant that we could adapt rapidly and continue to deliver for our customers. In 2020, we've been able to deliver a record number of new high quality connections: (69 vs. 42 in 2019). I want to place on record my sincere appreciation for the exceptional contribution that our people have made to our results.

Outlook

Boku can look into 2021 with a great deal of confidence. Boku Identity looks poised to grow as new customers are connected with unrivalled levels of supply. For our Payments division, we expect to cross sell wallets into more of our existing customers. With each launch, revenue will start to build, more materially in 2022. We will invest in our platform so as to be in a position to capture non digital revenues. We expect to board our first wallet-only, non-DCB Payments customers in 2021. This will be an important signal of our ability to gain traction in this important segment. All this is underpinned by a DCB business which is poised to continue its multi-year record of strong growth with exceptional operational gearing. We have made a flying start to 2021, with trading in line with our aggressive plans — I am confident in our ability to meet the market's expectations.

Jon Prideaux
Chief Executive Office
15 March 2021



Directors' Duties

As a US incorporated company, Boku is subject to the laws of the State of Delaware such that our Directors are not obliged to comply with the principles of the Companies Act 2006. The Directors nonetheless take pride in following a general set of director duties throughout their engagements. In particular, the Directors act in good faith and in the way that they consider will be most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Directors also act with reasonable care, skill and diligence, taking steps to ensure that they exercise independent judgement at all times and that processes are in place to enable robust decision-making, especially when there are more difficult decisions to be made. Boku recognises the importance and responsibility that lays in continuous engagement with stakeholders and in continuously acting in members' best interests, Directors have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

Chief Financial Officer's Report

Strong growth in Payments Revenue and Adjusted EBITDA and progress in Identity

2020 was another year of significant achievement for Boku, in challenging circumstances given the coronavirus pandemic. Good revenue growth in Boku Payments drove an increase of over 100% in group Adjusted EBITDA* to \$15.3 million, proving again the operational gearing in our model, while the acquisition of Estonian based carrier billing company Fortumo Holdings Inc ('Fortumo') on 1 July 2020 for a maximum enterprise value of \$41.0 million consolidated Boku's market leading position in Direct Carrier Billing ('DCB') as Fortumo was one of only three international DCB competitors. We have retained the Fortumo brand and organisational structure and consolidated Fortumo's financial results for the six month period from acquisition on 1 July 2020.

The Boku Payments division, excluding Fortumo, performed strongly with revenues increasing by \$6.7 million (17%) to \$46.8 million** which in turn delivered a substantial 40% increase in Adjusted EBITDA to \$17.7 million (2019: \$12.7 million) demonstrating the powerful operational leverage of our Payments platform as additional incremental transaction revenues largely drop through to Adjusted EBITDA. This is most clearly illustrated by the fact that in 2016 Boku Payments made an Adjusted EBITDA loss of \$12.3 million and in 2020 made an Adjusted EBITDA profit of \$17.7 million – a turnaround of over \$30 million in only four years. Newly acquired Fortumo performed well, with revenues for the six months to 31 December of \$4.5 million and adjusted EBITDA of \$1.5 million, in line with expectations, taking total Payments division Adjusted EBITDA to \$19.2 million. Fortumo brings primarily settlement model merchants where merchants are charged a higher percentage transaction fee, along with a low cost Estonian base.



The Boku Identity division, acquired in 2019, made good progress on building out its international supply to truly internationalise the product offering, signed a number of high-profile customers and saw its Adjusted EBITDA loss reduce further to \$3.9 million (2019: \$5.3 million loss). However revenues fell in the year to \$5.2 million (2019: \$6.7 million) as the business was impacted by both losing a major US carrier at the end of 2019 and from Covid-19 which impacted some customer activity and the division's ability to market and close new sales. As a result of lower than expected Identity revenues in 2020, future growth estimates were modified, which also showed a slower pathway to breakeven and a diminished carrying value of this asset, resulting in an impairment of goodwill of \$20.8 million.

As a result the Group, primarily taking account of this impairment charge, reported a Loss before Tax of \$18.9 million compared to a loss of \$1.3 million in 2019. This total includes a net Profit before tax from the Payments Division of \$9.2 million.

Group Revenue and Gross Margins

Group revenues for the year of \$56.4 million were up by 27% on 2019 (2019: \$46.8 million**) as the Company saw strong growth in its Payments business and added Fortumo results from 1 July 2020, however Identity revenues fell in the year.

Blended gross margins for the group increased to 91.3% (2019: 88.9%) as gross margins for Boku Payments improved again to 97.2% (96.2%), we added Fortumo gross margin at 92.4% and Identity gross margins fell slightly to 37% (2019: 41.2%).

Highlights

- Adjusted EBITDA* 107% higher at \$15.3 million (2019: \$7.4 million)
- Group revenues of \$56.4 million up 20% on 2019 (2019: \$46.8 million**)
- Net loss before tax of \$17.3 million (2019: \$1.3 million loss) primarily due to the goodwill impairment for Identity division of \$20.8 million. This total includes a net Profit before tax from the Payments Division of \$9.2 million.
- Closing cash balances increased to \$62.7 million at 31 December 2020 up from \$35.6 million at 31 December 2019.
- Cash generated from Operations before working capital changes during the year was \$11.5 million (2019: \$6.1 million).
- Acquisition of carrier billing company Fortumo Holdings Inc. for maximum enterprise value of \$41.0 million.
- Payments division Adjusted EBITDA of \$19.2 million (2019: \$12.7 million) including \$1.5 million from Fortumo.
- Monthly Active Users up 48% to 28.8 million (2019: 17.8 million) includes 4.6 million MAUs from Fortumo
- Total Payment Volume (TPV) of \$6.9 billion in 2020 compared to \$5.0 billion in 2019
- Wallet transactions processed from 13 accounts across 11 wallets in 7 countries in 2020. Further investment in 2021 to capture the significant Wallet opportunity
- Identity revenue of \$5.2 million (2019: \$6.7 million) - impacted by COVID-19 and local US supply headwinds resulting in carrying value of asset reappraised
- Identity reduced EBITDA loss of \$3.9 million (2019: \$5.3 million EBITDA loss)
- Identity carrier network expanded now reaching more than 200 carriers in 60 countries. Contracts wins include GDC, LexisNexis and FIS

** Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, impairment of goodwill, non-recurring payment revenue, stock option expenses, forex gains/losses and exceptional items*

*** 2019 comparative revenue excludes \$3.3 million of non-recurring payments revenue to better reflect underlying performance*

Chief Financial Officer's Report

Group Operating Expenditure

Adjusted Operating Expenditure (Operating Expenditure adjusted for depreciation, amortisation, foreign exchange, stock option expense, exceptional items, goodwill impairment and restructuring costs) increased to \$36.2 million (2019: \$33.9 million), mainly driven by the Group's acquisition of Fortumo in July 2020 which added adjusted operating expenditure of \$2.7 million for the six month period to 31 December. Boku Payments operating expenditure increased slightly to \$27.6 million (2019: \$25.9 million) primarily due to modest payroll increases and some costs incurred in migrating certain systems into to a cloud based environment, while technology operations in lower costs locations such as India were expanded. Identity adjusted operating expenditure fell materially to \$5.8 million (2019: \$8.0 million) partly due to headcount reductions and lower marketing spend.

Both Identity and Payments benefited from material savings in travel and entertainment due to the impact of COVID-19 which reduced operating expenditure and increased Adjusted EBITDA, but it is expected that this expenditure will return when it becomes possible to travel freely again.

Payments Division

The Payments division comprises Boku's Direct Carrier Billing ('DCB') business ('Boku Payments') which enables customers of Boku's merchants to charge payments to their phone bills, and Fortumo Payments which was acquired during the year.

Boku's Payments is the sole DCB provider to some of the world's largest digital merchants including Apple, Netflix, Facebook and Sony. It operates two revenue models both based on a percentage of the processed value: the higher take rate 'settlement model' — where Boku collects funds from carriers (MNOs) worldwide in multiple currencies before settling to the merchant, and the lower take rate 'transaction model' where we only provide the technical connectivity between the merchant and carrier.

In 2020, Boku Payments revenues grew by 16% to \$46.8 million (2019: \$40.2 million**). Growth comes from both existing merchants and carrier connections and also from adding new carrier connections to new and existing merchants.

Total Payments Volume ('TPV') for Boku Payments increased by 35% to \$6.8 billion in 2020 from \$5.0 billion while Monthly Active Users grew 48% to \$28.8 million (2019: \$17.8 million). The majority of growth again came from our lower margin/higher volume transaction model merchants and, as a result of this mix effect, the weighted average take rate reduced to 0.7% in 2020 (2019: 0.8%). However due to good growth from higher take rate settlement merchants where we made significant efforts to increase carrier connections, the second half take rate was broadly similar to the first half. When the additional volumes from Fortumo are included (see Fortumo section below), the blended average take rate increased in the second half.

Gross margins for Boku Payments improved from 96% to 97% in the year primarily driven by the volume growth of our transaction model merchants where there is no cost of sale (100% gross margin) along with the recovery of a previously fully provided for bad debt.

Adjusted operating expenditure for Boku Payments was slightly higher than 2019 at \$27.7 million (2019: \$25.9 million) mainly due to modest headcount increases and pay rises. Headcount is the majority of the cost base, however, as a result of the coronavirus pandemic, travel and entertainment ('T&E') costs were significantly reduced but are expected to return to previous levels once normal travel resumes.

We continued to invest in the Boku Payments platform and in 2020 completed the first phase of migrating our platform from two physical colocation facilities in the U.S. into a cloud-based infrastructure (AWS) as we decommissioned one facility and moved it into the cloud. The second phase will be completed in 2021. Although the total running costs are similar in the cloud, the 'pay as you go' nature of the cloud services means that we are able to capitalise less of the cost and so adjusted operating expense increased as a result. The Boku Payments Platform has the capacity to process volumes considerably in excess of today's peak message rates.

Acquisition of Fortumo

Boku completed the acquisition of carrier billing company Fortumo Holdings Inc ('Fortumo') on 1 July 2020 for a total maximum enterprise value of \$41.0 million, further consolidating its market leadership in the niche carrier billing market. Fortumo is an Estonian based carrier billing business employing 77 employees and was one of three direct international competitors to Boku, and the only consistently profitable one. The majority of Fortumo's customers operate under the settlement model where Fortumo collects cash from carriers on behalf of its merchants and therefore charges a higher fee.

Total maximum consideration is \$45.0 million which included \$4.0 million of net working capital. \$5.4 million of the total consideration is subject to performance conditions as

explained in detail at the time of the acquisition, and in note 26, based on Adjusted EBITDA of Fortumo for the 12 month period following acquisition (1 July 2020 to 30 June 2021). Due to challenging earnout targets the maximum earnout consideration of \$5.4 million is not expected to be paid and the fair value of the consideration was calculated at \$3.2 million using the expected returns approach. Please refer to note 26 of the financial statements.

Boku Payments and Fortumo Payments together now form the Payments division and from 2021 onwards their results will be combined for reporting purposes. The separate results for Boku Payments and Fortumo Payments for 2020 are shown in the table below so that the underlying growth in Boku Payments can be understood.

Boku Payments division income statement for the 12 months to 31 December 2020	Boku Payments \$'000	Fortumo Payments \$'000	Total Payments \$'000
Fee Revenue	46,755	4,476	51,231
Cost of sales	(1,329)	(340)	(1,669)
Gross Profit	45,426	4,136	49,562
Administrative Expenses	(36,172)	(3,565)	(39,737)
Operating gain analysed as:			
Adjusted EBITDA*	17,694	1,481	19,175
Payments Revenue Adjustment (non-recurring)			
Depreciation and amortisation	(4,013)	(712)	(4,725)
Stock Option expense	(3,728)	(282)	(4,010)
Foreign exchange gains	723	84	807
Exceptional items (included in administrative expenses)	(1,422)	0	(1,422)
Operating gain	9,254	571	9,825
Finance income	63	7	70
Finance expense	(640)	(9)	(649)
Profit before tax	8,677	569	9,246
Tax expense	(1,301)	(168)	(1,469)
Net gain for the period attributable to equity holders of the parent company	7,376	401	7,777

Chief Financial Officer's Report

Identity Division

Boku's Identity division was formed in 2019 following the acquisition of Danal Inc on 1 January 2019 for \$25.1 million. Identity revenues for the year were impacted by the coronavirus pandemic which made new sales difficult as well as the loss of one of its four US carriers at the end of 2019 and as a result 2020 revenues fell to \$5.2 million (2019: \$6.7 million). Identity revenues were mainly from the US. Gross margins were slightly lower at 37% for 2020 (2019: 41%) as some of the costs included in Cost of Sales have monthly minimums which are fixed as revenues fell. Identity Cost of Sales is primarily transaction related fees paid to carriers and other data providers. Adjusted operating expenses fell sharply in 2020 to \$5.9 million (2019: \$8.0 million) as headcount and T&E costs were reduced. Adjusted EBITDA for the year for the Identity division was therefore a further reduced Adjusted EBITDA loss of \$3.9 million (2019: \$5.3 million loss).

As a result of lower 2020 revenues, lower revenue growth is now expected in future years. This, together with a slower pathway to breakeven has resulted in the carrying value of this asset having diminished, resulting in an impairment of goodwill of \$20.8 million which reduces the carrying value of goodwill from \$23.6 million to \$2.8 million.

Group Operating Losses and Adjusted EBITDA

Adjusted EBITDA increased by more than 100% to \$15.3 million (2019: \$7.4 million) illustrating the powerful operating gearing in the Payments business. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, adjusted for stock option expenses, forex gains/losses and exceptional items.

Reported Operating Losses for 2020 increased to \$16.7 million (2019: \$0.9 million) primarily due to the goodwill impairment for Identity division of \$20.8 million. The Operating Loss can be broken down as follows:

- Depreciation and Amortisation charges increased to \$5.9 million (2019: \$4.5 million) which included \$0.7 million from Fortumo for the period 1 July to 31 December 2020.
- Foreign Exchange movements resulted in a gain of \$1.0 million (2019: \$0.1 million gain)
- Stock Option Expenses – stock option expenses fell to \$4.9 million compared to \$6.8 million in 2019. The 2020 total includes awards to Fortumo staff following the acquisition. Boku has a policy of issuing RSUs to all staff annually. RSU charges are spread over three years from date of grant based on the Black Scholes method and the lower charge in 2020 is as a result of fewer shares being issued to Boku staff partly offset by additional awards to Fortumo staff. Of the \$4.9 million booked in 2020, \$0.5 million was paid out cash (via employer's NI), the remainder was non-cash and expensed.
- Impairment of goodwill – relating to the write down of the carrying value of the Identity division of \$20.8 million.
- Exceptional Items were \$1.4 million (2019: \$0.4 million) mainly costs relating to the acquisition of Fortumo on 1 July 2020.
- Net financing expenses were \$0.6 million in 2020 (2019: \$0.4 million). These costs relate to Interest on operating leases and bank loans/overdraft.

Net Loss After Tax

The Company reported a net loss before tax of \$17.3 million (2019: \$1.3 million loss) primarily due to the goodwill impairment for Identity division of \$20.8 million and net loss after tax for the year of \$18.8 million (2019: \$0.4 million profit).

Balance Sheet and Cashflow

- Closing cash balances increased to \$62.7 million (including restricted cash balances of \$1.4 million) at the end of 2020 from \$35.6 million on 31 December 2019.
- Monthly average cash balances, which smooth the impact of intra-month flows of both carrier and merchant payments, were \$46.7 million in December 2020 up from \$22.4 million in December 2019.
- Cash generated from Operations before working capital changes during the year was \$11.5 million (2019: \$6.1 million).

- To part finance the acquisition of Fortumo, the Group took on \$20 million of debt with Citibank, comprising a 3 year term loan of \$10.0 million and a Revolving Credit Facility ('RCF') of £10.0 million. The existing overdraft facility with Silicon Valley Bank was terminated at the same time. At year end the RCF had been paid down by \$7.0 million leaving a balance of \$3.0 million and the term loan had been paid down by \$0.3 million
- Deferred tax assets of \$0.5 million were recognised at 31 December 2020 (compared to \$1.8 million at 31 December 2019). This reflects a re-appraisal of the usability of certain tax losses and future transaction volumes through its UK incorporated entities expected to reduce profitability, as a share of contracted and future revenues will now likely, taking account of Brexit, flow into other European companies in the group.
- From a working capital perspective, Current Assets exceeded Current Liabilities at 31 December 2020 by \$15.6 million compared with \$7.4 million at the 2019 year end.
- Intangible Assets increased to \$65.6 million over the period, up from \$46.8 million at December 2019 reflecting the acquisition of Fortumo Holdings Inc on 1 July 2020. The total includes other historical acquisitions including the acquisition of Danal Inc ('Danal') on 1 January 2019. This total includes \$23.8 million of Goodwill emanating from the acquisition of Fortumo as well as other assets of \$13.3 million, including customer contracts and the technology platform. Goodwill in relation to the acquisition of Danal on 1 January 2019 was reviewed for signs of impairment, and following the challenging year for revenues, an impairment to goodwill of \$20.8 million was made which reduced the value of goodwill in relation to Danal from \$23.6 million to \$2.8 million (see Note 11).

Going Concern

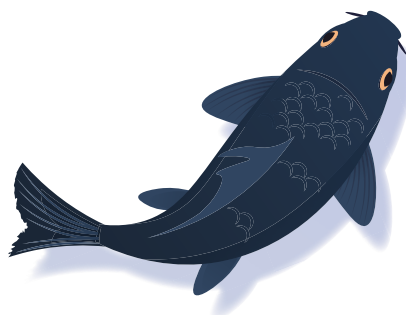
Although COVID-19 has not negatively affected Boku's Payment business, the Identity division did not deliver the growth we hoped for and in fact saw some reduction in volume and found sales more challenging. Net Revenue since the year-end continues to be in line with our plans and expectations. It is not yet clear when global economic activity will return to normal, therefore we must prepare the business for varying levels of performance. To that end, we have modelled the effects of differing levels of sales decline along with the measures we can take to ensure that the Group remains within its available working capital, and we have prepared cash flow forecasts for a period in excess of 12 months.

The Directors have no reason to believe that customer revenue and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations. However, in the unlikely event that this should occur, the Group will have to manage its working capital positions, as well as making significant reductions in its fixed cost expenses.

Keith Butcher
Chief Financial Office
15 March 2021

**Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, impairment of goodwill, non-recurring payment revenue, stock option expenses, forex gains/losses and exceptional items*

*** 2019 comparative revenue excludes \$3.3 million of non-recurring payments revenue to better reflect underlying performance*



Principal Risks and Uncertainties

Risk Management in Our Business

Effective risk management is critical to achieving the Group's objectives. Boku operates a Group-wide risk management framework across all its lines of business and covering all departments, ensuring the strategic and operational risks are identified, evaluated, mitigated, monitored and reported in a consistent way.

This framework allows us to take a holistic approach to risk management and to make meaningful analysis and comparisons of the risks we face and how we manage them across our footprint, which is essential to achieve our strategic objectives.

It is an evolving framework as we continuously seek to improve and enhance our risk management processes.

Responsibility

Risk management at Boku is reviewed at Board level and at the Audit Committee.

The Board has oversight responsibility for the effective management of all major risks affecting the Group. In each area, the Board is supported by members of the Senior Management team and other managers with key functional responsibilities to ensure that an effective risk management is embedded, considering both opportunities and threats, throughout the organisation.

The Audit Committee continually monitors and promotes the highest standards of integrity, financial reporting, risk management and internal control.

Identifying and Managing Our Risks

Our risk identification process is a combination of a "top down" approach (driven by the Audit Committee and the Board) and a "bottom up" process (originating from the business' operations).

The risk champion of each department shares their most significant risks after having considered a set of external factors from the various jurisdictions in which Boku operates to the internal ways of operating.

All risks are then consolidated into a Group-wide register which is then presented to our Senior Management and the Board which in turn will perform their own review and add further input on the risks before agreeing the Principal Risks.

Risk	Mitigation
<p>Competitive and rapidly changing environment</p> <p>The Group operates in rapidly evolving Payments markets where service provision is subject to rapid technological change and use is dependent on user behavior. The impact of changes to the structure of the app store payment market, competition, pricing pressure, DCB market shrink, could result in a material loss of revenue and profit for the Group.</p> <p><i>Risk level: High</i> <i>Risk tolerance: Amber</i> <i>Risk movement: Unchanged</i></p>	<ul style="list-style-type: none"> Investing in new products, markets and technologies and improving relationships with key merchants and carriers Launching new payment products and developing the Group's offerings to meet changing client demands and market preferences Develop the necessary expertise and experience to sell and deliver new products and technologies to new and existing clients Analysis of the external environment to understand where the market is heading Attending tech fairs, discussion groups etc. to be up to date with recent technology, find new sources of ideas to create new products addressing customers needs Experienced sales team that builds close relationship with our merchants to better understand their needs Engage with potentially impacted merchants by potential app store market changes
<p>Ability to evolve the organisation's systems and tools to be fit for today/future goals</p> <p>As Boku is growing and continuously evolving, systems and mainly production, should be able to keep up with scaling demand. Failing to keep up with the growth, could cause transaction processing failures that could lead to loss of revenue and even loss of merchants.</p> <p><i>Risk level: High</i> <i>Risk tolerance: Amber</i> <i>Risk movement: New</i></p>	<ul style="list-style-type: none"> Identify current and future needs of new systems (production, etc.) Identify current and future needs of tools to increase efficiencies Restructure of the organisation's key roles on technology - a new COO has joined the company and a new role to lead technology has been created (CTO) Further team optimisation plans
<p>Changes to the regulatory environment</p> <p>Frequent changes in the regulatory arena could have adverse effects on Group's existing processes and provision of services. Examples can be:</p> <ul style="list-style-type: none"> PSD2 and DCB exemption requiring application of new Payment Institution (PI) licenses Privacy (Privacy Shield invalidity) Sanctions (US and UK introducing new ones) <p><i>Risk level: High</i> <i>Risk tolerance: Amber</i> <i>Risk movement: Unchanged</i></p>	<ul style="list-style-type: none"> Diversifying the range of services available to all types of customers to mitigate the impact of any single regulatory change Continuing to invest in solutions that improve the Group's ability to manage risks and ensure compliance with regulations Attending industry events and associations member meetings to stay current with any significant changes relevant to our business Apply for a Payment Institution license in an EU country to operate Local Payment Methods (LPM's) and explore other wider opportunities Apply for a Payment Institution license in other jurisdictions

Risk	Mitigation
<p>Failure of carriers/ intermediaries to pay the amount due to merchants</p> <p>The company is reliant on third parties, including MNOs, SMS aggregators, Local Payment Methods (LPM's) to pay significant amounts due from them in a timely manner as specified under contract. A large-scale failure to do so may have an impact on the Group's financial condition or operating results.</p> <p><i>Risk level: Medium</i> <i>Risk tolerance: Green</i> <i>Risk movement: Unchanged</i></p>	<ul style="list-style-type: none"> • Developing strong relationships with MNOs, aggregators and Local Payment Methods (LPM's) • Effective credit control and management of receivables • Creating direct relationships with fewer intermediaries • Develop a risk sign off process • Developing well drafted contracts that clearly protect Boku's position and contractual obligations
<p>Third party over-reliance</p> <p>Significant dependency on key technology service provider can have negative impact to the business in case of third-party failure.</p> <p><i>Risk level: Low</i> <i>Risk tolerance: Green</i> <i>Risk movement: New</i></p>	<ul style="list-style-type: none"> • Georedundancy for current provider (Rackspace) • Moved to a new cloud service provider - Amazon Web Services (AWS): <ul style="list-style-type: none"> • Project prioritisation to ensure speed and quality of move • Appointed a senior and highly capable team to manage a total move with support of additional resources if needed
<p>Significant fraud events or social engineering attack</p> <p>A large fraud incident or social engineering attack could lead to reputational damage, losses in revenue, costs of dealing with the fraud, and potential loss of merchant confidence.</p> <p><i>Risk level: Medium</i> <i>Risk tolerance: Green</i> <i>Risk movement: New</i></p>	<ul style="list-style-type: none"> • Regularly review risk rules to ensure they are effectively monitoring customer behavior • Recruiting specialised, experienced fraud prevention staff • Review investment opportunities in solutions that improve the Group's ability to manage risk • Comprehensive internal policies and procedures
<p>Cyber Security and Data Protection</p> <p>The Group IT environments may be subject to hacking, data theft or other cyber security threats which may harm customer relationships and the market perception of the effectiveness and resilience of the Group's products and services. Such an attack may also have a material adverse effect on the Group's financial position.</p> <p><i>Risk level: Medium</i> <i>Risk tolerance: Amber</i> <i>Risk movement: Unchanged</i></p>	<ul style="list-style-type: none"> • Ensuring there are systems and experienced staff in place to defend against potential cyber security threats • Building resilience within the Platform to mitigate the impact of an attack in the event of a successful penetration • Continuous testing and assurance activities (internally and externally) • Continuous education on and raising awareness of cyber threats and data theft for staff

Risk	Mitigation
<p>Ability to effectively integrate newly acquired business</p> <p>Having acquired Danal Inc in 2019 and Fortumo Holdings, Inc. in 2020, the period following the merger of two companies require in-depth analysis and planning around integration, finding the synergies and ensuring an effective operational model is in place and focusing on how all working and individual cultures are intertwined.</p> <p><i>Risk level: Low</i> <i>Risk tolerance: Green</i> <i>Risk movement: New</i></p>	<ul style="list-style-type: none"> • Being a global company that is growing rapidly, an international environment where we respect our similarities and differences, is in the core of our values • Forming working groups to execute the plans following the synergies identified • Aligning policies and best practices to be followed by all employees • Review costs and duplications of activities for a better utilisation of resources • Create new management committees covering both entities
<p>Attracting and retaining the best talent</p> <p>The Group's success depends on its ability to attract and retain key management and skilled technical employees. If the Group is unable to identify, attract, develop, motivate and adequately compensate and retain well-qualified and engaged personnel, this could have a material effect on the Group's reputation, business, operations and financial performance.</p> <p><i>Risk level: Medium</i> <i>Risk tolerance: Green</i> <i>Risk movement: Increased</i></p>	<ul style="list-style-type: none"> • Developing the skills and capabilities of staff as part of talent management • Creating opportunities within the Group for personal development and career enhancement • Recruiting experienced HR staff and working with specialised recruitment agencies • Simplified our recruitment approach to attract and provide a better experience for potential candidates • Flexible working provides more opportunities of attracting and hiring employees from new locations, outside of the main office locations
<p>Effects of the pandemic</p> <p>An unprecedented global scale pandemic, resulting in significant restrictions on daily life and activities as we knew, has impacted our business in two ways:</p> <p>Positive: people while staying indoors have consumed more home entertainment digital content resulting in revenue increase.</p> <p>Negative:</p> <ul style="list-style-type: none"> • minor operational challenges due to third party's business disruptions • staff wellbeing <p><i>Risk level: Low</i> <i>Risk tolerance: Green</i> <i>Risk movement: New</i></p>	<ul style="list-style-type: none"> • Created a Covid related committee to manage Group wide communications following Government updates to ensure continuity of operations and compliance with new regulations • Increased the IT equipment order quantities to avoid delivery delays (e.g. new joiners not getting their laptops) • Close relationship and regular communication with our partners • People Ops check-in messages to ensure employees are keeping well and offering additional support if needed • Organising virtual social events, games, sport activities, etc. regularly to ensure social and mental well being

Board of Directors



Mark Britto

CHAIRMAN

With over 20 years as an entrepreneur, sales and financial services executive, Mark Britto is currently EVP, Chief Product Officer at PayPal. He also serves as Boku's Non-Executive Chairman.

Mark founded Boku after six years as the CEO of Ingenio, a service marketplace and performance advertising company, which he led to a 2007 acquisition by AT&T. Prior to Ingenio, Mark spent 4 years as SVP of worldwide services and sales at Amazon.com.

Mark's first start-up, Accept.com, was bought by Amazon.com in 1999 and served as the primary backbone of Amazon's global Payments platform. Mark began his career in senior credit and risk management roles at leading national banks FirstUSA and Bank of America.



Jon Prideaux

CHIEF EXECUTIVE OFFICER

Jon has more than 25 years of Payments experience. He was an early Visa Europe employee and key contributor to its growth, leaving in 2006 as EVP, Product and Marketing. He started Visa Europe's ecommerce division, was the lead executive on the introduction of Chip and PIN technology and oversaw product launches such as Visa Electron and V PAY.

He served on the Board of EMVCo, was the Chairman of the Compliance Committee and was a member of Visa's Global Product and Brand Councils.

Since leaving Visa in 2006, Jon served as Deputy CEO for SecureTrading, where he doubled transaction numbers and quadrupled profitability. He then led a management buy in at Shopcreator, the ecommerce software platform.



Keith Butcher

CHIEF FINANCIAL OFFICER

Keith has had considerable experience as a listed company CFO and of online Payments businesses. His experience includes six years as CFO of AIM quoted online Payments company DataCash Group plc during its period of rapid growth and ultimate sale to MasterCard. More recently, he was CFO of LSE listed Payments company Paysafe Group plc (formerly Optimal Payments plc), which grew its market capitalisation from £40 million to £2 billion during his tenure, through a combination of organic growth and a number of acquisitions including the €1.1 billion acquisition of Skrill. Until his appointment as CFO, Keith was an Independent Non-Executive Director and Chairman of Boku's Audit Committee from Boku's admission to AIM in 2017. Keith was awarded Finance Director of the Year at the Quoted Company Alliance Awards (QCA) 2014.



Dr Richard Lawrence Hargreaves

SENIOR NON-EXECUTIVE DIRECTOR

Richard co-founded Endeavour Ventures in 2006 and has been investing and advising companies for over 30 years. He began his career at 3i plc where he spent ten years before starting Baronsmead and launched one of the first VCTs – Baronsmead VCT. He sold this to Friends Ivory & Sime plc in 1995 (it later became ISIS Equity Partners).

Richard was MD of their unquoted investment business at that time which had £180 million funds under management. Richard is a former chairman of the British Venture Capital and Private Equity Association (BVCA). He has significant experience as a non-executive director on both public and private company boards.

He is a graduate of the University of Cambridge and has an MSc and PhD from Imperial College, London. Mr. Hargreaves is the Chairman of Boku's Remuneration Committee and member of the Audit Committee.



Stewart Roberts

NON-EXECUTIVE DIRECTOR

Stewart has over 30 years of experience in Payments, banking and technology, across both start-ups and institutional employers and is a recognised Payments industry expert in both the traditional and emerging Payments space, as well as the mobile application sector. Stewart had previous roles as Global Director of Innovation for Barclaycard and Head of International – Merchant Services for the Royal Bank of Scotland Group. More recently, Stewart was CFO and then Executive Vice President of iZettle AB and was a key member of the team that agreed the sale of iZettle to PayPal in May 2018 for US\$2.2 billion. Mr. Roberts is the Chairman of Boku's Audit Committee and a member of the Remuneration Committee.



Charlotta Ginman

NON-EXECUTIVE DIRECTOR

Charlotta Ginman, FCA, is a former Nokia executive who has held a number of senior positions in investment banking, technology and telecoms sectors. Her current Non-Executive Director positions include companies in the Video Games (Audit Committee Chair at Keywords Studios plc) and Communications (Gamma Communications plc) sectors. Additionally she is Non-Executive Director and Chair of the Audit Committee of two Investment Trusts; Polar Capital Technology Trust PLC and Pacific Asset Trust PLC and a Non-Executive Director of Unicorn AIM VCT PLC, a Venture Capital Trust. As three of Charlotta's roles are with investment companies, that have only 4-5 meetings a year, and the other companies are all AIM listed, with less regulatory burden than a premium listing, Charlotta has sufficient time to devote to each of her roles. Ms. Ginman is a member of Boku's Audit and Remuneration Committees.

Senior Management



Adam Lee

CHIEF PRODUCT OFFICER

Adam has been developing new products and services for startup ventures for over 20 years. At Boku, Adam leads product, design, and marketing, charged with finding innovative new applications for the 4B+ mobile phones the Boku Platform is currently connected to.

Before joining Boku, Adam was at Intuit where he launched the world's first consumer medical wallet used to understand, manage, and pay for healthcare expenses, distributed by two of the largest US healthcare networks, UnitedHealthcare and CIGNA.

Prior to Intuit, Adam had also worked for two major industry backed B2B platform companies, Neoforma and more notably GlobalNetXchange where he developed technology and services to drive better supply chain performance between companies around the world including Carrefour, Sears, Sainsburys, Metro AG, Karstadt Quelle, Unilever, Proctor & Gamble, and Diageo.



Stuart Neal

GENERAL MANAGER, IDENTITY

Stuart was CFO of Boku from June 2017 to October 2019 before moving into the new role as Chief Business Officer. Prior to re-joining Boku in 2017, Stuart was advising new technology ventures, bringing to market cutting edge technology in AI Machine Learning, Crypto Currency and Blockchain.

Previously, he was Chief Commercial Officer at Vocalink Zapp (acquired by Mastercard), building distribution channels and creating merchant demand for their Pay by Bank App product. Stuart was also Commercial Director at Barclaycard, Europe's second largest card acquirer, where he oversaw the roll out of contactless payments across the UK market.

He has held senior Commercial and Finance positions within a number of blue chip corporations including GlaxoSmithKline, Worldcom and Virgin Media. Stuart was previously CFO at Boku between 2012 and 2014.



Chris Newton-Smith

COO

Chris has more than 20 years of experience in B2B software in mobile and digital. At Boku, he leads Technology, Operations, and People Operations.

Prior to Boku, Chris was CEO of iRIS Software Systems. There, he led the roll-out of its digital food & beverage ordering platform to global hotel groups including Marriott and Four Seasons.

Previously, he was General Manager, EMEA and Chief Product & Marketing Officer at Redknee, a global leader in monetisation software for telecoms, with more than 200 carriers in 100 countries.

Chris held product management and business development roles at LogicaCMG Telecoms and BlackBerry. He was a mentor for METRO Accelerator by Techstars and a Trustee at Emmaus Hertfordshire. He has a Bachelor of Engineering and Management from McMaster University.



Mark Stannard

CHIEF BUSINESS OFFICER

Mark has over 20 years' experience in mobile, digital and fintech services.

He played a critical role in building Boku's market-leading carrier billing network of nearly 200 carriers, and as Chief Business Officer – Payments, has direct responsibility for Boku's Worldwide mobile Payments business. This includes the deployment of new mobile Alternative Payment Types onto the Boku Platform, such as digital eWallets and mobile banking Apps.

Previously, Mark held positions at Deutsche Telekom & Buongiorno-Vitaminic (now part of NTT-DOCOMO) where he managed BD, and led marketing & licensing for music and digital entertainment services.

He holds a Masters Degree in Business Administration from Cambridge University, specialising in Strategy, Innovation and Organisational Behaviour.

Corporate Governance Report

Chairman's Introduction

Dear Shareholder,

Part of my role as Chairman is to ensure that the highest levels of corporate governance are maintained throughout the Company and also at Board level.

I recognise the importance of, and we as a Board are committed to, high standards of corporate governance, aligned with the needs of the Company and the interests of all our stakeholders.

My fellow directors and I fully appreciate the importance of sound governance in the efficient running of the company, and in particular in the effectiveness and independence of the Board. The following report sets out how we do this. It also covers how the Board and its committees operated in 2020 and how we have continued to comply with the principles of the QCA Corporate Governance Code (the "QCA Code").

Mark Britto

Non-Executive Chairman

15 March 2021

Statement of Compliance

Application of the QCA Corporate Governance Code

Principle	Application/Evidence
Deliver Growth	
1. Establish a strategy and business model which promote long-term value for shareholders	At Boku we seek to develop an entrepreneurial and supportive culture across our business so that these values are integral to everything else we do. An explanation of the Company's business model and strategy, including key challenges in their execution (and how those will be addressed) is included on pages 4 to 9.
2. Seek to understand and meet shareholder needs and expectations	The Board engages with shareholders via a variety of channels and activities including the annual general meeting, updates to shareholders via its reporting and the regulatory news services, institutional and retail investor presentations and investor roadshows, all of which provide an opportunity for shareholders to engage directly with senior management and the Board.
3. Take into account wider stakeholder and social responsibilities and their implications for long term success	Boku's culture is very open and this includes reaching out and seeking feedback on a regular basis through employee opinion surveys. The Board regularly considers the key stakeholder relationships which give the Company its competitive advantage and thereby contribute to its long-term success. The key stakeholders are the skilled people employed by the Company and its merchant and carrier relationships, together with other service providers. These relationships are regularly monitored by the Board.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board retains overall responsibility for identifying the major business risks faced by the Group by setting both the framework and risk appetite of the Group, in line with best practice. Our risk management framework and approach to risk is summarised on pages 20 to 23.

Maintain a Dynamic Management Framework

5. Maintain the Board as a well-functioning, balanced team led by the chair

The QCA Code requires that boards have an appropriate balance between executive and non-executive directors and that each board should have at least two independent directors. The Board is currently made up of a Non-Executive Chairman (Mark Britto), two Executive Directors: the Chief Executive Officer (Jon Prideaux) and the Chief Financial Officer (Keith Butcher) and three Non-Executive Directors (Richard Hargreaves, Stewart Roberts and Charlotta Ginman). Three of these directors are considered independent.

The Board is supported by an appropriate committee structure, comprising of separate Audit and Remuneration Committees that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Further details of the current directors and a note of those who are considered to be independent are set out on page 24.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that its directors have an effective and appropriate balance of skills and experience, and that there is a suitable balance between independence of character and judgement, and knowledge of the Company, to enable it to discharge its duties and responsibilities effectively. All directors are encouraged to use their independent judgement and to constructively challenge all matters, whether strategic or operational.

The current directors, their background and experience are described on pages 24 to 25. Collectively, our team has all the necessary skills and experience, to carry out the Group's strategy and business model effectively.

Richard Hargreaves is the senior independent director and he is available to speak with shareholders concerning the corporate governance of the Company. The Company Secretary, Deepa Kalikiri is responsible for advising the Board on governance matters and ensuring that decisions of the Board in relation to governance matters are implemented.

The latest review of Board effectiveness did not highlight any areas of concern. Additionally, neither the Chairman nor Chief Executive have received any representations to this effect.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board has undertaken a formal annual evaluation of its own performance, including of the Company's committees.

The evaluation demonstrated overall positive results of the performance of the Board and committees, by recognising the strengths and addressing ways of improvement where appropriate.

Appropriate training is also available to all directors to develop their knowledge and ensure they stay up to date on matters for which they have responsibility as a Board member.

Board composition is reviewed regularly, with Charlotta Ginman, Non-Executive Director, appointed in September 2020.

Corporate Governance Report

Maintain a Dynamic Management Framework (continued)

8. Promote a corporate culture that is based on ethical values and behaviours

The Company's culture is guided by many different activities, which include regular senior management meetings and feedback following the employee surveys. Such surveys provide an insight to the views of the workforce on the Company.

The Company's policies set out its zero-tolerance approach towards any form of discrimination or unethical behaviour relating to bribery, corruption or business conduct in all jurisdictions in which it operates. A recruitment policy, used consistently across the business is in place, which together with training and policies on whistleblowing and anti-bribery assist in embedding a culture of ethical behaviour for all employees.

An outline of the corporate culture promoted by the Board is set out in the section of the Company's website headed Core Values.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Formal Board meetings are held every two months to review strategy, management and performance of the group. Additional meetings between those dates are convened as necessary. We have two Board committees: the Audit Committee and the Remuneration Committee.

The terms of reference of both these committees have been revised to reflect the principles of the QCA Code. The terms of reference can be viewed at <https://www.boku.com/investor-relations/reports-documents/>

Due to the current size of the Company, the Board still considers a Nominations Committee is not appropriate, any decisions relating to appointments to the Board will be a matter for the consideration of the whole Board.

From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The roles and responsibilities of the Chairman, Chief Executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups) are set out on page 32.

The principal responsibilities of Board members are as set out below:

Amongst other things the Chairman is responsible for:

- Promoting the highest standards of corporate governance and ethical leadership
- Developing effective working relationships with the Executive Directors
- Promoting effective relationships between all Board members
- Setting the agenda for Board meetings and ensuring that sufficient time is devoted to the consideration of agenda items and that each director can express their views on matters
- Ensuring that the Board monitors and determines the nature of the significant risks the Company embraces in the implementation of its strategy
- Ensuring the Company maintains effective communications with shareholders and other stakeholders and that the Board as a whole is made aware of shareholder and stakeholder issues and concerns.

Maintain a Dynamic Management Framework (continued)

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board *[continued]*

The Chief Executive is responsible for the following matters amongst others:

- Developing and implementing strategy following approval by the Board
- Reporting on a regular basis to the Board of progress in respect of strategy, Company performance and business matters
- Developing the senior management teams and creating the appropriate organisational environment to deliver the strategy
- Acting as the principal spokesman for the Company

The Chief Financial Officer is primarily responsible for the delivery of high quality information to the Board on the financial position of the Company.

The Non-Executive Directors are responsible for providing a challenge to the Executives where required and to make the Board aware of their views on matters before Board decisions are made. They must be able to devote sufficient time to develop their knowledge and skills to be able to make a positive contribution to the Board.

The Board has a schedule of matters reserved for the Board which requires the following key matters to be considered and approved by the Board:

- Strategy and overall management of the Group
- Financial reporting and controls
- Ensuring a sound system of internal controls
- Approval of major capital projects and contractors
- Communication with shareholders
- Board membership and appointments
- The Remuneration Policy
- Delegated authorities
- Corporate governance matters
- Approval of key policies

The Board and its committees receive appropriate and timely information before each meeting, a formal agenda is produced for each meeting, and Board and committee papers are distributed several days before meetings take place allowing all Board members to contribute even if they cannot attend. Any director can challenge proposals, and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all directors. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by management.

The Board continues to receive departmental 'deep dives' during the Board meetings, which has strengthened the Board's exposure to the executive committee and other senior management.

The Board is satisfied that the governance arrangements for the business remain appropriate and that the delegations in place are effective and with strong oversight and controls. This is, of course, subject to regular Board and managerial oversight and review.

Corporate Governance Report

Build Trust

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Reports on the work of the Board and its committees are set out as follows:

- Board: pages 44
- Audit Committee: pages 34
- Remuneration Committee: pages 37

Information about shareholder voting at the 2020 Annual General Meeting of the Company is set out on Boku's website.

The Group's approach to investor and shareholder engagement is described under Principle 2 above. Annual Reports, Annual General Meeting notices, regulatory announcements, trading updates and other governance related materials for 2020 and retrospective years are available from the Company's website.

The Board Composition and Responsibilities

The Board currently consists of a non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors. There is a clear division of responsibilities between the Chairman and the executive officers and the Board considers three of the non-executive directors to be independent.

The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision-making process.

On 23 September 2020, Charlotta Ginman was appointed as a Non-Executive Director. Mrs Ginman is also a member of the Audit Committee and the Remuneration Committee.

By rotation, Directors are subject to reappointment by a shareholder vote at the Company's Annual General Meeting. Mr. Butcher and Ms. Ginman are up for re-election at the Annual General Meeting scheduled for 19 May 2021. The directors evaluate the balance of skills, knowledge and experience of the Board when defining the role and capabilities required for new appointments.

The Board is responsible for setting the strategic direction and policies for the business. The Board meets regularly to attend to any issues which require its attention and oversees the financial position of the Company, monitoring performance on behalf of the shareholders, to whom the Directors are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and the Company's approach to risk management. The day-to-day management of the Company's business is delegated to the Chief Executive Officer and the senior executives.

Board Composition



Board Tenure



Management Team

The Board meets at least once every two months and Board meetings are attended by all directors either in person or over the phone. The Board formulates and approves the Company's strategy, budgets, corporate actions and monitors the Company's progress towards its goals.

It has established an audit committee and a remuneration committee with formally delegated duties and responsibilities and with written terms of reference.

From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. Due to the size of the Company, the directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than by a committee.

Audit committee

The Audit Committee is chaired by Stewart Roberts and its other members are Richard Hargreaves and Charlotta Ginman, all of whom are Independent, Non-Executive Directors. The Audit Committee meets formally at least twice a year and otherwise as required. It has the responsibility of ensuring that the financial performance of the Company is properly reported and reviewed and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal controls and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, and advising on the appointment of external auditors. A full report of the Audit Committee can be found on page 34.

Remuneration committee

The Remuneration Committee is chaired by Richard Hargreaves and its other members are Charlotta Ginman and Stewart Roberts, all of whom are Independent, Non-Executive directors. The Remuneration Committee meets at least twice a year and at such other times as required. It has responsibility for determining, within the agreed terms of reference, the Company's policy on the

remuneration packages of the Company's Chief Executive, Chairman, and the executive directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors will be a matter for the Chairman and executive directors of the Board. No director or manager is allowed to partake in any discussions relating to their own remuneration. In addition, the Remuneration Committee has the responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and succession planning. It also has responsibility for recommending new appointments to the Board. A full report of the Remuneration Committee can be found on page 37.

Share Dealing code

The Company has adopted a dealing code for the directors and all employees, which is appropriate for a company whose stock is admitted to trading on AIM. The Company takes all reasonable steps to ensure compliance by the Directors and employees with the terms of that dealing code by providing regular training and making the share dealing code and associated documents readily available at all times.

Shareholders

The Board is committed to regular, open and effective communication with shareholders to ensure that the Company's strategy and performance are clearly understood. The Company provides annual and interim statutory financial reports, investor and analyst presentations, regular trading and business updates. At the Annual General Meeting all shareholders have the opportunity to meet and ask questions of the Board of Directors. The next Annual General Meeting is scheduled for 19 May 2021.

Audit Committee Report

Committee Chairman Introduction

Dear Shareholders,

I am pleased to introduce the audit committee report for the year ended 31 December 2020. In the report below we explain how the committee discharged its responsibilities during the year, including the significant issues that we considered in relation to the financial statements and how we safeguarded the independence and objectivity of the external auditors.

Our external auditors are BDO LLP, who were appointed as our external auditors for the first time in 2017.

Composition of the Committee

The audit committee comprises Stewart Roberts (who serves as chair), Richard Hargreaves and Charlotta Ginman. Mr. Roberts joined Boku as the chair of the audit committee on 1 January 2020 and Mrs Ginman joined the Board and audit committee on 23 September 2020. Mark Britto stepped down from the audit committee at the same time.

All members of the committee are non-executive directors and are independent of management. The Board considers that the audit committee as a whole has competence relative to the sector in which the Company operates. Mr. Roberts and Mrs Ginman have significant accounting, auditing and other related financial management expertise.

Executive directors and senior executives (the Group Financial Controller and Company Secretary) attend meetings by invitation as required, but do not do so as of right. Representatives of BDO LLP (external auditor) also attend the committee meetings and meet privately with committee members, in the absence of executive management, prior to each committee meeting.

The committee normally meets twice during each financial year and more frequently as required.

The Role and the Responsibilities of the Committee

The committee's principal responsibilities are to:

- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The committee also reviews the Group's Annual Report and Accounts and Interim Report prior to submission to the full board for approval.
- monitor the Group's accounting policies and review the Company's internal financial controls and financial reporting procedures and, on behalf of the board, the Company's internal control and risk management systems.
- monitor the adequacy and effectiveness of the Company's internal controls and internal financial controls, risk management systems and insurance arrangements.
- make recommendations to the board, for it to put to the shareholders for their approval in the Annual General Meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- oversee the relationship with the external auditors and review and monitor their independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and US professional and regulatory requirements.
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- provide a forum through which the Group's auditors and external tax advisors report to the board; and
- report to the board on how it has discharged its responsibilities.

External Audit

The scope of the audit work undertaken by external auditors is agreed in partnership with the Audit Committee and typically covers the following areas:

- the External Auditor's overall work plan for the forthcoming year
- the External Auditor's fee proposal
- the major issues that arose during the course of the audit and their resolution
- key accounting and audit judgements and estimates
- the levels of errors identified during the audit, and
- recommendations made by the External Auditor in their management letters and the adequacy of management's response.

The Audit Committee meets privately with the External Auditor in the absence of management to review matters within their sphere of interest and responsibility.

Non-Audit Services and Fees

It can occasionally be more efficient or necessary to engage the external auditors to provide non-audit services because of their knowledge and experience and/or for reasons of confidentiality. However, safeguarding the objectivity and independence of the external auditors is an overriding priority. The external auditors would only be appointed to perform a service when doing so would be consistent with both the requirements and principles of the relevant external regulations, and when their skills and experience make the firm the most suitable supplier.

We classify work that the external auditors might be permitted to perform into one of two categories and manage these as follows:

- Audit services – the scope and fees for the statutory audit are agreed by the committee.
- Audit-related services (including the review of interim financial information) – the scope of any such services and the fees must be pre-approved by the committee.

Audit and Other Fees

	2020 \$	2019 \$
Audit services – core	232,655	198,500
Audit services – new subsidiary audit, Fortumo (non-BDO network firm)	59,733	-
Audit services – specific to FY20 and FY19 year ends	42,000	50,000
Audit - related services (review of interim accounts)	26,300	25,000
Sub-Total: audit and audit related fees	360,688	273,500
Other assurance services	-	-
Services related to taxation	-	-
Sub-Total: fees other assurance and services related to taxation fees	-	-
Total group auditor fees	360,688	273,500
Third party audit fees specific to FY20	45,000	-
Total audit fees	405,688	273,500

Audit Committee Report

Internal Audit

Boku does not currently employ an internal audit function –as is typical for a company of Boku's size–however, the need for an internal audit team was considered during the year and deemed not necessary at this stage however this will be reviewed by the Audit Committee on a periodic basis.

Boku has a small Risk & Compliance Team whose primary area of focus is to ensure that the company remain compliant with all relevant regulation, most notably the FCA in the UK/ EU (issuer of our e-money license) and relevant local Telecoms regulation within each specific market; in addition to broader regulatory requirements such as GDPR and PSD2 within the EU. The company also employs a dedicated team focused on transaction monitoring and revenue and reconciliation.

Key Activities in the Year Ended 31 December 2020

Reviewed the Purchase Price Acquisition paper prepared by PwC for the acquisition of Fortumo Holdings Inc on 1 July 2020.

Reviewed the key business risks of the company and agreed the subsequent updates to the focus areas. (Please refer to page 20 for a more detailed review of company's principal Risk and Uncertainties).

Reviewed and approved the Impairment review paper produced by management

Reviewed and approved budgets, forecasts and the group's Going Concern paper produced by management.

Looking Ahead

The company implemented a new Navision accounting system during 2020 which improved working practices and enabled the finance team to cross-train across multiple geographies on one set of systems and processes. Following the acquisition of Fortumo, which runs on a standalone accounting package, a project to migrate Fortumo's accounting onto Navision is underway and will be completed in the first half of 2021.

Stewart Roberts
Audit Committee Chairman
15 March 2021

Remuneration Report

Chairman's Introduction

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the 2020 financial year. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

Boku is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration is intended to reflect this approach. We welcome shareholder feedback and will continue our practice of putting an advisory resolution on remuneration to shareholders at our AGM.

This report sets out the remuneration policy and the detailed remuneration for both the Executive and Non-Executive Directors of the Company for the period to 31 December 2020. The information provided fulfils the requirements of AIM Rule 19. Boku, Inc, being US incorporated is not required to comply with the UK's Companies Act Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The information is unaudited.

Remuneration Policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise. The Company needs to ensure that key personnel can deliver the Company's objectives and value for shareholders in a competitive sector.

The four main elements of the remuneration package are base salary, benefits, annual performance related bonuses and long-term share incentives, payable to Executive Directors, namely the CEO and CFO, and other executive team members. The policy in each area is detailed in this report.

Performance and Decisions on Remuneration Taken

The Company performed well in 2020 and continues to grow fast. Revenues were slightly ahead of market expectations and Adjusted EBITDA, which doubled, was substantially ahead. It was particularly impressive that this was achieved despite the impact of COVID-19.

Bonuses for 2020 (relating to performance in 2019) were paid to the two Executive Directors as detailed in note 20. Awards were made to all employees under the company's Equity Plan in January 2020 and comprised time based restricted stock units.

Additionally, during the year, the company made long term incentive awards to executives and other employees in the form of performance restricted stock units. These stock units have vesting rules which are detailed in note 20. Awards of performance stock units were made to Jon Prideaux, Keith Butcher, other members of the Executive Team and various other key employees. These awards vest after three years, with half subject to an Adjusted EBITDA performance condition. However the need to meet the performance condition is subject to Remuneration Committee discretion.

Decisions for 2021

Annual bonuses payable in 2021 (reflecting performance in 2020) will operate in a very similar way to 2020, reflecting the core objectives of revenue and Adjusted EBITDA growth and personal contribution.

I hope that you find the report helpful and informative.

Richard Hargreaves

Remuneration Committee Chairman

15 March 2021

Remuneration Report

Composition of Committee

The Committee members are Richard Hargreaves (Chairman), Stewart Roberts and Charlotta Ginman. The Committee meets at least twice a year to review the remuneration of the Executive Directors and other executive team members and to set the overall pay policy. The views of the Chief Executive Officer are sought in respect of awards to the other Executive Director and Executive Team members.

Remuneration Policy

The Committee's overall approach is focused on ensuring the company's remuneration policy is aligned with shareholders' interests whilst also enabling the company to attract, retain and motivate high quality executive management. Since the company has expanded considerably both organically and with the acquisition of Fortumo, in 2020 the Committee undertook one of its periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. The results of this exercise were incorporated into revised Executive Remuneration packages

Base Salary

Base salary for each Executive Director is reviewed annually by the Committee: salary levels paid by companies of a similar size and nature; the performance of the Group as a whole and the Director's performance, experience and responsibilities are all taken into account. Changes in 2021 will be effective from 1 February 2021 (2020: 1 February for Mr. Prideaux, 1 July for Mr. Butcher).

Annual Bonus

Bonuses are paid at the discretion of the Committee. The Committee's general policy is that Executive Directors should receive a bonus for the achievement of stretching performance targets. Currently the Company uses revenue, Adjusted EBITDA and personal performance targets.

Bonuses for achievement of target performance will be paid in cash on a half-yearly basis. Bonuses for over performance will only be paid annually. The Committee has discretion to make adjustments to the level of bonus to avoid unintended consequences. For 2020, bonuses for the executive directors were set at 35% of salary for achieving target performance and capped at 70% of salary for over performance.

The bonus scheme extends to the other executives who are members of the Executive Management Team.

Long Term Incentives

During 2020, the company made long term incentive awards to executives and other employees in the form of performance-based restricted stock units. In general, restricted stock units vest and convert into common shares on the vesting date. Details of awards currently held by directors are set out later in this report.

The Committee sees long term incentives as an important part of the remuneration of executives, to align them with shareholders and reward them for strong performance. In line with its policy of making annual awards, in 2021 the Committee made further awards to executives. Awards to Executive Directors and key employees have a minimum normal vesting period of three years, 50% of the award is subject to an additional performance condition relating to long term Adjusted EBITDA performance. However the performance condition is subject to Remuneration Committee discretion.

Pension Provision

The Company operates a stakeholder pension scheme for UK employees. Executive Directors participate on the same basis as other employees. Mr. Prideaux opted out from the pension scheme.

Benefits

The Company provides the option for employees to participate in a private healthcare plan. Mr. Prideaux participated for the entire year and Mr. Butcher did not participate in 2020.

Remuneration of Non-Executive Directors

The fees paid to the Non-Executive Directors are determined by the Executive Directors. They receive an annual fee and additional fees for chairing board committees, but they are not entitled to receive any bonus or other benefits. Non-Executive directors are entitled to reasonable expenses incurred in the performance of their duties. Non-Executive Directors become eligible for a single grant of RSUs after they have served on the Board for a year.

Service Contracts

The service contracts and letters of appointment of the Directors include the following terms:

Executive Directors	Date of contract	Notice period (months)
Jonathan Prideaux	1 May 2012	3
Keith Butcher	1 Oct 2019	3
Non-Executive Directors		
Mark Britto	30 August 2017	2
Richard Hargreaves	8 August 2017	2
Stewart Roberts	1 January 2020	2
Charlotta Ginman	24 September 2020	2

The service contracts of the Executive Directors do not provide for any extra payment on the termination of employment. The letters of appointment of the Non-Executive Directors have an initial period of 12 months.

Directors are subject to re-election by rotation every third year at the Annual General Meeting. Ms. Ginman and Mr. Butcher are up for election at the 2021 Annual General Meeting.

Annual Report on Remuneration

The following sections show how remuneration was managed during 2020.

Salaries

Base salaries for Executive Directors at the year ended 31 December 2020 were as follows:

Jonathan Prideaux	Chief Executive Officer	£234,531
Keith Butcher	Chief Finance Officer	£186,559

Fees of non-executive directors

Fees for Non-Executive Directors at the year ended 31 December 2020 were as follows:

Name	Role	Committee Chairman	Base Fee	Committee Chairman Fee
Mark Britto	Chairman	Nomination	\$60,000	-
Richard Hargreaves	Non-Executive Director	Remuneration	£30,000	£5,000
Stewart Roberts	Non-Executive Director	Audit	£30,000	£5,000
Charlotta Ginman ¹	Non-Executive Director		£30,000	-

¹ Mrs. Ginman joined the Board in September 2020 and received total compensation of £10,000 in 2020

Remuneration Report

Bonus

The annual bonus targets for 2020 were based on growth in revenue, Adjusted EBITDA and personal performance. Half of the maximum is payable for the achievement of Board defined targets, with the balance being awarded for over-performance. The maximum awardable to Mr. Prideaux was £82,086 (35% of salary) for achieving targets, with a maximum further amount of £82,086 (35% of salary) payable for over performance.

On-target bonus was set at £65,296 (35% of salary) for Mr. Butcher, with a maximum further amount of £65,296 (35% of salary) payable for over performance.

In 2020 revenue was ahead of the company's targets and Adjusted EBITDA came in more than double the 2019 figure (106.2%) and 18.3% ahead of the company's targets. At the half year on target bonuses were paid to the Executive Directors. Total bonuses in respect of 2020 will be paid to Mr. Prideaux and Mr. Butcher of £164,172 (2019: £73,417) and £130,591 (2019: £19,339).

Summary of Directors' Total Remuneration

Executive Directors	Salary £	Annual Bonus £	Performance Bonus £	Pension £	Benefits £	Total 2020 £	Total 2020 \$	Total 2019 £	Total 2019 \$
Jonathan Prideaux	234,717	82,086	82,086	-	2,030	400,918	514,628	301,780	385,399
Keith Butcher	181,534	65,296	65,296	1,752	-	313,878	402,925	63,528	81,136
Stuart Neal ¹	-	-	-	-	-	-	-	240,995	307,791

Non-Executive Directors	Fees 2020 £	Fees 2020 \$	Fees 2019 £	Fees 2019 \$
Mark Britto	46,743	60,000	46,979	60,000
Richard Hargreaves	35,000	44,927	35,000	44,701
Keith Butcher ²	-	-	30,000	38,315
Stewart Roberts ³	35,000	44,927	-	-
Charlotta Ginman ⁴	10,000	12,836	-	-
Total		1,080,249		917,342

¹ Mr. Stuart Neal ceased being an Executive Director in January 2020

² Mr. Butcher became an Executive Director in September 2019

³ Mr. Roberts also received £699.96 (\$898.48) in pension contributions from the company

⁴ Mrs. Ginman joined the Board in September 2020

Equity Plan and Long-Term Incentive Plan

During 2020 the Company granted 2,092,873 (2019: 1,909,766) performance-based restricted stock units (“PRSUs”) and 2,342,189 (2019: 3,229,379) restricted stock units (“RSUs”) over common shares to Executive Directors, other executives, employees, and Non-Executive Directors, under the Company’s 2017 Equity Incentive Plan. An additional 1,694,858 RSUs were issued to Fortumo employees in exchange for their shareholding in Fortumo and 391,000 Earn-out RSUs were issued to employees and executives of Fortumo.

The PRSUs granted to the executives and Executive Directors will vest over Common Shares three years from the award date, in one event, subject to the meeting of a long term Adjusted EBITDA performance target.

Boku also grants RSUs to the Non-Executive Directors of the Company to support retention and align the interests of these directors with those of the Company’s shareholders. The RSUs are granted to Non-Executive Directors after a year’s service on the Board and vest two years later, subject to certain conditions. No such grants were made in 2020.

A breakdown of the Directors’ current interests in the long-term incentive awards is set out below.

Market value options

Name	Date of grant	Number	Exercise price	Initial vesting date	Final vesting date	Lapsing date
Jonathan Prideaux	28 Oct 2016	200,000	USD \$0.28	12 Dec 2012	12 Dec 2016	23 Dec 2023
	28 Oct 2016	1,500,000	USD \$0.28	23 Apr 2014	23 Apr 2018	22 Apr 2024
	28 Oct 2016	750,000	USD \$0.28	23 Sep 2016	23 Sep 2020	27 Oct 2026
Mark Britto	28 Oct 2016	569,930	USD \$0.28	23 Jan 2013	23 Dec 2016	23 Dec 2023
	28 Oct 2016	424,514	USD \$0.28	23 Jan 2013	23 Dec 2017	23 Dec 2023
	28 Oct 2016	500,000	USD \$0.28	23 Sep 2016	23 Sep 2020	27 Oct 2026

On 26 March 2020, Mark Britto, Non-Executive Chairman, was issued 1,567,110 RSUs over Common Shares (the “Replacement RSUs”). These RSUs were issued to replace options over 2,052,457 Common Shares which were originally granted on 28 October 2016 and had an exercise price of USD\$0.28 (the “Stock Options”). Mr. Britto was unable to exercise the Stock Options prior to their lapsing date of 15 March 2020 due to the Company being in a closed period ahead of the announcement of its audited preliminary financial results for the period ended 31 December 2019 (“Closed Period”). Accordingly, in order to replace the expired Stock Options, the Board, on the recommendation of the Board’s Remuneration Committee, issued the Replacement RSUs on the expiry of the Closed Period. These Replacement RSUs had, in aggregate, the same economic value as the expired Stock Options

Remuneration Report

Restricted Stock Units

Name	Date of Issue	Number of RSUs	Initial Vesting Date	Final Vesting Date	Lapsing Date
Jonathan Prideaux	22 July 2020	301,142	01 Apr 2023	01 April 2023	31 Jul 2023
	15 Jan 2020	150,000	01 Apr 2023	01 Apr 2023	30 Apr 2023
	15 Feb 2019	300,000	01 Apr 2022	01 Apr 2022	15 Feb 2024
	25 Jul 2018	350,000	01 Apr 2021	01 Apr 2021	04 Sep 2023
Keith Butcher	22 Jul 2020	171,046	01 Apr 2021	01 Apr 2023	31 Jul 2023
	01 Jan 2020	125,000	20 Nov 2020	01 Apr 2023	30 Apr 2023
	25 Sep 2019	200,000	20 Nov 2020	01 Apr 2021	01 Apr 2024

Directors' Interests in Shares

The interests of the Directors as at 31 December 2020 in the shares of the company were:

Name	Number of Common Shares	Percentage of share capital
Mark Britto	10,328,145	3.591%
Jonathan Prideaux	2,643,829	0.919%
Richard Hargreaves	1,486,289	0.519%
Keith Butcher	502,750	0.175%
Charlotta Ginman	12,715	0.004%

Jon Prideaux's interests include 16,949 shares held by his spouse and 1,694 shares held by his family member.

Richard Hargreaves's interest include 213,342 shares held by his family members.

Stuart Neal was a director until 1 January 2020.

Directors Remuneration for the Year Commencing 1 February 2021

Executive Director salary levels as at 1 February 2021 were as follows:

Jon Prideaux	£300,000
Keith Butcher	£210,000

Prior to setting salaries for 2021, as part of its regular review of Executive and Non-executive compensation, the Committee reviewed benchmarking data for Executive Directors at similar companies, in terms of AIM, market capitalisation and the fintech sector. The survey revealed that compensation for both Executive and Non-executive Directors were bottom quartile. Accordingly the Committee made above inflation adjustments. The salary of the CEO, Jon Prideaux, was increased from £227,700 to £234,531 from 1 February 2019 and to £300,000 from 1 February 2021. The salary of the CFO, Keith Butcher, increased from £175,000 to £186,559 from 1 August 2020 and to £210,000 from 1 February 2021.

Non-Executive Director fees in 2021 will be upgraded in line with the review of competitive rates. The Chairman's fee will be increased to \$100,000; the rates for other Non-Executive Directors will be increased to £40,000; the supplementary fee for chairing a Board Committee will remain unchanged at £5,000.

The Executive Directors' annual bonus for the year commencing 1 January 2021 will be operated within the policy disclosed in this report. Bonus is paid based on the achievement of revenue, Adjusted EBITDA and individual performance targets. Mr. Prideaux's maximum bonus will be set at 50% of salary for on-target performance with amounts above this paid for exceeding targets. Maximum bonus is capped at 100% of salary. For Mr. Butcher the equivalent amounts are 40% for on target performance, with maximum awards capped at 80% of salary.

Directors' Report

The Directors present their report and the audited financial statements for Boku Inc. for the year ended 31 December 2020.

The preparation of financial statements is in compliance with IFRS issued by the International Accounting Standards Board (IASB) ("IFRS") and IFRIC Interpretations issued by the International Accounting Standards Board (IASB).

Principal Activities

The principal activity of Boku Inc. and its subsidiaries (the "Group") is the provision of mobile billing, mobile wallets, payment and identity solutions for mobile network operators and merchants. These solutions enable consumers to make online payments and verify their identities using their mobile devices.

Business Review and Future Developments

The review of the period's activities, operations, future developments and key risks is contained in the Strategic Report on pages 4 to 9.

Directors

The Directors who held office during the period and subsequently were as follows:

1. Mark Britto
2. Jon Prideaux
3. Richard Hargraves
4. Keith Butcher
5. Stewart Roberts
6. Charlotta Ginman (appointed 23 September 2020)

With regard to the appointment and replacement of directors, the Company is governed by its Charter (the US equivalent of the Articles of Association) and related legislation. The Charter may be amended by special resolution of the shareholders.

The Remuneration and Audit Committee reports can be found on pages 37 and 34 respectively.

Directors' Interests

Directors' share options and interests in shares can be found in the remuneration report on page 37.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Dividends

The Directors do not recommend a final ordinary dividend for the period (2019: £nil).

Post Balance Sheet Events

There were no post balance sheet events.

Financial Risk Management

Details of financial risk management are provided in note 3 to the financial statements.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The processes to identify and manage the key risks of the group are an integral part of the internal control environment.

Such processes, which are regularly reviewed and improved as necessary, include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, ensuring proper accounting records are maintained, the appointment of senior management and the setting of high standards for health, safety and environmental performance. The effectiveness of the internal control system and procedures is monitored regularly through a combination of review by management, the results of which are reported to and considered by the Audit Committee. The system of internal control comprises those controls established to provide assurance that the assets of the Group are safeguarded against unauthorised use and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failing to achieve the business objectives of the Group.

Going Concern

The Group going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the next 12 months from approval of these financial statements and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

The COVID-19 pandemic impact on our business have been appropriately managed and the Board believes that the business is able to navigate through the impact of COVID-19 due to the strength of its customer proposition, its statement of financial position and the net cash position of the Group.

Purchase of Own Shares

The Group does not hold any shares in treasury.

Statement of Disclosure to the Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors Appointment

BDO were appointed during the period and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' Report

Substantial Shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2020:

Shareholder	Percentage
Build Lux Holdco Sarl (a Vitruvian fund)	7.36%
Danske Capital Mgt	5.87%
Boku Inc Directors and Related Parties	5.60%
Danal Co. Ltd	5.11%
BlackRock Investment Mgt	5.01%
NewView Capital	4.77%
Swedbank Robur	4.03%
Schroder Investment Mgt	3.21%
River & Mercantile Asset Mgt	3.19%
Canaccord Genuity Wealth Mgt	3.11%
Total	47.26%

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Company is incorporated in and subject to the laws of the State of Delaware, USA, which does not require the directors to prepare financial statements for each financial year. However, the Group is required to do so to satisfy the requirements of the AIM Rules for Companies. When preparing the financial statements, the directors are required to prepare the group financial statements in accordance with an appropriate set of generally accepted accounting principles or practice. The Directors have elected to use International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) ("IFRS").

The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 (revised) requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that correctly explain the transactions of the Company, enable the financial position of the Company to be determined with reasonable accuracy at any time and allow financial statements to be prepared. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors' responsibility also extends to the continued integrity of the financial statements contained therein.

By order of the Board

Jon Prideaux
Chief Executive officer
15 March 2021

Independent Auditor's Report

to the members of Boku, Inc.

Opinion on the Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December, 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board.;

We have audited the financial statements of Boku Inc., (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December, 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. 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 remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach and model used by the Directors when performing their going concern assessment.

We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally we reviewed and challenged the results of Directors' projections, to assess the reasonableness of economic assumptions in light of the impact of COVID-19 in terms of their impact on the Group's solvency and liquidity position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage¹ 98% (2019: 99%) of Group loss before tax
99% (2019: 95%) of Group revenue
97% (2019: 98%) of Group total assets

Key audit matters	2020	2019
KAM 1	Revenue recognition	Revenue recognition
KAM 2	Fair values recognised in relation to the Fortumo Acquisition	Fair values recognised in relation to the Danal Acquisition
KAM 3	Impairment of Goodwill in the Identity cash generating unit	

We note that KAM 3 – Impairment of Goodwill in the Identity cash generating unit - is new in 2020 as a result of the impairment loss recorded.

Materiality Group financial statements as a whole
\$532,000 (2019:\$462,000) based on 0.9% (2019: 0.9%) of revenue.

¹ These are areas which have been subject to a full scope audit by the group engagement team

An Overview of the Scope of Our Audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined the significant components to be those located in Germany, U.K, Estonia and USA. The significant components in the UK and the US were subject to full scope audits by the Group audit team, as the Group's finance team and information for these territories are based within the UK. We instructed our network member firm in Germany to perform a full scope audit, and determined appropriately scoped risks and agreed responses to those risks with this component audit team. For the significant component in Estonia, which related to the newly acquired Fortumo business, we provided instructions to the non-BDO component auditor to perform a full scope audit that included our assessment of the risks and procedures to be performed as part of their audit reporting to us.

For components of the group not considered to be significant components we performed limited audit procedures including a combination of analytical procedures and where considered necessary certain specific procedures.

Independent Auditor's Report

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

We held planning meetings with each component team to discuss the component risk assessment including component materiality, and overall reporting process that was then communicated formally in group audit instructions. Our instructions required a number of reporting deliverables including the component auditor opinion that was received and reviewed. We took an active part in reviewing the work performed; for both the Germany and Estonia components this was performed remotely but with the component auditor in attendance. This, together with the additional procedures performed at Group level over the consolidation process gave us the evidence we needed for our opinion on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Details of the group's revenue streams and accounting policies applied during the period are given in note 2.</p>	<p>The Group's revenue is earned primarily from services earned on mobile payment transactions, integration fees and identity verification.</p> <p>The risk of material misstatement in relation to revenue recognition concerns the recognition of accrued revenue around year end, specifically related to settlement revenue for which the gross receipts from mobile network operators ('MNO's) and the associated gross payables to merchants are accrued at year end. These amounts are material and subject to a higher potential for management bias.</p>	<p>With regards to the risk of material misstatement related to accrued revenue around year end, we selected a sample of carriers included in accrued revenue and performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Obtained and tested management's reconciliation of accrued revenue to the underlying transaction systems, ensuring that the amounts recorded agreed with and were supported by the existence of transactions • Recomputed the accrued revenue based on the contractual terms with the carrier • Obtained the post-year end carrier statement and agreed the amounts recorded to the amounts subsequently received and paid <p>Key observations:</p> <p>Based on the procedures performed, we noted no material misstatements.</p>

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Fair values determined in relation to the Fortumo Holdings Inc.</p> <p>See accounting policy in note 2, the intangible assets note (note 11) and the business combinations note (note 26).</p>	<p>The acquisition of Fortumo Holdings, Inc., the details of which are provided in note 26, was completed on 1 July, 2020.</p> <p>There are risks present as a result of management's requirement to make significant judgements in assessing the fair values of consideration and of the assets and liabilities acquired. Management engaged an external valuations expert to undertake the purchase price allocation exercise.</p> <p>The inherent complexity of the judgements involved in assessing the fair values and related disclosures have led us to assess this as a key audit matter.</p>	<p>We obtained the valuation report from management's expert and performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the independence and objectivity of management's expert • Involved our internal valuation specialists to challenge the assumptions underpinning the significant judgements and estimates provided by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid. These assumptions included revenue and profit forecasts, discount rates, growth rates and customer attrition rates. • Tested the accuracy and completeness of the acquired balance sheet, together with the assessment of the appropriateness of any fair value adjustments to the acquired assets and liabilities. • tested that the valuation methodologies used for each type of asset were appropriate and consistent with market practice. • reviewed underlying cash flow projections and compared against post-year end outturn, • considered the appropriateness of discount rates applied and the long term growth rates against market data. <p>Further, we evaluated the disclosures provided in the financial statements and checked that these are consistent with the terms of the acquisition and amounts disclosed accurately reflect the value of the assets and liabilities acquired.</p> <p>Key observations:</p> <p>Based on the procedures performed, we noted no instances of material misstatements in the fair values determined in relation to the acquisition of Fortumo Holdings Inc.</p>

Independent Auditor's Report

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Impairment of Goodwill in the Identity cash generating unit</p> <p>See accounting policy in note 2 and intangible assets in note 11.</p>	<p>The Group recorded goodwill of \$23.6 million in 2019 from its acquisition of Danal. Inc., which forms the Identity cash generating unit ("CGU").</p> <p>Given the performance of the Identity CGU during the second half of 2020, the Group determined that goodwill had been impaired resulting in an impairment charge of \$20.1 million.</p> <p>The inherent complexity of management's judgements involved in assessing the fair value of the CGU together with the related disclosures has led us to assess this as a key audit matter.</p>	<p>We obtained management's projections of future performance and evaluated the appropriateness of the key inputs and assumptions used based on previous projections and actual performance, combined with evidence supporting estimates of future revenue growth.</p> <p>We engaged with internal valuation specialists to assist with testing the appropriateness of the value in use calculations, including the discount rate applied.</p> <p>Based on the above, we tested the computation of the impairment charge recorded including its appropriate presentation in the financial statements.</p> <p>We also evaluated the Group's disclosures relating to the sensitivities associated with the key judgements applied in concluding on the amount of the impairment charge.</p> <p>Key observations:</p> <p>Based on the procedures performed, no material misstatement was noted in the impairment charge. Further, no material findings were noted related to the disclosures being sufficient to illustrate the associated sensitivity of this to variations in key inputs and assumptions.</p>

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2020	2019
Materiality	\$532,000	\$462,000
Basis for determining materiality	0.9% of revenue	0.9% of revenue
Rationale for the benchmark applied	Revenue was determined to be the most appropriate benchmark as the basis for materiality given the growth strategy of the Group and revenue being the key performance indicator in measuring performance against that strategy.	Revenue was determined to be the most appropriate benchmark as the basis for materiality given the growth strategy of the Group and revenue being the key performance indicator in measuring performance against that strategy.
Performance materiality	\$399,000	\$346,500
Basis for determining performance materiality	We used 75% of Materiality based on the degree of aggregation risk determined, which considered the number of components in the group, the history of misstatements and risks associated with individual components.	We used 75% of Materiality based on the degree of aggregation risk determined, which considered the number of components in the group, the history of misstatements and risks associated with individual components.

Component materiality

We set materiality for each component of the Group based on a percentage of between 12% and 55% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$65,000 to \$292,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$26,000 (2019: \$23,100). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditor's Responsibilities for the Audit of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, AIM Rules for Companies and the relevant tax compliance regulations.
- We considered provisions of other laws and regulations that do not have direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate. These include compliance with FCA regulations, Money Laundering Regulations 2007 and Proceeds of Crime Act, and the Data Protection Act.

- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override and accrued revenue (the risks associated with accrued revenue has been assessed as a Key Audit Matter above). We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with Group Management; and focussed testing as referred to in the Key Audit Matters section above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the Parent Company's members, as a body, in accordance with the terms of our engagement letter dated 30 November, 2020. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
 London
 15 March, 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2020 \$'000	Year ended 31 December 2019 \$'000
Revenue*	4	56,402	50,148
Cost of sales		(4,925)	(5,563)
Gross profit		51,477	44,585
Administrative expenses	5	(68,200)	(45,469)
Operating loss analysed as:			
Adjusted EBITDA**		15,268	7,403
Payment Revenue adjustment (non-recurring)*	4	-	3,255
Depreciation and amortisation		(5,917)	(4,461)
Stock Option expense	20	(4,925)	(6,771)
Foreign exchange gains		1,048	107
Impairment of goodwill	11	(20,775)	-
Exceptional items (included in administrative expenses)	5	(1,422)	(417)
Operating loss		(16,723)	(884)
Finance income	7	70	56
Finance expense	7	(662)	(468)
Loss before tax		(17,315)	(1,296)
Tax (expense)/credit	8	(1,470)	1,651
Net (loss)/ profit for the period attributable to equity holders of the parent company		(18,785)	355
Other comprehensive income/(losses) net of tax			
Items that will or may be reclassified to profit or loss			
Foreign currency translation profit/(loss)		1,720	(160)
Net increase/(decrease) in fair value of cash flow hedge derivatives		-	(3)
Total comprehensive profit/(loss) for the period		1,720	(163)
Total comprehensive loss/(profit) for the period attributable to equity holders of the parent company		(17,065)	192
Loss/(profit) per share attributable to the owners of the parent during the year			
Basic and fully diluted (\$)	9	(0.069)	0.001

*Includes \$3.3 million of non-recurring Payments Revenue in 2019; to better reflect underlying performance, this non-recurring revenue is excluded from Adjusted EBITDA. Further information on this non-recurring Payment Revenue is detailed in Note 2 and Note 4.

**Earnings before interest, tax, depreciation, amortisation, non-recurring payment revenue, stock option expense, foreign exchange gains/(losses), impairment of goodwill and exceptional items. Management has assessed this performance measure as relevant for the user of the accounts.

Consolidated Statement of Financial Position

	Note	31 December 2020 \$'000	31 December 2019 \$'000
Non-current assets			
Property, plant and equipment	10	3,771	3,512
Intangible assets	11	65,559	46,819
Deferred income tax assets	8	483	1,826
Total non-current assets		69,813	52,157
Current assets			
Trade and other receivables	13	92,535	53,592
Cash and cash equivalents	14	61,290	34,747
Restricted cash	14	1,414	876
Total current assets		155,239	89,215
Total assets		225,052	141,372
Current liabilities			
Trade and other payables	16	136,779	77,995
Bank loans and overdrafts	17	1,438	2,098
Lease liabilities	15	1,436	1,723
Total current liabilities		139,653	81,816
Non-current liabilities			
Other payables	16	862	791
Deferred tax liabilities	8	228	449
Loans and borrowings	17	10,813	-
Lease liabilities	15	1,742	1,358
Total non-current liabilities		13,645	2,598
Total liabilities		153,298	84,414
Net assets		71,754	56,958
Equity attributable to equity holders of the company			
Share capital	18	29	25
Share premium		240,053	208,196
Foreign exchange reserve		(307)	(2,027)
Retained losses		(168,021)	(149,236)
Total equity		71,754	56,958

The financial statements were approved by the Board for issue on 15 March 2021

Jon Prideaux
Chief Executive Officer

Keith Butcher
Chief Financial Officer

Consolidated Statement of Changes In Equity

	Share capital	Share premium	Cash flow hedging reserve	Foreign exchange reserve	Retained losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at 1 January 2019	22	178,079	3	(1,867)	(149,591)	26,646
Profit for the year	-	-	-	-	355	355
Other comprehensive losses	-	-	(3)	(160)	-	(163)
Issue of share capital upon exercise of 4,750,898 stock options and RSUs	-	571	-	-	-	571
Share-based payment ¹	-	5,472	-	-	-	5,472
Shares issued to Danal Inc shareholders	3	21,532	-	-	-	21,535
Other Reserves ²	-	2,542	-	-	-	2,542
Equity as at 31 December 2019	25	208,196	-	(2,027)	(149,236)	56,958
Loss for the year	-	-	-	-	(18,785)	(18,785)
Other comprehensive income	-	-	-	1,720	-	1,720
Issue of share capital upon exercise of 8,906,542 stock options and RSUs	-	1,700	-	(32)	-	1,668
Share-based payment ¹	-	4,313	-	-	-	4,313
Shares issued	3	25,159	-	32	-	25,194
Issues of RSUs related to Fortumo acquisition	-	1,340	-	-	-	1,340
Share issue costs	-	(654)	-	-	-	(654)
Other reserves	-	(2,447)	-	-	-	(2,447)
Share issued for warrant	1	2,446	-	-	-	2,447
Equity as at 31 December 2020	29	240,053	-	(307)	(168,021)	71,754

¹ Share based expense has been credited against share premium in accordance with the local company law and practice in US.

² Other reserves include the warrants and held-back shares related to the acquisition of Danal, Inc.. The held back shares were issued during the year ended 31 December 2020 in the amount of \$2,447 and transferred from other reserves to share capital and share premium.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2020 \$'000	Year ended 31 December 2019 \$'000
Cash generated from operations	22	31,529	9,051
Income taxes paid		(269)	(131)
Net cash from operating activities		31,260	8,920
Investing activities			
Purchase of property, plant and equipment		(489)	(477)
Purchase of internally developed software		(2,920)	(1,575)
Purchased financial asset	26	(2,160)	-
Restricted cash		(538)	375
Investment in subsidiary, net of cash acquired	26	(34,435)	(742)
Interest received		70	56
Net cash used in investing activities		(40,472)	(2,363)
Financing activities			
Payment of principal to lease creditors		(2,045)	(1,868)
Payment of interest to lease creditors		(292)	(288)
Issue of common stock to employees		1,700	571
Issue of new ordinary shares		25,129	-
Share issue costs		(654)	-
Repayment of loan to shareholder		793	-
Interest paid on borrowings		(307)	(180)
Proceeds from bank overdraft		-	2,098
Proceeds from bank loan		20,000	-
Repayment of bank loan		(7,313)	-
Borrowing costs		(500)	-
Repayment of bank overdraft		(2,092)	(2,150)
Net cash from/(used) in financing activities		34,419	(1,817)
Net increase in cash and cash equivalents		25,207	4,742
Effect of foreign currency translation on cash and cash equivalent		1,336	(1,068)
Cash and cash equivalents at beginning of period		34,747	31,073
Cash and cash equivalents at end of period		61,290	34,747

Notes to the Consolidated Financial Statement

1. Corporate Information

The consolidated financial information represents the results of Boku Inc. (“the Company”) and its subsidiaries (together referred to as “the Group”).

Boku Inc. is a company incorporated and domiciled in the United States of America. The registered office of the Company is 735 Battery Street, 2nd Floor San Francisco, CA 94111, United States.

The principal business of the Group is the provision of mobile billing, payment and identity solutions for mobile network operators and merchants. These solutions enable consumers to make online payments and verify their identities using their mobile devices.

2. Accounting Policies

The financial information has been prepared using the historical cost convention, as stated in the accounting policies below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (“IFRS”) and IFRIC Interpretations issued by the International Accounting Standards Board (IASB).

The Consolidated financial statements have been prepared on a going concern basis. These financial statements have been prepared for a 12 month period.

The preparation of financial statements in conformity with IFRS 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 below in “Critical accounting estimates and judgements”.

The principal accounting policies adopted by the Group in the preparation of the Consolidated financial statements are set out below.

The presentation currency of the consolidated financial statements is US Dollars, rounded to the nearest thousands (\$’000) unless otherwise indicated. The main functional currencies for the Company’s subsidiaries are the United States Dollar, Euro and Great Britain Pound.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The ability of the Group to continue as a going concern is contingent on the ongoing viability of the Group. The Group meets its day-to-day working capital requirements through its cash balances and also has a bank facility that it can use. The current economic conditions continue to create uncertainty, particularly over (a) the level of consumer engagement; and (b) the level of new sales to new customers. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current cash resources and bank facilities. Further information on the Group’s borrowings and available facilities is given in Note 17 to these consolidated financial statements.

Various sensitivity analyses have been performed to reflect a variety of possible cash flow scenarios, taking into account the continued Covid-19 pandemic, where the Group achieves significantly reduced revenues for the twelve months following the date of this Annual Report. Overall, the directors have prepared cash-flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to operate within its existing facilities.

The Covid-19 pandemic has so far had limited impact on our business and the Board believes that the business is able to navigate through the continued impact of Covid-19 due to the strength of its customer proposition and business partnerships, statement of financial position and the net cash position of the Group.

However, the continued impact of the coronavirus pandemic has caused significant disruption to many businesses where the implementation of social distancing measures is not practical or is deemed ineffective and this had implication for the wider global economy and specifically to the supply chain within which we reside, particularly our consumers continued willingness to use our services in the volumes experienced and planned. The move to remote working and social distancing has increased the importance of mobile payment solutions to our customers, potential customers and wider consumer market base. There is however a risk that the Group will be impacted by reductions in consumer confidence. If sales and settlement of existing debts are not in line with cash flow forecasts, the directors have identified cost savings associated with the reduction in revenues and have the ability to identify further cost savings if necessary, to help mitigate the impact on cash outflows .

Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting, and deem there to be no emphasis over going concern, in preparing the financial information.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial information presents the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

A list of the subsidiary undertakings is given in note 12 of the financial information.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the 12 months ended 31 December 2019. The Group adopted the amendments to the following existing standards during 2020:

Amendments to Existing Standards	Issued date	IASB effective date
1 Amendments to References to the Conceptual Framework in IFRS Standards	29-Mar-18	01-Jan-20
2 Amendments to IFRS 3 Business Combinations: Definition of a Business	22-Oct-18	01-Jan-20
3 Amendments to IAS 1 and IAS 8: Definition of Material	31-Oct-18	01-Jan-20
4 Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26-Sept-19	01-Jan-20
5 Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28-May-20	01-Jan-20

1) Amendments to References to the Conceptual Framework in IFRS Standards

The International Accounting Standards Board (IASB) has issued a revised Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised version introduces a number of new aspects compared to the previous version issued in 2010, specifically including:

- concepts on measurement, including factors to be considered when selecting a measurement basis
- concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
- guidance on when assets and liabilities are removed from financial statements.

It also updates the definitions of asset and liability and the criteria for recognising assets and liabilities in financial statements. It has clarified the guidance on prudence, stewardship, measurement uncertainty, and substance over form. The amendment is effective for periods beginning on or after 1 January 2020.

2) Amendments to IFRS3: Definition of a Business

In October 2018, the International Accounting Standards Board (Board) issued Definition of a Business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments confirmed that:

- that a business must include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a - business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendment is effective for periods beginning on or after 1 January 2020.

3) Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the International Accounting Standards Board (Board) issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendment is effective for periods beginning on or after 1 January 2020.

- The proposed definition now makes reference to 'obscuring' information that may influence the decisions of primary users of general purpose financial statements;
- The existing definition made reference to 'could influence' whereas the proposed definition makes reference to 'could reasonably be expected to influence'; and
- The existing definition referred to 'users' of the financial statements whereas the proposed definition refers to 'primary users' of the financial statements.

The amendment is effective for periods beginning on or after 1 January 2020.

4) Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform

In September 2019, the International Accounting Standards Board (IASB) amended IFRS 9, IAS 39 and IFRS 7 in response to uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs).

The amendments modify the requirements relating to hedge accounting in order to provide relief from potential consequences of IBOR reform. Additionally, the standards were amended to require additional disclosures explaining how an entity's hedging relationships are affected by the uncertainties involving IBOR reform.

The amendment is effective for periods beginning on or after 1 January 2020 with early application permitted.

5) Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to COVID-19 rent concessions for lessees. The Group did not adopt this standard as no such concessions were applicable.

The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to COVID-19 (e.g. rent holidays or other rent concessions).

The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

(a) New and amended standards not yet adopted by the Group

Amendments to Existing Standards		Issued date	IASB effective date
1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23-Jan-20	01-Jan-23
2	Amendments to: <ul style="list-style-type: none"> • IFRS 3 Business Combinations • IAS 16 Property, Plant and Equipment • IAS 37 Provisions, Contingent Liabilities and Contingent Assets 	14-May-20	01-Jan-22
3	Annual Improvements to IFRSs (2018-2020 Cycle): <ul style="list-style-type: none"> • IFRS 1 • IFRS 9 • Illustrative Examples accompanying IFRS 16 • IAS 41 	14-May-20	01-Jan-22
4	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	27-August-20	01-Jan-21

Management continues to monitor the issuance of new standards and any further amendments to the existing standards and considers that the application of the new amendments in the table above will not materially affect the Group after adoption.

Foreign currency translation

The presentation currency for the group is US dollars. Items included in the financial statement of each of the Group's entities are measured in the functional currency of each entity.

Foreign currency transactions and balances

- i. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
- ii. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.
- iii. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments (including purchased intangible assets) to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Consolidation of foreign entities

On consolidation, the results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each Consolidated statement of financial position presented are translated at the closing rate at the date of that Consolidated statement of financial position.
- ii. Income and expenses for each Consolidated statement of comprehensive income item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. All resulting exchange differences are recognised as a separate component of equity.

Exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

Revenue

Boku recognises revenue in accordance with IFRS 15 Revenue from Contracts with Customers by applying the required five steps: identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognise revenue when (or as) the entity satisfies a performance obligation. Revenue is allocated to the various performance obligations on a relative stand-alone selling price (“SSP”) basis.

An analysis of the key considerations that IFRS 15 has on the Group’s revenue streams is summarised below.

1. Payments Segment revenue

Boku’s technology for the Payments segment delivers a low friction way for mobile phone users to buy things and charge them to their phone bill or pre-paid balance. The Group’s revenue is principally its service fees which are earned from its merchants.

i) Settlement Model: when it acts as an agent between a merchant and mobile network operators (MNOs) or an aggregator (a middleman between the Group and the MNO). Management has determined that it is acting as an agent under IFRS 15 because it does not have the primary responsibility for providing the services to the customer. Therefore, there has been no change in the classification as an agent from the previous assessment that there was no exposure to the risks and rewards. An additional fee is also earned when a merchant requires settlement in a different currency than the currency received, at contractual agreed rates, in line with IFRS 15.

ii) Transactional Model: from larger virtual and digital merchants who receive the sale collections directly and pay a service fee to the Group.

Under both the transactional and settlement model (see point (i) and (ii) above), the Group’s contracts with customers include one performance obligation only. This relates to an obligation to facilitate the payment for the transaction between the merchant and their end users. Under IFRS 15 revenues for this service is recognised under this contract at a point in time as the obligation is fulfilled at time when transaction happens., as the point of delivery of the performance obligation is the same as when the risks and rewards have been transferred. Payments are due once the Group receives the monthly statement of information from the Aggregator or the MNO.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

iii) Other revenue: from special merchant integrations, subscription services and early settlement of funds.

A contract for special merchant integration was changed during 2019. This resulted in a change of the revenue recognition for special merchant integrations. Under the new contract after the special integration is performed, tested and approved by the customer, no further performance obligation is required of Boku. The customer decides whether Boku has to service further the special integration and keep it live and will pay this further performance obligation separately under a special obligation: "monthly maintenance obligation". Payments are due and recognised in full once the integrations are successfully tested and approved by the customer. The maintenance fees are due monthly and are recognised in full at each month end, in line with IFRS 15.

Contract assets and contract liabilities are included within 'trade and other receivables' and 'trade and other payables' respectively on the face of the statement of financial position.

In certain cases, the transaction price includes an estimate of variable consideration. Variable consideration is only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In such cases, the estimated transaction price is updated each reporting period to reflect changes in circumstances and the adjustment is reflected in revenue in the period that the change occurs.

The Group's revenue is principally its service fees earned from its merchants. There are slight differences to contracts depending on the services provided. All revenue from the Payment segment is recognised at one point in time. Therefore, for the Payments segment, at 31 December 2019, the Group does not have deferred revenue on the balance sheet.

2. Identity Segment Revenue

Boku's technology for the Identity segment provides identity services to customers by silently validating a mobile device using automatic mobile number verification, streamlining the Know Your Client ('KYC') processes by validating the name and address entered by a user against the MNOs data, and reduce fraud on marketing promotions by linking marketing promotions to secure SIM based user identities instead of email or unverified mobile numbers etc.

Identity merchants are charged either on a per user basis – for monitoring – or a per transaction basis, typically with monthly minimums.

For the Identity segment, deferred revenue consists of billings processed in advance of revenue recognition generated by Boku Identity's Mobile Identification/TCPA services. For these services, Boku bills its customers at the beginning of the contract term as a pre-payment for services which are billed at a set price per transaction. The revenue is recognised monthly, at a point in time, based on the amount of transactional volume processed during the month and services will continue to be performed until the full value of the contract is realised. For the period ended 31 December 2020, deferred revenue on the balance sheet for the Identity Segment was \$443,585 (2019: \$489,265).

Cost of sales

Cost of sales is primarily related to the monthly fees and service charges from MNOs and other providers, customer services fees, some marketing expenses and bad debt.

Operating Segments

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its segmental reporting using the information used by the Chief Operating Decision Maker ("CODM"), defined as the Executive Operating Committee (EOC). The segmental reporting is consistent with those used in internal management reporting and the measure used by the EOC is Adjusted EBITDA.

The Board considers that the Group's provision of a payment platform for the payment processing of virtual goods and digital goods purchases constitutes one operating and one reporting segment (Payments segment), and the provision of identity services another operating and reporting segment (Identity segment) as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget as well as for each of the two operating segments.

Exceptional Items

Exceptional items are those significant items, which are separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance. In setting the policy for exceptional items, judgement is required to determine what the Group defines as "exceptional". The Group considers an item to be exceptional in nature if it is non-recurring or does not reflect the underlying performance of the business. Exceptional items are recorded separately below Adjusted EBITDA.

Management of the Group evaluates Group strategic projects such as acquisitions, divestitures and integration activities, Group restructuring and other one-off events such as restructuring programmes. In determining whether an event or transaction is exceptional, management of the Group considers quantitative and qualitative factors such as its expected size, precedent for similar items and the commercial context for the particular transaction, while ensuring consistent treatment between favourable and unfavourable transactions impacting revenue, income and expense. Examples of transactions which may be considered of an exceptional nature include major restructuring programmes, cost of acquisitions, the cost of integrating acquired businesses or gains or losses on the disposal of discontinued operations.

Retirement Benefits: Defined contribution schemes

The Group operates various pension schemes in various jurisdictions, all being defined contribution schemes (pension plans). A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

In the U.S. the group has a 401(k) plan, a type of defined contribution scheme in the United States in which all employees are eligible to participate after meeting eligibility requirements. Participants may elect to have a portion of their salary deferred and contributed to the scheme up to the limit allowed by applicable income tax regulations. The Company has made a matching contribution to the scheme for the year ended 31 December 2020 and 2019.

Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

Share-based payments

Where equity settled share options and Restricted Stock Units ('RSUs') are awarded to employees, the fair value of the options or RSUs at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options or RSUs that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

RSU's issued in connection with business combinations as replacements for instruments held by employees are treated as part of the consideration transferred to the extent that they compensate for service that has been provided pre-combination. To the extent they relate to the provision of future services they are treated as an expense post-combination.

Share options and RSUs which will incur future employer payroll taxes on exercise, are accrued for the future cost of National Insurance from the point the options are granted over their vesting period. This liability is then amended at each subsequent balance sheet date under IFRS 2.

Intangible assets

i) Goodwill

The Group uses the acquisition method of accounting for the acquisition of a subsidiary. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In respect of business combinations that have occurred since January 2014, goodwill represents the excess of the cost of the acquisition and the Group's interest fair value of net identifiable assets and liabilities acquired. In respect of business combinations prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under US GAAP. As permitted by IFRS 1, Goodwill arising on acquisitions prior to 1 January 2014 is stated in accordance with US GAAP and has not been remeasured on transition to IFRS. Goodwill is recognised and measured at the acquisition date.

Goodwill is capitalised as an intangible asset at cost less any accumulated impairment losses. Any impairment in carrying value is being charged to the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Goodwill is allocated to appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The major assumptions are disclosed in note 11.

ii) Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. All intangible assets acquired through business combinations, are amortised over their useful lives.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired

iii) Research and development

Expenditure on research activities as defined in IFRS is recognised in the income statement as an expense as incurred.

Expenditure on internally developed software products and substantial enhancements to existing software product is recognised as intangible assets only when the following criteria are met:

1. it is technically feasible to develop the product to be used or sold;
2. there is an intention to complete and use or sell the product;
3. the Group is able to use or sell the product;
4. use or sale of the product will generate future economic benefits;
5. adequate resources are available to complete the development; and
6. expenditure on the development of the product can be measured reliably.

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready to use. The costs include external direct costs of materials and services consumed in developing and obtaining internal-use computer software, and payroll and payroll-related costs for employees who are directly associated with and who devote time to developing the internal-use software. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

iv) Amortisation rates

The significant intangibles recognised by the Group and their useful economic lives are as follows:

Intangible asset	Useful economic life
Tradenames	Indefinite life – not amortised
Acquired intangibles (Fortumo acquisition)	10 years
Merchant relationships	5 years
Developed technologies	1 - 7 years
Domain names	5 years
Internally developed software	3 - 6.75 years

The amortisation expense is recognised within administrative expenses in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are held under the cost model and are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the Consolidated statement of comprehensive income during the financial year in which they are incurred. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Office equipment and furniture	3- 5 years on cost
Computer equipment and software	3- 5 years on cost
Leasehold improvement	6.5 years on cost
Right-of-use assets	Shorter of useful life of the asset or lease term

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown with borrowings in currently liabilities on the Consolidated statement of comprehensive income.

Restricted cash

The restricted cash does not meet the definition of cash and cash equivalents and is therefore separately disclosed in the Group's statement of financial position and is not part of the cash and cash equivalents for cash flow purposes. These cash amounts are restricted as to withdrawal or use under the terms of certain contractual agreements.

Financial assets

The Group's financial assets mainly comprise cash, trade and other receivables.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provisions for impairment based upon an expected credit loss methodology. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance matrix for all trade receivables (including accrued receivables). A provision of the lifetime expected credit loss is established upon initial recognition of the underlying asset and are calculated using historical account payment profiles along with historical credit losses experienced. The loss allowance is adjusted for forward looking factors specific to the debtor and the economic environment. The amount of the provision is recognised in the Consolidated statement of comprehensive income.

A financial asset has also been recognised for the cash held into a third party escrow account that exceeds the fair value of contingent consideration expected to be paid and that is therefore expected to be returned to the Company in connection with the acquisition of Fortumo (see note 26).

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. The Group's financial liabilities are categorised as loans and Trade and other payables.

At initial recognition,

- Financial liabilities (trade and other payables, excluding other taxes and social security costs and deferred income), are measured at their fair value plus, if appropriate, any transaction costs that are directly attributable to the issue of the financial liability. These financial liabilities are subsequently carried at amortised cost.
- Bank borrowings are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.

Leases

IFRS 16 "Leases" sets out the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group has applied IFRS 16 'Leases' from 1 January 2019.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

Incremental borrowing rate

IFRS 16 Leases requires that all the components of the lease liability (as described in section 5.1. Leases) are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead.

The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee 'would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.' In applying the concept of 'similar security', a lessee uses the right-of-use asset granted by the lease and not the fair value of the underlying asset. This is because the rate should represent the amount that would be charged to acquire an asset of similar value for a similar period.

In practice, judgement may be needed to estimate an incremental borrowing rate in the context of a right-of-use asset, especially when the value of the underlying asset differs significantly from the value of the right-of-use asset.

The analysis showed that the incremental borrowing rate as at 1 January 2019 was 8.5% which was used as discount rate for all leases in all subsidiaries, which were acquired before 1 July 2020. The Group borrowed funds from its bankers in June 2020 and reviewed the incremental borrowing rate to be 4.285% and applied this rate to all leases acquired after 1 July 2020.

The discount rate will be revised, in line with IFRS 16, and the lease liability remeasured only when:

- there is a change in the lease term,
- a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or
- a change in floating interest rates, resulting in a change in the future lease payments (this approach is consistent with IFRS 9's requirement for the measurement of a floating rate financial liabilities subsequently measured at amortised cost)

A lessee is not required to reassess the discount rate when there is a change in future lease payments due to a change in an index. – e.g. the consumer price index.

Share Capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary share capital and share premium are classified as equity instruments.

Taxation

Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs related to acquisitions, other than those directly attributable to the issue of debt or equity, are expensed as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

Notes to the Consolidated Financial Statement

2. Accounting Policies (continued)

Critical accounting estimates and judgements

In preparing these Consolidated financial statements, the Group has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and updates them as required. Actual results could differ from these estimates. Unless otherwise indicated, the Group does not believe that there is a significant risk of a material change to the carrying value of assets and liabilities within the next financial year related to the accounting estimates and assumptions described below. The Group considers the following to be a description of the most significant estimates and judgements, which require the Group to make subjective and complex judgements and matters that are inherently uncertain.

(a) Goodwill, Intangible assets acquired in a business combination

As set out in the accounting policies above, intangible assets acquired in a business combination are capitalised and amortised over their useful lives. Both initial valuations and valuations for subsequent impairment tests are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group. Refer to note 11 for a description of the specific estimates and judgements used including the critical accounting estimates and judgments used in the calculation of the goodwill impairment.

(b) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Where such a model is required, the group is using the Black Scholes model to calculate its share-based compensation expenses. (Please refer to note 20 for full details).

(c) Taxation

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. The carrying values of current tax and deferred tax assets and liabilities are disclosed separately in the consolidated statement of financial position.

(d) Impairment of goodwill and other intangible assets

The Group has carried out an impairment review of its Identity cash generating unit ("CGU") and recognised an impairment loss on goodwill in the year. The recoverable amount of the CGU is based on estimates of future cash flows discounted using an appropriate discount rate. Estimates of future cash flows are inherently uncertain as the long-term impact of the Covid-19 pandemic on the general economy is unclear. To take account of this uncertainty, management have used the "expected cash flow approach" which involves probability weighting several alternate scenarios.

It is possible that changes in economic conditions or deviations in actual performance from forecast could result in a material adjustment to the carrying value of the CGU within the next financial year. The key estimates made by management are set out in note 11. The information in note 11 also provides an indication of the amount of any further impairment for other reasonably possible outcomes.

3. Financial Instruments – Risk Management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in US\$. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not issue or use financial instruments of a speculative nature.

The Group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents and restricted cash
- Trade and other payables
- Bank loans

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 December 2020 and 31 December 2019

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period

Trade and other payables are measured at book value and amortised cost.

Notes to the Consolidated Financial Statement

3. Financial Instruments – Risk Management (continued)

Financial instruments by category

Financial assets	31 December 2020 \$'000	31 December 2019 \$'000
Cash and cash equivalents	61,290	34,747
Restricted cash	1,414	876
Total Cash	62,704	35,623
Accounts receivable (net)	86,360	50,165
Other receivables (including contingent asset)	3,100	373
Note receivable from shareholder	-	793
Total other financial assets	89,460	51,331
Cash, and other financial assets	152,164	86,954

Financial liabilities

	31 December 2020 \$'000	31 December 2019 \$'000
Trade payables	105,376	68,128
Accruals	28,135	7,799
Total other financial liabilities	133,511	75,927
Bank loans (secured)	12,250	2,098
Lease liabilities	3,178	1,723
Loans and borrowings	15,428	3,821
Financial liabilities at amortised cost	148,939	79,748

The management of risk is a fundamental concern of the Group's management. This note summarises the key financial risks to the Group and the policies and procedures put in place by management to manage them.

a) Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. There is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Interest rate risk

The Group is exposed to cash flow interest rate risk from bank borrowings at variable rates but with a lower floor. The Group's bank borrowings and other borrowings are disclosed in note 17. The interest rates for the current Boku bank loan are based on LIBOR. LIBOR is currently expected to be phased out by the end of 2021. Various financial authorities including the Financial Conduct Authority ("FCA") announced that it will no longer compel the banks to submit to LIBOR after 2021. Therefore, the availability of LIBOR post December 31, 2021 is not guaranteed and could have an effect on the interest rates of the current loan. The management has been in discussion with its bankers and is expecting that the current contracts will be settled at similar or equivalent rates after transition and does not expect this change to have a material effect on the Group finances. The Group manages the interest rate risk centrally.

The following table demonstrates the sensitivity to a 1 percent change (higher only due to the fixed lower floor) to the interest rates of the following borrowings at 31 December 2020 to the profit before tax and net assets for the period:

	31 December 2020	31 December 2019
	Increase/(decrease) of loss before tax and net assets	Increase/(decrease) of loss before tax and net assets
	\$'000	\$'000
Bank loans	+124	+/-20

Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business. The company manages this risk through natural hedging and spot contracts.

The effect of fluctuations in exchange rates on the Euro and GBP denominated trade receivables is partially offset through the use of foreign exchange contracts to the extent that any remaining impact on profit after tax is not material.

As at December 31, 2020, the Company had no (2019: nil) foreign currency forward contracts totalling a notional amount of \$Nil (2019: \$Nil).

The Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred. The Group manages all treasury activities centrally, with the exception of the newly acquired Fortumo entities where treasury processes are in the process of being aligned with group treasury policies and procedures.

Notes to the Consolidated Financial Statement

3. Financial Instruments – Risk Management (continued)

As of 31 December, the Group's gross exposure to foreign exchange risk was as follows:

	GBP \$'000	Euro \$'000	Other \$'000	Total \$'000
31 December 2020				
Trade and other receivables	11,630	25,375	46,476	83,481
Cash and cash equivalents and restricted cash	10,083	15,912	21,053	47,048
Trade and other payables	(21,138)	(60,967)	(41,542)	(123,647)
Financial assets	575	(19,680)	25,987	6,882
10% impact - +/-	64	(2,187)	2,887	765
31 December 2019				
Trade and other receivables	14,856	19,180	15,198	49,234
Cash and cash equivalents and restricted cash	13,307	8,445	10,308	32,060
Trade and other payables	(22,113)	(24,684)	(22,646)	(69,443)
Financial assets	6,050	2,941	2,860	11,851
10% impact - +/-	672	327	318	1,317

The impact of 10% movement in foreign exchange rate of US\$ will result in an increase/decrease of total comprehensive loss after tax and financial assets/(liabilities) of \$765 thousand for December 2020 (2019: \$1,317 thousand).

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. The Group's net trade receivables for the three reported periods are disclosed in the financial assets table above.

The Group is exposed to credit risk in respect of these balances such that, if one or more the aggregators or MNOs encounters financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms.

To minimise this credit risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which \$1,323 is provided at 31 December 2020 (2019: \$2,002). The provision represents an estimate of potential bad debt in respect of the year-end trade receivables, a review having been undertaken of each such year-end receivable. The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

A debt is considered to be bad when it is deemed irrecoverable, for example when the debtor goes into liquidation, or when a credit or partial credit is issued to the customer for goodwill or commercial reasons. The Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions.

The Group's provision matrix is as follows:

31-Dec-20	< 60 days	61-120 days	121-150 days	> 150 days	Total
Expected credit loss % range	0%	0%	0%	95%-100%	
Gross debtors (\$'000)	82,597	1,880	1,883	1,323	87,683
Expected credit loss rate (\$'000)	-	-	-	(1,323)	(1,323)
					86,360

At 31 December 2019 the Group had a provision for \$2 million of which \$25 thousands was utilised and \$705 thousands was fully reversed in the year – see Note 13 for full details of the movement in the year. The total provision for trade and accrued receivable as at 31 December 2020 was \$1.3 million.

31-Dec-19	< 60 days	61-120 days	121-150 days	> 150 days	Total
Expected credit loss % range	0%	0%	0%	95%-100%	
Gross debtors (\$'000)	49,265	173	611	2,117	52,166
Expected credit loss rate (\$'000)	-	-	-	(2,002)	(2,002)
					50,165

At 31 December 2018 the Group had a provision for \$1,958 of which \$101 was fully written off during 2019. The total provision of trade and accrued receivables as at 31 December 2019 was \$2,002.

Other receivables are considered to be low risk. The management do not consider that there is any concentration of risk within other receivables. No other receivables have been impaired.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is however the amount of the deposit. To date, the Group has not experienced any losses on its cash and cash equivalent deposits.

Notes to the Consolidated Financial Statement

3. Financial Instruments – Risk Management (continued)

c) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The table below analyses the Group's financial liabilities by contractual maturities (all amounts disclosed in the table are the undiscounted contractual cash flows):

31 December 2020	Within 1 year \$'000	2-5 years \$'000	More than 5 years \$'000
Trade and other payables	136,779	862	-
Bank loans and overdrafts (secured)*	1,438	10,813	-
Leases liabilities	1,425	1,937	-
Total	139,652	13,612	-

*No material difference between discounted and undiscounted fair value.

31 December 2019	Within 1 year \$'000	2-5 years \$'000	More than 5 years \$'000
Trade and other payables	77,995	791	-
Bank loans and overdrafts (secured)	2,098	-	-
Leases liabilities	1,914	1,483	-
Total	80,007	2,274	-

Capital Management

The Group's capital is made up of share capital, foreign exchange reserve and retained losses.

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

4. Segmental Analysis

(a) Operating Segments – primary basis

Prior to 1 Jan 2019, the Group considered that for executive management purposes, the Group had one reportable segment - provision of a payment platform for processing payments for virtual goods and digital goods purchases. Following the acquisition of Danal Inc on 1 January 2019, the Group revised its activities into two operating segments as disclosed below. The segments are based on the Group's main revenue generating activities. On 1 July 2020, the Group completed the acquisition of Fortumo Holdings Inc and its subsidiaries. Fortumo was a competitor to Boku and operates in the same space as the Boku existing Payments business. Therefore, the results of the Fortumo OÜ (the trading subsidiary of Fortumo Holdings Inc) and its subsidiaries together with the existing Boku Payments business are viewed by the management as one segment. The Group CEO and CFO review the management reports for both segments monthly before sending the results to the Board.

The following summary describes the operations in each of the Group's reportable segments:

Payments Segment - provision of payment platform which enables mobile phone users to buy goods and services and charge them to their mobile phone or prepaid balance.

Identity Segment - provision of Identity services which are used to simplify transactions or combat fraud.

Notes to the Consolidated Financial Statement

4. Segmental Analysis (continued)

Operating segment information under the primary reporting format is disclosed below:

Boku Income Statement by segment for 12 months to 31 December 2020	2020		
	Total Payments \$'000	Total Identity \$'000	Total \$'000
Fee Revenue	51,231	5,171	56,402
Cost of sales	(1,669)	(3,256)	(4,925)
Gross Profit	49,562	1,915	51,477
Administrative Expenses	(39,737)	(28,463)	(68,200)
Operating gain/(loss) analysed as:			
Adjusted EBITDA*	19,175	(3,908)	15,267
Payments Revenue Adjustment (non-recurring)			
Depreciation and amortisation	(4,725)	(1,191)	(5,916)
Stock Option expense	(4,010)	(915)	(4,925)
Goodwill impairment	-	(20,775)	(20,775)
Foreign exchange gains	807	241	1,048
Exceptional items (included in administrative expenses)	(1,422)	-	(1,422)
Operating gain/(loss)	9,825	(26,548)	(16,723)
Finance income	70	-	70
Finance expense	(649)	(13)	(662)
Profit/(Loss) before tax	9,246	(26,561)	(17,315)
Tax expense	(1,469)	(1)	(1,470)
Net gain/(loss) for the period attributable to equity holders of the parent company	7,777	(26,562)	(18,785)

*Earnings before interest, tax, depreciation, amortisation, non-recurring payment revenue, stock option expense, foreign exchange gains/(losses), impairment of goodwill and exceptional items. Management has assessed this performance measure as relevant for the user of the accounts.

Boku Income Statement by segment for 12 months to 31 December 2019	2019		
	Payments \$'000	Identity \$'000	Total \$'000
Fee Revenue	43,473	6,675	50,148
Cost of sales	(1,641)	(3,922)	(5,563)
Gross Profit	41,832	2,753	44,585
Administrative Expenses	(36,053)	(9,416)	(45,469)
Operating Profit/(loss) analysed as:			
Adjusted EBITDA*	12,687	(5,284)	7,403
Payment Revenue adjustment (non-recurring)	3,255	-	3,255
Depreciation and amortisation	(3,968)	(493)	(4,461)
Stock Option expense	(6,013)	(758)	(6,771)
Foreign exchange gains/(losses)	112	(5)	107
Exceptional items (included in administrative expenses)	(294)	(123)	(417)
Operating Profit/(loss)	5,779	(6,663)	(884)
Finance income	56	0	56
Finance expense	(432)	(36)	(468)
Profit/(Loss) before tax	5,403	(6,699)	(1,296)
Tax (expense)/credit	1,653	(2)	1,651
Net Profit/(loss) for the period attributable to equity holders of the parent company	7,056	(6,701)	355

During 2019, an adjustment of \$3,255k has been recognised in Payments revenue as a result of a change in the estimate of transaction price for a specific customer, and for whom the performance obligations were satisfied in a previous year. As this amount is non-recurring it has been excluded from 'Adjusted EBITDA', as noted on the Consolidated Statement of Comprehensive Income and in the table above.

Notes to the Consolidated Financial Statement

4. Segmental Analysis (continued)

The net assets for each segment are disclosed below:

Net Assets by segment	2020		Consolidated \$'000
	Payments \$'000	Identity \$'000	
Non-current assets			
Property, plant, and equipment	3,749	22	3,771
Intangible assets	60,252	5,307	65,559
Deferred tax assets	483	-	483
Total non-current assets	64,484	5,329	69,813
Current Assets			
Trade and other receivables	92,122	1,413	92,535
Cash and cash equivalents	61,038	252	61,290
Restricted cash	1,414	-	1,414
Total current assets	153,574	1,665	155,239
Total assets	218,058	6,994	225,052
Current liabilities			
Trade and other payables	135,203	1,576	136,779
Loans and borrowings	2,863	11	2,874
Total current liabilities	138,066	1,587	139,653
Non-current liabilities			
Trade and other payables	1,090	-	1,090
Loans and borrowings	12,560	(5)	12,555
Total non-current liabilities	13,650	(5)	13,645
Total liabilities	151,716	1,582	153,298
Net assets/(liabilities)	66,342	5,412	71,754

(b) Geographic segment – secondary basis

The geographical analysis of the revenue by location of the users and segment is presented below:

Group Revenue by Region and Segment \$'000	Payments		Identity		Total	
	Dec-20 YTD	%	Dec-20 YTD	%	Dec-20 YTD	%
Americas	1,556	3.0%	4,847	93.7%	6,403	11.4%
APAC	28,398	55.4%	90	1.7%	28,488	50.3%
EMEA	21,277	41.5%	234	4.5%	21,511	38.1%
Grand Total	51,231	100.0%	5,171	100.0%	56,402	100.0%

Group Revenue by Region and Segment \$'000	Payments		Identity		Total	
	Dec-19 YTD	%	Dec-19 YTD	%	Dec-19 YTD	%
Americas	5,573	12.8%	6,460	96.8%	12,033	24.0%
APAC	19,290	44.4%	-	-	19,290	38.5%
EMEA	13,410	30.8%	215	3.2%	13,625	27.2%
UK/Ireland	5,200	12.0%	-	-	5,200	10.4%
Grand Total	43,473	100.0%	6,675	100.0%	50,148	100.0%

An analysis of non-current assets by geographical market is given below:

	2020 \$'000	2019 \$'000
United States of America	47,613	48,841
Europe	20,996	526
Rest of the World	721	963
Total	69,330	50,330

Notes to the Consolidated Financial Statement

5. Administrative Expenses (including exceptional items)

	2020 \$'000	2019 \$'000
Audit fees - BDO LLP	361	274
Third party audit fees specific to FY 2020 - EY	45	-
Taxation services (not performed by auditor)	289	318
Professional services not performed by auditor	122	157
Consultancy and compliance services	1,005	730
Staff costs (excluding stock option expense – note 6)	29,032	25,434
Travel & entertainment	343	1,859
Property occupancy costs	935	928
Total IT, development and hosting	2,721	1,917
Total banking costs	52	240
Legal fees	718	1,120
Other costs including marketing, support & testing and other administration expenses	586	950
Operating Expenses, excluding items in Adjusted EBITDA	36,209	33,927
Depreciation of property, plant and equipment	2,446	2,176
Amortisation of intangible assets	3,471	2,285
Impairment of goodwill (Identity Business)	20,775	-
Foreign exchange gains	(1,048)	(107)
Exceptional items – impairment of investments	-	13
Exceptional items – restructuring costs	184	404
Exceptional items – acquisition costs	1,238	-
Share – based expenses (note 20)	4,925	6,771
Total administrative expenses	68,200	45,469

6. Staff Costs

	2020 \$'000	2019 \$'000
Wages and salaries	24,346	20,664
Short-term benefits	1,281	1,350
Social security costs	2,570	1,858
Pension costs	269	397
Other staff costs	566	1,166
Total staff costs	29,032	25,434
Share-based costs	4,925	6,771
Total	33,957	25,435

Other staff costs include contractor costs, relocation, recruiting and training costs for the group.

Key management personnel compensation was made up as follows:

	2020 \$'000	2019 \$'000
Salaries	2,431	2,075
Short-term benefits	41	44
Social security costs	240	298
Stock option expense	1,464	1,329
Pension costs	7	35
Total	4,183	3,781

Directors' remuneration included in staff costs:

	2020 \$'000	2019 \$'000
Salaries including bonuses	1,077	917
Short-term benefits	3	4
Total	1,080	921

The information regarding the highest paid director is as follows:

	2020 \$'000	2019 \$'000
Total remuneration paid	515	385

Notes to the Consolidated Financial Statement

6. Staff Costs (continued)

The number of employees at the end of the period was as follows:

	2020	2019
Management	7	6
Operations & administration	298	208
Total	305	214

7. Finance Income and Expenses

	2020 \$'000	2019 \$'000
Finance income		
Interest income from bank deposits	70	56
Total	70	56
Finance expenses		
Interest on bank loans & overdrafts	277	150
Other interest payable (including interest paid for factoring)	31	30
Interest on lease liabilities	292	288
Amortisation of debt costs	62	-
Total	662	468
Net finance expenses	592	412

8. Income Tax

	2020 \$'000	2019 \$'000
Current tax		
US tax	2	2
Foreign tax	374	135
Total current tax	376	137
Deferred tax expense/(credit)	1,094	(1,866)
Origination and reversal of temporary differences	-	78
Total tax expense/(credit)	1,470	(1,651)

The reasons for the difference between the actual tax charge for the period and the applicable rate of income tax of the US reporting entity applied to the result for the period are as follows:

	2020 \$'000	2019 \$'000
Loss before tax	(17,315)	(1,296)
Tax rate	21%	21%
Loss before tax multiplied by the applicable rate of tax:	(3,636)	(272)
US state tax	-	1
Losses recognised/(not recognised)	140	(1,498)
Expenses not deductible for tax purposes	4,628	54
Withholding taxes	68	69
Tax losses	-	(27)
Others	270	22
Total tax expense/(credit)	1,470	(1,651)

	2020 \$'000	2019 \$'000
Deferred Tax		
Net opening position	1,377	(417)
Arising from business combinations	-	-
Recognition (de-recognition) / in the year	(1,094)	1,808
Foreign exchange revaluation	(30)	(14)
Net closing position	253	1,377

The net closing position is made up of:

- A deferred tax liability of \$227,956 (2019: \$448,860): This constitutes tax positions connected with the Group's German subsidiary in relation to available losses and the deferred tax liability associated with intangible assets acquired as part of the legacy business combination with the group's now German business. The difference is the amount of \$260,904 used in 2020.
- The deferred asset of \$482,573 (2019: \$1,826,570). This relates to losses primarily in UK tax jurisdictions. The difference is the amount reversed in 2020 taking account of management re-appraising the usability of certain tax losses and future transaction volumes through its UK incorporated entities expected to reduce profitability, as a share of contracted and future revenues will now likely, taking account of Brexit, flow into other European companies in the group.

Notes to the Consolidated Financial Statement

8. Income Tax (continued)

A deferred tax asset (liability) has not been recognised for the following:

	2020 \$'000	2019 \$'000
Non- deductible Reserves	100	229
Accrued Compensation	161	60
Stock Based Compensation	1,857	1,637
Other temporary and deductible differences	648	829
Accelerated Capital Allowances	(1,000)	(401)
Acquired Intangibles	(245)	(334)
Unused tax credits	189	189
Unused tax losses	30,816	30,448
Total deferred tax assets	32,526	32,657

The Group has carried forward losses and accelerated timing differences at the reporting date as shown below. In respect of its UK subsidiary, these can be carried forward and offset against UK taxable income indefinitely. In respect of its US entities, net operating loss carry forwards can be carried forward and offset against taxable income for 20 years for losses incurred up to and including 31 December 2017. All net operating loss carry forwards incurred after 31 December 2017 can be carried forward and offset against US taxable income indefinitely. Utilisation of net operating loss or tax credit carry forwards may be subject to annual limitations if an ownership change had occurred pursuant to the section 382 Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of net operating loss and tax credit carry forwards before utilisation. As the timing and extent of taxable profits are uncertain, the deferred tax asset arising on these losses and accelerated timing differences below has not been recognised in the financial statements.

	2020 \$'000	2019 \$'000
US losses and tax credit – federal and states	181,516	177,843
Non-US losses (includes US entities deemed to be under non-US tax jurisdictions)	5,021	10,602
Total	186,537	188,445

The unused tax losses must be utilised by various dates. German tax losses of \$573,466 must be used before 2022. U.S. federal tax losses of \$176,021,081 expire in various dates through 2027. Other unused losses of \$5,494,733 do not expire.

9. Profit / Loss per Share

	2020 \$'000	2019 \$'000
(Loss) / Profit attributable to shareholders of the Company	(18,785)	355
Weighted average number of common shares	273,836,772	246,752,100
Basic (loss) / profit per share	(0.069)	0.001

Profit or Loss per share is calculated based on the share capital of Boku, Inc. and the earnings of the Group.

In 2020, due to the loss in the reporting period diluted loss per share is the same as basic loss per share. Due to the small profit during 2019, the effect of the share options is immaterial and hence diluted profit per share is the same as the basic profit per share in 2019.

Notes to the Consolidated Financial Statement

10. Property, Plant and Equipment

	Right of use assets	Computer equipment & software \$'000	Office equipment and fixtures and fittings \$'000	Leasehold improvement \$'000	Total \$'000
COST					
At 1 January 2019	-	842	534	98	1,474
Additions	4,327	383	39	55	4,804
Acquisitions	621	-	1,041	36	1,698
Disposals	-	(10)	(7)	(5)	(22)
Reclassification	78	-	(78)	-	-
Exchange Adjustment	(34)	(2)	(4)	-	(40)
As at 31 December 2019	4,992	1,213	1,525	184	7,914
Additions	1,526	215	109	171	2,021
Acquisitions	542	2	22	-	566
Disposals	(30)	(2)	(37)	-	(69)
Exchange adjustment	192	8	26	8	234
At 31 December 2020	7,222	1,436	1,645	363	10,666
DEPRECIATION					
At 1 January 2019	-	707	411	70	1,188
Acquisitions	-	-	1,029	29	1,058
Charge for the year	1,948	110	100	18	2,176
Disposals	-	(10)	(7)	(5)	(22)
Reclassification	57	-	(57)	-	-
Exchange adjustment	4	(7)	(3)	8	2
At 31 December 2019	2,009	800	1,473	120	4,402
Acquisitions	-	-	9	-	9
Charge for the year	2,121	227	50	48	2,446
Disposals	(30)	(2)	(37)	-	(69)
Exchange adjustment	54	3	48	2	107
At 31 December 2020	4,154	1,028	1,543	170	6,895
NET BOOK VALUE					
At 1 January 2019		135	123	28	286
At 31 December 2019	2,983	413	52	64	3,512
At 31 December 2020	3,068	408	102	193	3,771

The Group leases many assets including buildings and IT equipment. The information about leases for which the group is a lessee is presented below:

Type of right-of-use assets	Property \$'000	IT Equipment \$'000	Total \$'000
Balance as at 1 January 2019	3,881	1,111	4,992
Depreciation charge for the year	(1,578)	(431)	(2,009)
NBV balance as at 31 December 2019	2,303	680	2,983
Additions	2,182	53	2,235
Disposals	(30)	-	(30)
Depreciation charge for the year	(1,677)	(443)	(2,120)
NBV balance as at 31 December 2020	2,778	290	3,068

Notes to the Consolidated Financial Statement

11. Intangible Assets

	Domain name \$'000	Developed technology \$'000	Merchant relationships \$'000	Trade marks \$'000	Goodwill \$'000	Internally developed software \$'000	Total \$'000
COST							
At 1 January 2019	140	1,856	9,188	110	17,853	5,388	34,535
Additions from acquisitions	-	1,918	-	-	23,559	-	25,477
Additions	-	-	-	-	-	1,575	1,575
Exchange adjustment	-	-	(178)	-	(327)	(24)	(529)
At 31 December 2019	140	3,774	9,010	110	41,085	6,939	61,058
Additions	-	-	-	-	-	2,920	2,920
Additions from acquisitions	1,834	4,343	7,172	-	25,068	-	38,417
Goodwill Impairment	-	-	-	-	(20,775)	-	(20,775)
Disposal	-	-	-	-	-	(257)	(257)
Exchange adjustment	-	280	794	-	1,242	92	2,408
At 31 December 2020	1,974	8,397	16,976	110	46,620	9,694	83,771
AMORTISATION							
At 1 January 2019	140	1,856	5,655	-	-	4,418	12,069
Charge for period	-	384	1,193	-	-	708	2,285
Exchange adjustment	-	-	(105)	-	-	(10)	(115)
At 31 December 2019	140	2,240	6,743	-	-	5,116	14,239
Charge for the period	91	556	1,572	-	-	1,252	3,471
Disposal	-	-	-	-	-	(257)	(257)
Exchange adjustment	1	22	672	-	-	64	759
At 31 December 2020	232	2,818	8,987	-	-	6,175	18,212
NET BOOK VALUE							
At 1 January 2019	-	-	3,533	110	17,853	970	22,466
At 31 December 2019	-	1,534	2,267	110	41,085	1,823	46,819
At 31 December 2020	1,742	5,579	7,989	110	46,620	3,519	65,559

Management has reviewed goodwill and intangible assets on the balance sheet which mainly consist of the assets from the acquisition of Fortumo Holdings Inc. and Danal Inc (renamed Boku Identity Inc) on 1 January 2019 and with Mopay AG (“Mopay”) in Oct 2014.

Fortumo Holdings Inc. was acquired by Boku on 1 July 2020 for cash and restricted stock units (RSUs) for a total maximum consideration of \$45.0 million with a fair value of \$42.3 million. The fair value measurement of Fortumo Holdings’ Inc. intangible assets and goodwill arose from the purchase price allocation work which was undertaken in July 2020. As a result, several assets have been identified and their fair value has been determined in accordance with IFRS 3. The carrying value of the goodwill and other intangibles from the Fortumo acquisition are therefore assessed in total as part of the Boku Payments Segment (Payments CGU).

Danal Inc (Renamed Boku Identity Inc on 1 January 2019) was founded 6 June 2006 and was acquired by Boku for a total value of \$25.1 million. The fair value measurement of Danal’s Inc intangible assets and goodwill arose from the purchase price allocation which was undertaken in January 2019. As a result, the Identity platform and contracts were determined to be one asset and have a fair value of \$1.9 million USD as at 1 January 2019. During 2019 the two platforms (Identity and Payments platforms) were operated independently and have independent cashflows. The carrying value of goodwill and the platform has been allocated to the Identity segment and has been assessed against the Identity segment future cashflows (Identity CGU).

Mopay was founded in 2000 and Boku Inc. acquired Mopay in October 2014 for a total value of \$24.2 million in cash and shares. The initial fair value measurement of Mopay’s intangible assets and goodwill arose from the purchase price allocation which was undertaken on January 21, 2016. At 31/12/2016, it was determined that the trade names purchased as part of the transaction have a fair value less than the carrying amount as these trade names have ceased to be used in the Group, Therefore Management have taken the decision to write off the NBV of the trade names as at 31/12/2016.

After the merger in 2014, the Mopay business was reorganised and the main assets (customer contracts) expertise from the Boku engineering team and are now being implemented for use by a number of Boku group entities. The carrying value of the goodwill from the Mopay acquisition and other intangibles are therefore assessed in total as part of the Boku Payments Segment (Payments CGU).

Notes to the Consolidated Financial Statement

11. Intangible Assets (continued)

Impairment of Goodwill

At the year-end date an impairment test has been undertaken by comparing the carrying values with the recoverable amount of the Group's two cash generating units (CGUs). The recoverable amount of the cash generating unit is based on value-in-use calculations. These calculations use cash flow projections covering future periods based on financial budgets and a calculation of the terminal value, for the period following these formal projections.

The key assumptions used for value-in-use calculations are those regarding projected cash flows, growth rates, increases in costs and discount rates. The discount rate used was the Weighted Average Cost of Capital. The discount rate is reviewed annually to take into account the current market assessment of the time value of money and the risks specific to the cash generating units and rates used by comparable companies. The pre-tax discount rate used for both CGU's to calculate value-in-use is the weighted average cost of capital (WACC) of 13.8% (2019: 14.9%). Growth rates for forecasts take into account historic experience and current market trends. Costs are reviewed and increased for various cost pressures. The terminal value calculation for 2020 was based on growth rate of post-tax free cashflow of 2% (2019:2%) for each CGU.

Identity CGU: During the year the Identity business revenues were impacted by Covid, this together with a lower pipeline conversion has resulted in lower expected revenue in the near term and growth in this business unit will be delayed. As a result, the Group reassessed the recoverability of goodwill and based on this has recorded an impairment of Goodwill of \$20.8 million. As required by IAS 36, if an impairment is identified in a CGU to which goodwill has been allocated, the impairment is first attributed to the carrying value of the goodwill before the carrying value of any other assets are reduced. Therefore, the full amount of the impairment has been allocated to goodwill reducing it from \$23.6 million to \$2.8 million.

Management analysed various scenarios which projected cash flows over the next 6 years, with a cumulative annual growth rate of 29%, together with a terminal value using a 2% growth rate (2019: 2%). The six-year projections used in the base scenario are based on the Board approved budget which took into account the anticipated future impact of Covid-19 for FY 2021 performance. In each case a discount rate of 13.8% has been used based on management's evaluation of the weighted average cost of capital for the Group.

The determination of the recoverable amount and the resulting impairment charge is subject to significant estimates and judgments including the cumulative average growth rate, the terminal value growth rate and the discount rate. Given the sensitivity of the resulting impairment charge to changes in these inputs, the following table shows the impact on the impairment charge that would result from a 2% change in each of these significant assumptions:

	Increase/(Decrease) on Impairment
Decrease in cumulative annual growth rate by 2%	\$3.7 million
Increase in the WACC by 2%	\$2.8 million
Projected post tax free cash flow used for terminal value reduced by 2% to zero	\$(1.8 million)

Payment CGU: Annual impairment test was also performed for the Payments business (Payments CGU) which indicated that no impairment was needed as there were no indicators of impairment for this business unit and the net present value of future cashflows substantially exceed its carrying value by \$210.2 million. Management has identified two key assumptions for which if any of the following changes were made to these key assumptions individually, this would cause the carrying amount of the CGU to equal to the recoverable amount of the goodwill for the year ended 31 December 2020:

	2020	2019
Projected post tax free cashflow used for terminal value reduced by	130%	68%
Terminal growth rate reduced from	2% to 0%	2% to 0%

Notes to the Consolidated Financial Statement

12. Subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows:

Name	Principal activity	Parent	Location
Boku Payments Inc.	Holding Company	Boku Inc.	USA
Boku Network Services Inc.	Holding Company	Boku Inc.	Delaware, USA
Boku Account Services Inc.	Holding Company	Boku Inc.	Virginia, USA
Boku Account Services UK, Ltd.	Mobile payment solutions	Boku Account Services Inc. (Virginia)	UK
Paymo Brazil Servicos de Pagamentos Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Brazil
Boku Network Services AG	Holding Company	Boku Inc.	Germany
Boku Network Services UK, Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	UK
Boku Network Services AU Pty Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Australia
Boku Network Services IN Privates Limited	Mobile payment solutions	Boku Network Services Inc. (Delaware)	India
Boku Network Services SG PTE. LTD	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Singapore
Boku Network Services HK LTD	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Hong Kong
Boku Network Services Taiwan Branch Office	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Taiwan
Boku Network Services Japan Branch Office	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Japan
Mopay AG Beijing Representative Branch	Mobile payment solutions	Boku Network Services AG (Germany)	China
Boku Identity Inc.	Identity solutions	Boku Inc.	California, USA
Boku Mobile Solutions Ireland	Identity solutions	Boku Identity Inc.	California, USA
Boku Network Services SG PTE. LTD.	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Singapore
Boku Network Services HK LTD	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Hong Kong
Boku Network Services IE Limited	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Ireland
Boku Network Services Malaysia	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Malaysia
Fortumo Holdings Inc	Holding Company	Boku Network Services Inc. (Delaware)	USA
Fortumo OU	Mobile payment solutions	Fortumo Holdings Inc	Estonia
Fortumo Mobile Payments S.L	Mobile payment solutions	Fortumo OU	Spain
Fortumo Mobile Services	Mobile payment solutions	Fortumo OU	India
Fortumo Singapore Pte. Ltd	Mobile payment solutions	Fortumo OU	Singapore

13. Trade and Other Receivables

	31 December 2020 \$'000	31 December 2019 \$'000
Trade receivables - gross	28,087	17,623
Accrued income	59,596	34,544
Accounts receivable - gross	87,683	52,167
Less: provision for impairment	(1,322)	(2,001)
Accounts receivable - net	86,361	50,166
Other receivables	190	57
Deposits held	749	316
Sales taxes receivable	1,339	1,042
Financial asset - Contingent consideration in escrow	2,160	-
Deferred cost of sales	256	270
Note receivable from a shareholder	-	793
Total financial assets classified as loans and receivables	91,055	52,644
Prepayments	1,480	948
Total	92,535	53,592

Provision for impairment

	31 December 2020 \$'000	31 December 2019 \$'000
Opening balance	2,001	1,958
Utilised during the period	(25)	(101)
(Decrease) / Increase during the period	(705)	170
Foreign exchange movement	51	(26)
Closing balance	1,322	2,001

In adopting IFRS9, the Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account and forecast credit conditions as opposed to relying on past default rates. In adopting IFRS 9, the Group has applied the Simplified Approach, applying a provision matrix based on the number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions. Included in the receivables balance there is a \$2.16 million expected to be returned from the escrow account into which the contingent consideration related to the Fortumo acquisition was paid.

Notes to the Consolidated Financial Statement

14. Cash and Cash Equivalents and Restricted Cash

	31 December 2020 \$'000	31 December 2019 \$'000
Cash and cash equivalents	61,290	34,747
Restricted cash	1,414	876

The restricted cash primarily includes e-money received but not yet paid to merchants (in transit), cash held in the form of a letter of credit to secure a lease agreement for the Company's San Francisco office facility.

15. Lease liabilities

Details of lease liabilities as at 31 December 2020, which includes the addition of two new leases in the year, the main addition for the Group's new head office in London:

Lease liabilities	Property	IT Equipment	Total
1 Jan 2019	2,794	1,112	3,906
Additions	1,009	-	1,009
Interest expense	224	64	288
Payments to lease creditors	(1,650)	(472)	(2,122)
Lease liabilities as at 31 Dec 2019	2,377	704	3,081
Additions	2,142	-	2,142
Interest expense	229	63	292
Payments to lease creditors	(1,834)	(503)	(2,337)
Lease liabilities as at 31 Dec 2020	2,914	264	3,178

The maturity analysis for lease liabilities is presented below:

Lease liabilities – Maturity analysis (contractual undiscounted cash flows)	2020 \$'000	2019 \$'000
Less than one year	1,625	1,914
One to five years	1,937	1,482
More than five years	-	-
Total undiscounted lease liabilities as at 31 December	3,562	3,396

There are no leases with a term of more than 5 years

Lease liabilities included in the statement of financial position at 31 December	2020 \$'000	2019 \$'000
Current	1,436	1,723
Non-current	1,742	1,358

Amounts recognised in profit or loss	2020 \$'000	2019 \$'000
Interest on lease liabilities	292	288
Variable lease payment not included in the measurement of lease payments	-	-
Expenses related to short term leases	22	129
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	21	17
Depreciation of right-of-use assets (Note 10)	2,121	2,009

The amounts recognised in the Consolidated Statement of Cashflows are presented below:

Amounts recognised in the statement of cashflows	2020 \$'000	2019 \$'000
Payment of principal	2,045	1,868
Payment of interest	292	288
Total cash outflows	2,337	2,156

Notes to the Consolidated Financial Statement

16. Trade and Other Payables

	31 December 2020 \$'000	31 December 2019 \$'000
Current		
Trade payables	105,376	68,128
Accruals	28,135	7,799
Total financial liabilities classified as financial liabilities measured at amortised cost	133,511	75,927
Other taxes and social security costs	1,353	327
Accrued tax on issued stock options	1,466	1,252
Other payables	5	-
Deferred revenue	444	489
Total	136,779	77,995
Non-current		
Accrued taxes on issued stock options	862	791
Total	862	791

The carrying values of trade and other payables approximate to fair values.

17. Loans and borrowings

	31 December 2020 \$'000	31 December 2019 \$'000
Current		
Bank loans and overdrafts (secured)	1,438	2,098
Lease liabilities	1,436	1,723
Total	2,874	3,821
Non-current		
Bank loans	10,813	-
Lease liabilities	1,742	1,358
Total	12,555	1,358

Principal terms and the debt repayment schedule of the Group's loan and borrowings are as follows:

In December 26, 2019, the Group repaid in full (\$2,000,000) the existing Loan and Security Agreement (the Agreement) and entered into an overdraft agreement for £5,000,000 for 3 years. At 31 December 2019 the Group had drawn £1,600,000 (\$2,098,000 USD) under the agreement. The agreement has been repaid in full on the 9 January 2020 and has not been used since.

On 26 June 2020 the Group entered into a loan agreement with its bankers for \$20 million to finance the acquisition of Fortumo Holdings Inc, and its subsidiaries on 1 July 2020. The loan was structured as a \$10 million term loan repayable in 4 years and \$10 million revolving facility. The revolving facility has been paid down by \$7 million by 31 December 2020. Borrowing costs of \$500,000 were incurred and are amortised over the life of the loan.

Reconciliation of liabilities arising from financing activities

	2019	Cash flows	Non-cash changes (\$'000)			2020
			Converted to shares	Foreign Exchange Movement	Lease Liabilities (IFRS 16)	
	\$'000	\$'000				\$'000
Short-term borrowings	2,098	(563)	-	(97)	-	1,438
Long-term borrowings	-	10,813	-	-	-	10,813
Long-term lease liabilities	1,723	(2,337)	-	(18)	2,068	1,436
Short-term lease liabilities	1,358	-	-	-	384	1,742
Total liabilities from financial activities	5,179	7,913		(115)	2,452	15,429

Reconciliation of liabilities arising from financing activities

	2018	Cash flows	Non-cash changes (\$'000)			2019
			Converted to shares	Foreign Exchange Movement	Lease Liabilities (IFRS 16)	
	\$'000	\$'000				\$'000
Short-term borrowings	2,150	(150)	-	98	-	2,098
Long-term lease liabilities	-	-	-	-	1,358	1,358
Short-term lease liabilities	43	-	-	-	1,680	1,723
Total liabilities from financial activities	2,193	(150)	-	98	3,038	5,179

Notes to the Consolidated Financial Statement

18. Share Capital

The Company's issued share capital is summarised in the table below:

	Number of shares issued and fully paid '000	31 December 2020 \$'000	Number of shares issued and fully paid '000	31 December 2019 \$'000
Common stock of \$0.0001 each				
Opening balance	252,335	25	223,885	22
Issue of new ordinary shares	23,600	3	-	-
Shares issued to Danal Shareholders	2,724	1	23,699	3
Exercised stock options	8,907		4,751	
Closing balance	287,566	29	252,335	25

Common Stock

At 31 December 2020, the Company had 287,566,248 (2019: 252,335,207) common shares issued and outstanding.

19. Reserves

The share premium disclosed in the consolidated statement of financial position represents the difference between the issue price and nominal value of the shares issued by the Company.

Retained losses are the cumulative net profits / (losses) in the consolidated income statement.

Foreign exchange reserve stores the foreign exchange translation gains and losses on the translation of the financial statements from the functional to the presentation currency.

Cash flow hedging reserve contains changes in un-realised gains or losses on the valuation of derivatives designated as cash flow hedges at year-end.

Movements on these reserves are set out in the consolidated statement of changes in equity.

20. Share-based Payment

The Group operates the following equity-settled share-based remuneration schemes for employees, directors and non-employees:

1. 2009 equity incentive plan (2009 Plan) for the granting of stock options (incentive or non-qualified), restricted stock awards (RSA) and restricted stock units (RSU). No options are available to be issued under this plan as at 31 December 2020 or 2019.
2. 2009 equity UK sub-plan (2009 UK plan) under the terms of the above plan for the granting of stock options and restricted stock units for qualifying participants who are resident in the United Kingdom. No options are available to be issued under this plan as at 31 December 2020 or 2019.
3. 2009 non-plan (not part of the above 2009 plan) for the granting of share options to purchase 897,000 (2017: 897,000) common shares at \$0.022 (2016: \$0.022) per share. These options vest with terms ranging from being fully vested at grant date to vesting over four years with a one-year cliff, where 25% of the options vest. The options expired in April 2019. The shares have been exercised in full during the year and there are no options outstanding as at 31 December 2019 for 31 December 2020.
4. 2009 BNS options (not part of the above 2009 plan) for the granting of share options to purchase 182,000 (2017: 182,000) common shares at \$0.207 (2016: \$0.207) per share in connection with the acquisition of BNS in June 2009. The options expired in June 2019. There are no options outstanding as at 31 December 2020.
5. 2017 Equity Incentive Plan (new plan started on the 7 November 2017) for the granting of stock options and restricted stock units (RSUs). The Group has reserved ten million shares of common stock for issue under the plan. The activity under this plan is presented separately from the rest of the plans. There are 1,112 options (2019: 1,281) and 8,962 (2019: 7,888) RSUs outstanding as at 31 December 2020.

Options under the 2017 Plan

Options under the 2009 Plan and UK plan may be outstanding for periods of up to ten years following the grant date. Outstanding options generally vest over four years and may contain a one-year cliff, where 25% of the options vest. Stock options with graded vesting is based on the graded vesting attribution approach, whereby, each instalment of vesting is treated as a separate stock option grant, because each instalment has a different vesting period.

RSUs under the 2017 Plan

RSUs under the 2017 Plan may be outstanding for periods of up to five years following the grant date. Outstanding RSU grants generally vest over three years in three equal portions.

Performance-based restricted stock units (RSU)

Performance-based RSUs vest upon the earlier of the completion of a specified service period and the achievement of certain performance targets, which may include individual and Company measures, and are converted into common stock upon vesting.

Share-based expense for RSUs is based on the fair value of the shares underlying the awards on the grant date and reflects the estimated probability that the performance and service conditions will be met. The share-based expense is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions until the vesting date. Performance-based RSUs vest after three years of issue, in one event, if the performance conditions are met, however these may also vest at the discretion of the board in the event that underlying performance conditions are not met.

20. Share-based Payment (continued)

Restricted stock awards (RSA)

RSAs are subject to repurchase based upon the terms of the individual restricted stock purchase agreements. These repurchase rights lapse over the vesting term of the individual award, generally over three to four years. There are no restricted stock award outstanding.

Options under the 2009 Plan and 2009 UK plan

Options under the 2009 Plan and UK plan may be outstanding for periods of up to ten years following the grant date. Outstanding options generally vest over four years and may contain a one-year cliff, where 25% of the options vest.

Stock options with graded vesting is based on the graded vesting attribution approach, whereby, each instalment of vesting is treated as a separate stock option grant, because each instalment has a different vesting period.

2009 non-plan options

The 2009 non-plan options vest with terms ranging from being fully vested at grant date to vesting over four years with a one-year cliff. The options expired in April 2019. Share-based expense in connection with the grant of Non-Plan options was not material in 2016 and 2017. In 2018 all options were exercised. There are no outstanding options at 31 December 2019 or 31 December 2020.

BNS plan options

In connection with the acquisition of BNS in June 2009, the Company granted options to purchase 182,000 common shares at a weighted-average exercise price of \$0.207 per share (BNS Options). These options granted were separate from the 2009 Plan. The options expired in June 2019. A small amount of options were cancelled in 2018. There was no stock option activity related to these options in 2017. There are no shares outstanding as at 31 December 2019 or 31 December 2020.

The options activity under the 2009 Plan and its sub-Plans before 2017 (including RSA and RSU) are as follows:

	Available 2009 Plan	2009 Plan (excl RSUs)		2009 Plan (only RSUs)	BNS Plan Options		Total
	Number of options '000	Number of options '000	WAEP ¹	Number of RSUs '000	Number of options '000	WAEP ¹	Number of options '000
At 1 January 2019		17,751	\$0.444	1,959	35	\$0.20	19,745
Exercised	-	(1,894)	\$0.269	(1,801)	(3)	-0.35	(3,699)
Cancelled	-	(164)	\$0.258	-	(32)	-	(196)
At 31 December 2019	-	15,693	\$0.268	157	-	\$0.35	15,850
Exercised	-	(5,224)	\$0.346	(157)	-	-	(5,381)
Cancelled	-	(2,163)	\$0.281	-	-	-	(2,163)
At 31 December 2020	-	8,306	\$0.327	-	-	-	8,306

¹ WAEP – weighted average exercise price

*RSUs are always granted at zero exercise price

2009 Plan	December 2020	December 2019
Outstanding options at reporting end date:		
- total number of options (including RSA & RSU)	8,399	15,943
- weighted average remaining contractual life (all except 2017 Plan) (years) (excluding RSU and RSA)	4.43	5.05
- weighted average remaining contractual life – RSU (years)	-	0.25
Vested and exercisable ('000):	8,275	15,679
- weighted average exercise price	\$0.384	\$0.357
- weighted average remaining contractual life – all plans (excluding RSU and RSA)	4.40	4.91
Weighted average share price exercised during the period (excluding RSA and RSA)	\$0.350	\$0.360
Weighted average fair value of each option granted during the period (excluding RSA and RSU)	-	-
Vested and exercisable – RSU and RSA	-	157
Share-based expense for the period ('000)	\$24	\$242

The following information is relevant in the determination of the fair value of options (excluding RSA and RSU) granted during the period under the equity- settled share-based remuneration schemes operated by the Group.

2009 Plan	December 2017
Option pricing model used	Black-Scholes
Weighted average share price at grant date (dollar)	\$0.370
Exercise price (options only)	\$0.370
Weighted average contractual life (years) ¹	5.82(E*+ NE*)
Weighted expected volatility ²	45% (E*+ NE*)
Expected dividend growth rate	0%
Weighted average Risk-free interest rate ³	1.9% (E*+ NE*)

¹Weighted average contractual life represents the period of time options are expected to be outstanding and is estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior.

²Expected volatility is based on historical volatilities of public companies operating in the Company's industry.

³The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

*E – employees NE – non-employees

The fair value of each option has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected terms ranging from 4.99 to 6.89 years; risk-free interest rates ranging from 0.73% to 3.05%; expected volatility of 58%; and no dividends during the expected term (2017: expected terms ranging from 5.04 to 6.01 years; risk-free interest rates ranging from 1.87% to 1.92%; volatility of 45%; and no dividends during the expected term).

20. Share-based Payment (continued)

The options activity under the 2017 Plan (including options and RSU) are as follows:

	Options available '000	Options '000	WAEP1	RSUs '000	WAEP1	Total '000
At 1 January 2019	4,432	1,386	\$1.205	4,182	\$2.24	5,568
Authorised	19,766					
Granted	(6,894)	-	-	6,894	-	6,894
Exercised	-	(40)	\$1.205	(1,012)	-	(1,052)
Cancelled	2,241	(65)	\$1.205	(2,176)	-	(2,241)
At 31 December 2019	19,545	1,281	\$1.205	7,888	-	9,169
Authorised	11,163					11,163
Granted	(6,393)	-	-	6,393	-	6,393
Exercised		(39)	\$1.205	(1,918)	-	(1,957)
Cancelled	3,402	(130)	\$1.205	(3,402)	-	(3,532)
At 31 December 2020	27,717	1,112	\$1.205	8,961	-	10,073

2017 Plan	December 2020	December 2019
Outstanding options at reporting end date:		
- total number of options (excluding RSUs) ('000)	1,112	1,281
- weighted average remaining contractual life (excluding RSUs) (years)	6.91	8.01
- weighted average remaining contractual life – RSUs (years)	6.85	6.07
Vested and exercisable ('000):		
- weighted average exercise price	\$1.205	\$1.205
- weighted average remaining contractual life (excluding RSU) (years)	6.91	8.01
Weighted average share price exercised during the period (excluding RSUs)	-	-
Weighted average fair value of options granted during the period (excluding RSU)	\$0.44	\$0.44
Vested and exercisable – RSUs	793	1,012
Share-based expense for the period ('000)	\$4,290	\$5,229

The following information is relevant in the determination of the fair value of options (excluding RSU's) granted during the period under the equity- settled share-based remuneration schemes operated by the Group. Only RSUs were granted in 2020.

2017 Plan	December 2018
Option pricing model used	Black-Scholes
Weighted average share price at grant date (dollar)	\$1.205
Exercise price (options only)	\$1.205
Weighted average contractual life (years) ¹	9.05 years
Weighted expected volatility ²	32.66%
Expected dividend growth rate	0%
Weighted average Risk-free interest rate ³	2.49%

¹Weighted average contractual life represents the period of time options are expected to be outstanding and is estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior.

²Expected volatility is based on historical volatilities of public companies operating in the Company's industry.

³The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

Warrants for ordinary shares

A 5-year warrant to purchase 1,634,699 Boku shares at an exercise price of \$1.8352 USD per share, exercisable at any time during the 5-year term was issued as part of the Danal acquisition, on 1 January 2019. This warrant was valued using the Binomial Lattice Model using the following inputs:

- a) Term: 5 years
- b) Starting share price: \$0.8982 USD
- c) Expected Annual Volatility: Used 5-year comparable companies equity volatilities from Capital IQ (26.6%)
- d) Risk Free Rate: Five-year US risk-free rate (2.51%)
- e) Strike Price: \$1.8352 USD.

Using the inputs above the warrant was valued at \$94,606 USD and accounted as part of the purchase consideration as an equity instrument and credited to other reserves until such time when it is exercised when it will be reclassified to the share premium account.

20. Share-based Payment (continued)

Reconciliation of share-based payment expense

	December 2020 \$000's	December 2019 \$000's
2009 Plan		
Options	23	90
RSU's	-	152
2017 Plan		
Options	154	152
RSU's	4,136	5,077
Total share-based expense (excluding national insurance)	4,313	5,471
National insurance accrued	159	1,067
National insurance paid in the year (see Note 4)	453	233
Total share-based payment charge	4,925	6,771

21. Dividends

No dividends were declared or paid in any of the periods.

22. Cash Generated From Operations

	Year ended 31 December 2020 \$'000	Year ended 31 December 2019 \$'000
(Loss) /profit after tax	(18,785)	355
Add back:		
Tax expense/ (credit)	1,470	(1,651)
Amortisation of intangible assets	3,471	2,285
Depreciation of property, plant and equipment	2,446	2,176
Restructuring write-offs	158	-
Finance income	(70)	(56)
Finance expense (includes interest on lease liabilities)	662	468
Exchange (gain) /loss	(3,130)	64
Employer taxes on stock option (accrual)	159	1,067
Adjustment for previous year cash items	-	(4,048)
Impairment of goodwill	20,775	-
Share based payment expense	4,313	5,471
Cash from operations before working capital changes	11,469	6,131
(Increase)/ Decrease in trade and other receivables	(9,545)	11,047
Increase / (Decrease) in trade and other payables	29,605	(8,127)
Cash generated from operations	31,529	9,051

23. Related party transactions

In 2020, the Group has been remitted \$100,206,645 (2019: \$151,336,427 - from 4 suppliers) in net payments from 5 suppliers who are shareholders of the Company. At December 31, 2020, the Company had receivables of \$12,404,487 (2019: \$20,459,254) due from these companies.

A director repaid in full a promissory note, issued to him in 2013, in the amount of \$793,000.

24. Ultimate controlling party

There is no ultimate controlling party of the Company.

25. Contingent Liabilities

In the normal course of business, the Group may receive inquiries or become involved in legal disputes regarding possible patent infringements. In the opinion of management, any potential liabilities resulting from such claims, if any, would not have a material adverse effect on the Group's consolidated statement of financial position or results of operations.

From time to time, in its normal course of business, the Group may indemnify other parties, with whom it enters into contractual relationships, including customers, Aggregators, MNOs, lessors and parties to other transactions with the Group. The Company has also indemnified its directors and executive officers, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or executive officer. The Group believes the estimated fair value of any obligation from these indemnification agreements is minimal; therefore, this consolidated financial information do not include a liability for any potential obligations at 31 December 2020 and 2019.

26. Business Acquisition

On 1 July 2020, Boku completed the acquisition of Fortumo Holdings Inc., a United States incorporated private holding company and its subsidiaries from several investors for a total maximum consideration of \$45 million, which included \$4 million of net working capital. Of the \$45.0 million purchase price, \$5.4 million is subject to Fortumo meeting EBITDA performance criteria in the 12 months period to 30 June 2021 and this amount has been placed into an escrow account by Boku. Boku raised \$25 million USD in a placing of shares in the UK public markets and borrowed \$20 million repayable over 4 years to fund the acquisition (please refer to the CFO report for more details).

Fortumo operates in the Direct Carrier Billing ('DCB') market with customers in Europe and Asia, focusing on the emerging markets. It is headquartered in Estonia, with 77 employees. Since inception, it has enabled user acquisition, monetisation and retention for digital service merchants through its Payments platform.

The acquisition is a significant step in Boku's global DCB growth strategy, bringing together the two most profitable companies in the DCB market with complementary capabilities and customer bases. The acquisition cements the Group's positioning as a leading global mobile payment and mobile identity solutions company. Fortumo primarily focuses on providing mobile payment solutions to over 400 small-to-medium sized enterprises, but also services some larger merchants including Google, Amazon and Tencent.

The combination of Boku and Fortumo created an enlarged and differentiated customer base. Fortumo benefits from Boku's direct connections in the Americas, Europe and Asia and Boku benefits from Fortumo's direct connections in Asia, including Vietnam and Indonesia and their wider network. Boku considers this to be key in its strategy of expansion into key growth markets.

The combination of Boku's and Fortumo's platform is expected to drive efficiencies through the utilisation of Fortumo's semi-automated onboarding and settlement and their focused platform for small and medium enterprise merchants.

The senior management and wider team within Fortumo have a strong cultural fit with Boku, strengthening Boku's management capabilities further. Fortumo has an experienced technical team who complement Boku's existing technical team.

The purchase consideration included cash, company restricted stock and contingent consideration, as follows:

Consideration	Per agreement \$'000	Fair value \$'000
Maximum consideration per SPA	45,000	n/a
Cash	37,753	37,753
Contingent consideration*	5,400	3,240
Company RSUs**	1,847	1,340
Total purchase price consideration	45,000	42,333

As part of the merger agreement, Boku settled in cash all fully vested but unexercised options. The unvested Fortumo options and RSUs were replaced with Boku RSUs representing the same market value of the unvested Fortumo options on the acquisition date.

**The contingent consideration of \$5.4 million was paid on the date of acquisition into an escrow account. A payment from this escrow account will be made to the shareholders of Fortumo based on EBITDA achieved for 1 year period to 30 June 2021. The amount payable is a percentage of the \$5.4 million, ranging from 0% to 100% for an EBITDA achievement between €2.0 million to €4.3 million. The fair value included the table above was calculated using the expected returns approach and the difference was recorded as a financial asset. The final value will be calculated at 30 June 2021 at the end of the earn-out period.*

*** The RSUs consideration relates to Boku Inc RSUs issued to employees in exchange for the existing options and RSUs in Fortumo Holdings Inc., which were part-vested as at the acquisition date. Given that these were options and RSUs with a remaining term and exercise price, the total value of these options at the valuation date was calculated using the Black Scholes model.*

26. Business Acquisition (continued)

Details of the fair value of the purchase consideration of Fortumo Holdings Inc., the net assets acquired, and goodwill are as follows:

	\$'000
Cash consideration	37,753
Company (Boku) RSUs	1,340
Contingent Consideration	3,240
Total purchase price (fair value)	42,333
Trade and other receivables	25,703
Cash and cash equivalents	6,558
Prepaid expenses and other assets	82
Property, plant and equipment*	566
Deposits held	71
Trade and other payables	(28,260)
Lease liabilities	(534)
Tax payable	(270)
Domain Name - Fortumo	1,834
Technology platform (Fortumo)	4,343
Customer contracts (Fortumo)	7,172
Goodwill	25,068
Fair value of net assets acquired	42,333

* The property, plant and equipment include \$542,000 right-of-use assets.

Deferred tax was deemed not applicable as in Estonia tax is charge on distributions not on profits. The identified intangible assets are assumed to reside in Estonia from the perspective of a hypothetical market participant. Tax amortisation benefit is not applicable for intangible assets residing in Estonia. As a result, no deferred taxes have been included in the fair valuation of the intangible assets.

The cost of acquisition has been expensed during 2020 and has been included in exceptional costs in the statement of comprehensive income for the twelve-month ending 31 December 2020. The share issue costs have been recorded in equity and the cost incurred in obtaining the loan used to pay for the acquisition have been capitalised and amortised over the life of the loan.

27. Post balance sheet events

There have been no material post balance sheet events.



 **boku**

Boku, Inc.
Stock Code: BOKU

