

Annual Report 2022



Boku, Inc.
Annual Report and Accounts
for the year ended 31 December 2022

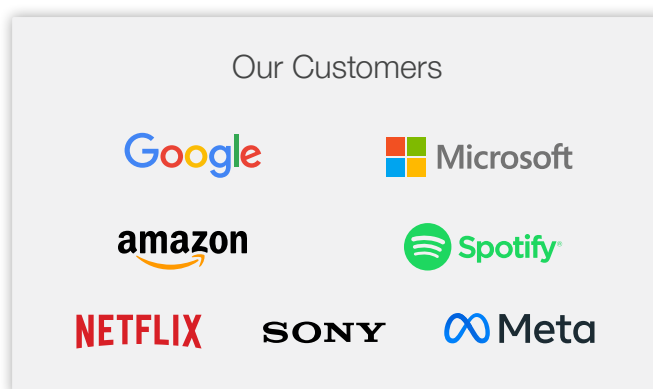
Boku provides a global mobile payments network through its mobile-first platform, which reaches over 7 billion consumer payment accounts in more than 90 countries worldwide.

Most things bought online are not bought with cards. They are bought with a variety of different local payment methods, including mobile wallets and account to account/real time payments. There are scores and scores of them. All different and incompatible

Boku builds custom connections to the most popular ones incorporating bespoke features that help our merchants to enrol more customers and sell more of their products. The mobile-first Payments Network now reaches over 340 payment methods worldwide, enabling merchants to transact and receive funds from 90 countries through a single contract and a single integration.

Boku works with the world's largest merchants. We help them to grow their businesses in every corner of the globe, with payments that reach mobile-first consumers, targeted marketing programs that attract, engage, and retain digital subscription users, and merchant services that ease the complexities of global settlement, compliance, tax, and fraud mitigation.

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.



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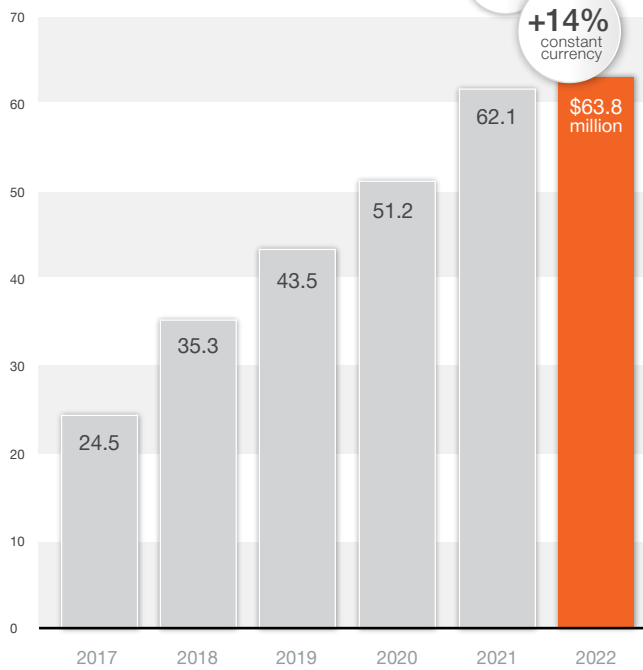
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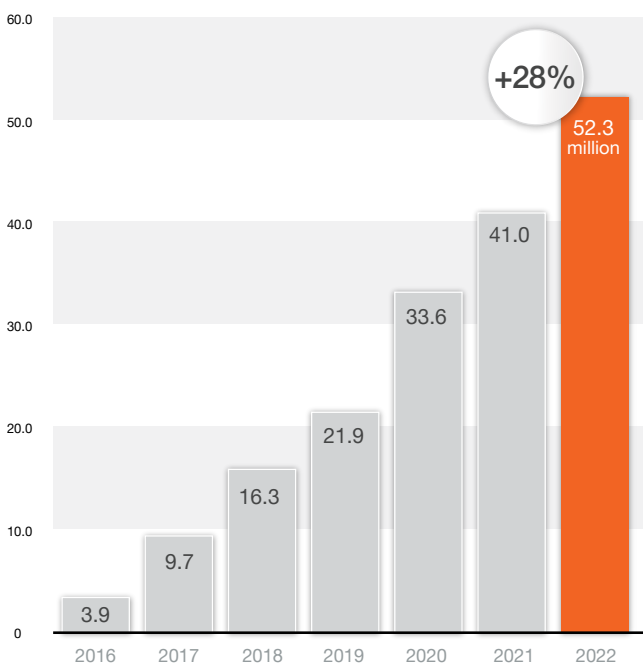
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Highlights

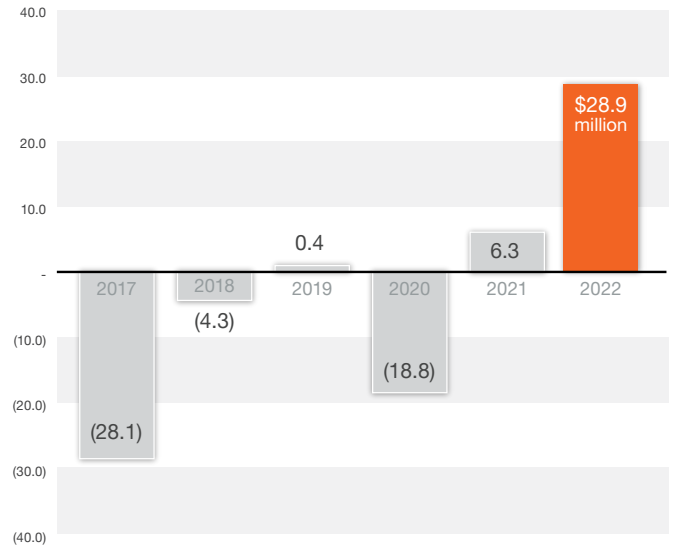
Revenue (\$USD millions)



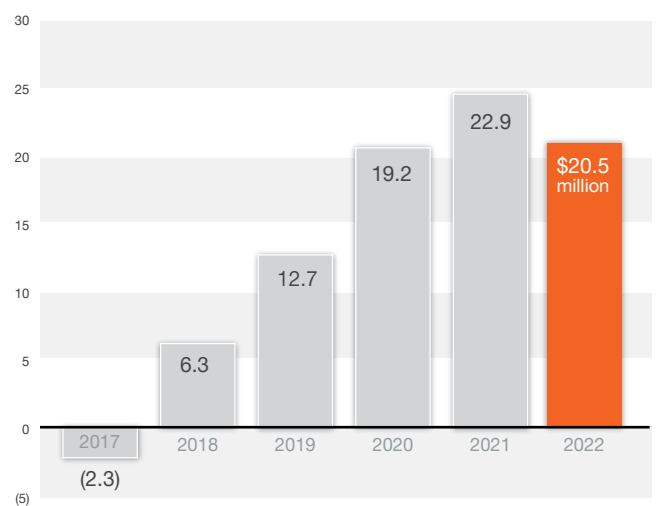
Monthly Active Users (millions)



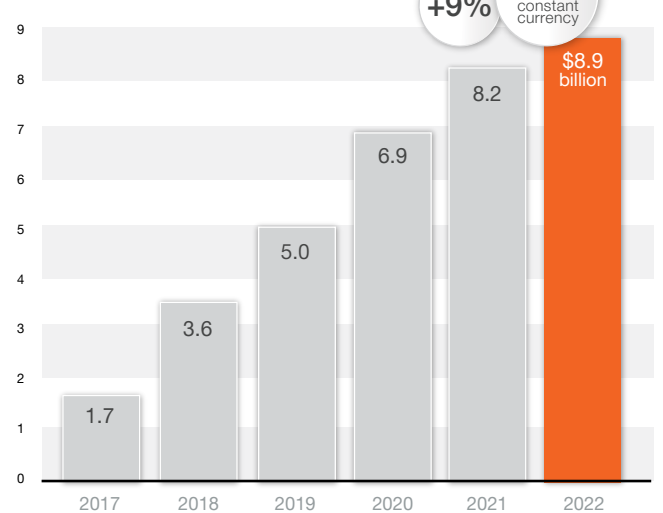
Profit After Tax (\$USD millions)



Adjusted EBITDA (\$USD millions)



TPV (\$USD billions)





Chair's Statement

I am delighted to be making my first report as Chair at the end of a year in which Boku has made substantial progress. However, I am not going to comment on trading numbers as they are well covered in my colleagues' reports.

First, however, I would like to thank Mark Britto who has made a huge contribution to this company as founder and, latterly, non-executive chair. We are not saying farewell though as he is remaining as a Non-Executive Director. This means we shall not only have continuing access to the depth of his Boku experience but also the insight from his recent experience as a senior executive at PayPal, one of the world's largest payment companies.

I have been a director of Boku since 2016, the year before Boku was admitted to AIM. Since then it has grown in size, sophistication, the breadth of its operations across the world and become profitable and cash generative. However, although its core business of Direct Carrier Billing ("DCB") will continue to grow there is a limit to how many people want to charge purchases to their phone bill. As a result, and as part of our growth strategy, we have now moved into processing new payment methods – Local Payment Methods ("LPMS") – principally eWallets and Real time Account to Account payments ("A2A"). The early growthmer of this strategy has far exceeded our expectations and is now increasingly visible in our results.

However, revenue and profit growth are not everything albeit they are crucial to a commercial enterprise's existence. We also pay close attention to each of the following:

- **Relevance and resilience:** Boku prides itself on its ability to satisfy customers' demanding requirements to support their growth. As our merchants include many of the major western digital companies, with some of the largest platforms on earth, they demand the highest standards.
- **Compliance and service:** As a payments company, we are proud of our ability to comply with regulatory requirements in the more than 50 countries where we operate. Compliance with regulations and high standards of customer service are central to our culture and are two of the secrets of our success.
- **Our people:** We value all our staff and treat them with the respect and consideration they deserve. We have, and intend to retain, high levels of staff loyalty and diversity. The Boku culture is, in my opinion, one of the most attractive features of this business.



Turning to the board composition, we have recently recruited two new Non-Executive Directors, Meriel Lenfestey and Loren Shuster. Boku now has eight directors – two executives, an independent non-executive chair and five other non-executives of whom four are independent. I am proud that our non-executives collectively have a huge amount of relevant and diverse experience. Their areas of expertise include the payments industry, telecoms, internet, Far East operations, accounting, HR, customer experience, ESG (Environmental, Social and Governance) and public company board exposure. This depth of experience is complemented by a wide range of personal backgrounds from different countries and cultures.

In conclusion, I believe we are a company with the highest standards of technical skills, customer service and integrity, underlining why and how we continue to supply payment services to the world's largest digital companies. Alongside this we have a culture which makes Boku an attractive place to work and allows us to hire and retain the very best staff wherever they may be based and whatever their backgrounds are.

I am extremely proud to be a member of the Boku team and I look forward to exciting growth in Boku's revenue and profits in the coming years.

Richard Hargreaves
Non-Executive Chair
20 March 2023

Strategic Report

“The world needs unreasonable men. The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man”

—George Bernard Shaw

Knowing the real job that the customer wanted done

Boku was able to achieve its position as the market leader in Direct Carrier Billing (“DCB”) by being unreasonable. Our competitors simply resold the facilities that mobile network operators made available. These interfaces were good enough for game show voting or the purchases of mobile wallpapers and ring tones – remember them? – that characterised the carrier billing industry in its early days. But they were inadequate for the needs of the global digital entertainment industry. To serve them, we needed to make some unreasonable demands of the Mobile Network Operators (“MNOs”).

Global digital companies didn’t want to use DCB to move money – there were plenty of other ways that they could do that more efficiently. What they wanted to achieve from a partnership with a telco, was to acquire new users. Once Boku understood the value that DCB could bring, we set about persuading the MNOs to deliver the right interface for us.

Mobile Network Operators had strategic advantages that could make charging to your phone bill a must have for global digital companies. There are more phones than payment cards and, because the phone company knows your number without having to ask, they could deliver one tap registration. But basic services were missing from many carrier APIs, such as the ability to do refunds or to ensure that fat fingers didn’t result in double charges.

It wasn’t easy. At first the MNOs looked at Boku as an upstart who didn’t have any place telling them to change their systems. However, as we successively recruited customers like Sony, Spotify, Microsoft, Google and Apple, the carriers understood that changing their systems would allow them to reach a new class of merchant, with substantial new volume.

For Boku, this set up a virtuous cycle: new merchants led to new MNO connections and new connections led to new merchants. Most importantly, each of those new connections led to new users for our merchants. On average, each time a new connection is launched, around 15% of all new users recruited by the merchant in that territory will be recruited through the simplicity and reach of Direct Carrier Billing. New users are gold dust for merchants chasing growth. And, as the economic environment turns chilly, those new users are, if anything, even more valuable.

In time, that virtuous circle, enabled Boku to establish itself as the scale player in the specialised payment method of DCB. By being bigger, we were able to support simultaneously more merchants and more high quality carrier connections at lower unit cost than our competition. Ultimately, practically all of the world's largest digital companies, across app stores, streaming music and video, console, PC and mobile games, became our merchants. Mostly they used Boku as their sole provider.

Willie Sutton, an American bank robber, was once asked by a journalist “Why do you rob banks?”. He replied, “Because that’s where the money is.”

Working with big companies is an important part of Boku’s strategy. Big companies have big volumes. It was the opportunity presented by big companies that persuaded MNOs to make changes to their systems. It is big companies that have the resources to manage multiple payment providers and thus accept Direct Carrier Billing alongside more conventional means of payment, such as cards. Boku developed a series of skills for working together with global companies which have become core competences for the organisation.

Order out of chaos

The Mobile Network Operator landscape is a very fragmented one. Whilst there are standards galore to cover messaging, data transmission and telephony, their back-office systems are a mish mash of 3rd party provided systems, bespoke software and in-house developments. No two are the same. Not even within the same carrier group sharing a common brand.

That complexity was our opportunity. Since each connection by itself provided relatively little uplift for the merchant, it was infeasible for large companies to directly integrate them all. They needed a partner, like Boku, to simplify the process. Boku's core proposition is to take the fragmented world of different payment issuers and to provide access to them through a single technical integration, a single contract and, if required, a single settlement process.

Growth on DCB steady and predictable

Unlike the standardised world of payment cards, the fragmentation means that each connection must be made individually. There are no shortcuts. You can't just flick a switch and light everything up. It's frustrating in that growth comes at a steady pace, but it's also a moat with which to defend our business. Once you've taken months to make a connection, it doesn't get switched off or passed to a competitor, who would have to go through the same multi-month process.

The complexity has also built an optimisation culture within Boku.

Since each connection is different, a plug and play approach will not provide the best results for customers. Instead, Boku intensively analyses the performance of each connection to understand the features and configurations that could be implemented in order to ensure that a higher percentage of attempted enrolments and purchases are successfully completed. We differentiate ourselves not only by the reach of our network, but also by its quality (as evidenced by our global merchant testimonials, including being selected by Amazon as a global partner). With the right technical features, optimally configured, the difference in performance that Boku can achieve is considerable. Our scale is important here too: by having more information about more connections from more merchants, we are better able to deliver new users and more sales for our merchants.

Boku's capabilities

- A focus on the needs of global merchants
- Customised integrations to payment issuers
- Deep analysis and optimisation to improve outcomes

The value of DCB transactions that Boku processes has been growing steadily for some years, but we didn't want to be the big fish in a small pond. Ultimately DCB was never going to account for more than 15% or so of a merchant's total sales. Making payments using your phone bill or balance is a minority sport, most people will pay with something else. And we wanted to grow bigger by providing solutions that would be more widely used, solve bigger problems for our merchants. Happily, the skills that Boku has accumulated on DCB can be applied to that bigger canvas, to the larger market of payments through mobile wallets and account to account/real time payments.

The growth of Local Payment Methods ("LPMs")

In the Roald Dahl story, *The Twits*, Mr. Twit fooled his wife into thinking that she was shrinking by gluing a tiny slither of wood onto the bottom of her walking stick every day for month. The change was so slow, so imperceptible, that the wife didn't notice at first. Gradual change is hard to see.

Standardisation: the motor of growth for cards

Since its invention in 1949, driven forward by the efforts of Visa and MasterCard, the general purpose payment card has grown to process trillions of dollars of payments every quarter. That growth, in large measure, has been driven by standardisation. It's standardisation that has allowed an ecosystem of banks and payment processors to provide a global payment infrastructure, with many different participants competing to provide services to merchants and consumers.

Relative decline: The unnoticed eclipse of cards

Yet over the last 15 years or so a profound change has occurred to the way in which the world pays for things online. Back in 2010, according to the Worldpay Global Payments report, approximately three quarters of the world's e-commerce was taking place on cards. By 2020, that figure had reduced to just over a third.

People in card-based payment cultures in the West may not have noticed the change, but most online purchases are not made with cards anymore.

Why has this change been so hard to see? First it is that Visa and MasterCard have most assuredly been growing. Over the past 10 years Visa's CAGR has been 11.3%, MasterCard's 9.3%, but growth in online sales elsewhere has been faster, especially in Asia. Secondly, non-card spending is fragmented across scores and scores of different, mostly domestic payment methods. With very few exceptions, none of these new payment methods are large enough to register in the wider consciousness. You may have heard of Alipay, but what about Grabpay, Paymaya, Toss or Zalopay? Currently, the most successful Local Payment Methods are mobile wallets, but new payment options like Buy Now Pay Later, and, especially, real time Account to Account payments schemes are also rapidly gaining traction.



Growth of Account to Account (“A2A”)

Real time Account to Account payments (“A2A”) are a new kid on the payments block. They’re growing incredibly fast and could disrupt cards: they are cheaper, faster, have a better guarantee for merchants and are more secure.

The technology was pioneered in the UK with its Faster Payments service back in 2009 – most UK readers of this report will have made payments from a banking mobile app using the service – but it is in other countries where the technology has really taken off. India, for example, launched the Unified Payment Interface (“UPI”) in 2016, by December 2022, 7.8 billion transactions were processed in a single month. – approximately 8 per adult, the same as the UK. In Brazil the usage is even higher. Pix, the Brazilian system was launched in November 2020 and now, just over two years later, in December 2022, usage was 20 transactions per adult per month. With different national systems – A2A, like wallets, will be a fragmented ecosystem. But A2A addresses an even larger potential market than wallets encompassing both Business to Business transactions as well as Consumer to Business. Boku has integrated A2A schemes in Thailand and Korea and further integrations will be done in 2023.

Global companies need local payments

Initially, Local Payment Methods grew in their local markets – Chinese consumers to Chinese merchants, Thai consumers to Thai merchants and so on. But their success led to demand for acceptance from Boku’s existing global merchants. Global merchants needed to accept these payment methods if they wanted to be relevant in the countries where they had become popular, yet, just like with carrier billing, the complexity of connecting to each Local Payment Method individually was a real barrier to them self-supplying.

Two Markets: commoditised cards, fragmented Local Payment Methods

For payment processors there are, in effect, two different markets: the standardised world of cards and the fragmented, unstandardised world of LPMs, including DCB.

For a payment processor, the card scheme rules are a given, immutable, non-negotiable, handed down on tablets of stone by Visa and MasterCard. It is possible to differentiate oneself a little by having a more modern payment stack, by being simpler to integrate or by having advanced routing capabilities, but the difference that you will make to the merchant’s business outcome is relatively small. The result is a price driven market where the returns go to scale. The cost of operating a payment platform is broadly fixed, with each incremental transaction adding little or nothing to overall expense. In cards, the spoils go to the largest player who can provide the service at the cheapest price.

By contrast, in the Local Payment Method market, differentiation is possible. Since each payment method is different, it is possible to deliver dramatically different levels of performance based on the details of the specific Local Payment Method integration. If you can reduce latency, simplify the user interface, make one tap transactions possible, you can deliver dramatically better outcomes. Better business performance results in, on average, higher prices. The LPM processing market is particularly attractive with a large Total Addressable Market (“TAM”) and the potential for premium pricing.

“I have a very particular set of skills, acquired over a very long career”

—*Liam Neeson,*
playing the character Bryan Mills
in the film, Taken (2008)

The skills that Boku has learned over ten years of processing DCB turn out to be ideally suited to operating in the fragmented ecosystem of local payments. Just as Mobile Network Operators had multiple different interfaces, so do mobile wallets; just as telcos are prepared to upgrade their specifications in order to reap the higher volumes from global merchants, so are Local Payment Methods; just as global merchants seek a partner with a single interface to connect them to many carriers, so are they also looking for partners who can connect them to the variegated universe of Local Payment Methods.

Our suitability for the Big Pond of local payments is not a diversification from our DCB business, it is an extension of it. It is because we were successful at DCB, that we are well suited to other LPMs. Applying Boku's formula of concentrating on quality, implementing dedicated features into our platform to ensure the optimal performance of each issuer makes a tangible difference.

Better business results for our customers allows us to charge a premium price when compared to the card processors (over and above the premium to be had from operating the full service settlement model).

Investment in new capabilities

That's not to say that there are no differences: swimming in the Big Pond does require some investment in new capabilities.

The higher values processed through wallets and A2A schemes mean that merchants want to get their money more quickly. Boku's settlement capabilities have been upgraded to include daily settlement.

Mobile wallets and other Local Payment Methods are regulated. To offer them, we must obtain payment licences and comply with the relevant Anti Money Laundering and Counter Terrorist financing rules. Getting these licences is costly and time consuming. The fact that we have the capability to offer regulated payments in 50 markets is a significant competitive advantage, one that is difficult to replicate and impossible to do quickly.

Boku's Strategy

Our strategy is to expand from the small pond, the niche market of DCB, addressing a market measured in tens of billions, into the Big Pond of LPMs, where the TAM is measured in trillions. Whereas DCB is restricted to digital entertainment, Local Payment Methods are suitable for all types of goods and services.

Nevertheless, Boku will focus its effort on the parts of the market, where we have the best opportunity to succeed.

Sales strategy

Many merchants sell internationally, but it costs money and takes expertise to manage multiple payment providers. The organisations who do this tend to be big and one of Boku's biggest assets is our ability to work with the world's biggest merchants. Our efforts are concentrated on the global digital giants. We have contracts with and payment integrations to all of these giants and work to upsell into all of their divisions and to cross-sell into their competitors. We call this the Big Pond.



Mobile-first network strategy

Our mobile-first payment network currently spans more than 7.3 billion accounts, split 57%/43% between our traditional DCB Issuers and new LPMs. Our efforts will be concentrated on expanding the LPMs, especially A2A. The potential for growth from these payment types is greater than DCB, where we have already built almost all of the relevant payment connections. We focus our efforts by responding to merchant demand and by integrating LPMs that are already successful. We do not aim to pick winning LPMs speculatively when they are starting out, but rather to integrate such payment methods that are currently being used intensively within the local market.

Operations strategy

We are investing in our operational capabilities, principally to accommodate the growth in our business. The cost of operating the payment platform is broadly fixed for a given set of capabilities, but, as we move further into the Big Pond, we need to build out new capabilities, including in our settlement services, our network of regulated entities, and merchant information and analysis systems.

Starting to show through in the numbers

As is outlined in more detail in the CEO report, 2022 has been a breakthrough year for this strategy with growth increasingly being driven by the new Local Payment Methods. This trend will continue into 2023 and beyond. More and more global merchants are trusting Boku to help them recruit new users across a wider set of payment methods. We are now starting to swim more confidently in the Big Pond.

Chief Executive Officer's Report

Press reviews of the financial climate in 2022 describe it as a year that the macro climate turned negative. The end of the era of cheap money. Interest rates rose as Central Banks tried to get a grip on double digit inflation; war broke out in Ukraine; food and energy prices rose in response; the continuing COVID pandemic affected supply chains in China. All the macro indicators turned negative.

Tip O'Neill, the former US House Speaker said that "all politics is local". There's a corollary, "all company results are micro". Despite the macro headwinds, 2022 was a transformational year for Boku.

In my last two CEO statements, I have outlined Boku's ambition to go from the world of Direct Carrier Billing ("DCB"), into the larger market represented by general purpose, Local Payment Methods ("LPMs") – mobile wallets account for most of the spending on the internet, exceeding even cards. Becoming a successful processor for LPMs means expanding from the multi-billion dollar DCB market, into general ecommerce, where the value of transactions is measured in trillions – to move from being a big fish in a small pond, into the Big Pond. 2022 was the year in which this ambition became measurably closer to reality.

We started the year by completing the disposal of our Identity division to Twilio Inc. ("Twilio") for a maximum transaction value of \$32.5m, allowing us to focus our efforts on payments, and we ended it with most of our growth coming from LPMs. Along the way we announced a major new deal for LPMs with Amazon and launched with the world's largest wallet in China, the world's biggest video games market.

As Ella Fitzgerald sang: "This could be the start of something big".

LPMs: A fragmented market

All around Asia, the Middle East, Latin America and Africa, as consumers started to go online, different mobile wallets sprang up to service their needs. Collectively these new LPMs account for most online purchases worldwide, but that spending is spread over dozens of different incompatible companies. Local merchants can cope – they only have to connect to two or three brands of wallet to get the coverage that they need, but global merchants are faced with a considerable problem – to offer Local Payment Methods in all the markets where they operate they would have to make scores of different payment connections and manage many separate collections and reconciliation processes. It is essentially technically infeasible. Their problem is our opportunity: one which plays to Boku's strengths, honed over a decade of integrating and optimising incompatible Mobile Network Operator systems.

2022 was the year in which global merchants started to accelerate their adoption of LPMs and this trend benefited Boku.

Mobile-first payment network

For many years Boku has had a big DCB network. Over the past two years we have been supplementing the DCB capability with LPMs. We're not quite at the point of cross over but, of the 7.3 billion accounts that can be reached through the network, approximately 45% of them are now from LPMs. In 2022, Boku's network expanded to include new methods in countries such as China, Vietnam, Pakistan, Saudi Arabia, Nigeria, Tanzania, Brazil, Egypt and Taiwan.

This network of technical connections is supplemented by a set of payment licences, partnerships and authorisations that allow Boku to provide regulated payment services in 50 countries worldwide.

In 2022, a new payment licence was granted in the Philippines and we're in the final stages of gaining a licence in Malaysia. We received in-principle approval for an Payment Aggregator-Payment Gateway licence in India, giving us more flexibility to operate in that country. These licences are hard to get and take resources to maintain. They are essential to our business and give us the capability to connect to LPMs and move money around the world.

Volumes processed through the network were \$8.9 billion, a figure affected by the strong dollar. Taking out the effect by using the average monthly exchange rates from the previous year, the increase was nearly 20%.

Focus on big merchants

Most companies are happy to work with a single payment processor. A one-stop shop to look after their payment needs and minimise the internal support cost. For them a single contract with a payment processor like Worldpay or Adyen will satisfy their needs.

But the biggest global companies, with multi-billion dollar revenues, manage their payments more actively, working with multiple providers so as to get the best quality. For them, the rewards from optimising their payment flows, even by small percentages, can be considerable.

For them, good enough coverage is not good enough. They don't want just to see flags planted on the map showing a capability to accept, they need those implementations to deliver the best possible results.

Boku focuses its efforts on such merchants: we build customised connections to payment issuers and major merchants which deliver better results for our customers: more new users and higher sales. In 2022 we delivered nearly 150 new connections for our merchants, an increase from the prior year.

In 2022, we focused in on driving growth through LPMs for large merchants. We developed new capabilities to support both mobile wallets and Account to Account/Real Time Payments, and have implemented daily settlement. We now trade exclusively under the Boku name – discontinuing the use of Fortumo brand – and have shifted resources in our Estonian operation onto the LPMs for big merchants proposition.



Boku People

The United States motto — E Pluribus Unum: (Out of many, one) — originally represented the fact that thirteen colonies were coming together to form a single polity, it has come to represent the way that different people from different backgrounds came together to form a coherent culture. It is a noble aim and one that could also be used to represent Boku. We come from many different countries. We work in many different countries – 24 at last count. We support many different payment methods.

We are many. But we are also one.

Together Boku people work to help our customers to achieve their goals. Together we work to sell to new customers. Together we solve problems for our merchants. It is the very diversity of Boku — with people situated all around the world coming from different cultures, with different experiences and backgrounds, beliefs and orientations – that gives us our strength. Because Boku people are all around the world, we can serve our customers better. Because we come from different countries, we can understand our customers' requirements better. And these things make us a better company. Diversity at Boku is not just some buzzword or bolt-on, dreamt up to make us look good in the Annual Report. It is who we are. It is our edge.

Chief Executive Officer's Report

How do we compete in the Big Pond?

Because in LPMs we are not the big fish, we must earn our right to exist. Our competitors have more money and more people. But our people can ensure that a connection to Boku is more effective: one of our merchants told us that by using our connection they were able to increase their ARPUs by a double digit percentage. This level of performance has meant that most of our largest customers now work with Boku on LPMs, and their deployment speeded up over the course of the year, with just over twenty connections live in H1, growing to nearly fifty by the end of the year.

What have been the results?

The job that our merchants generally hire us to do is recruit and retain users. They know that they can reach some customers using payment cards. They come to us, a Local Payment Method processor, because those new payment methods help them to recruit new users.

In December the number of active users, consumers who had at least one successful transaction or had an active bundle in the month, increased by 28% to 52.3 million, compared with December 2021

Of these, LPMs made up 3.8 million or 7.2%, this was a 230% increase over December 2021. Moreover, since LPMs are processed using the settlement model at higher than average take rates, LPMs accounted for an even greater share of revenue. An average LPM user generates more than twice as much revenue as the average DCB user.

For new users – a leading indicator of growth — LPMs took a 15% share, with 8.4 million users (up from 2.7 million in 2021) making their first ever payment on Boku using an LPM, out of a total of 56.7 million first time users across all payment methods and bundling.

Accelerating growth

Growth in the first half of 2022, was affected by comparison to the COVID boosted volumes in the first half of the previous year. As this fell out of the comparatives and the volume from new implementations, especially of Local Payment Methods started to compound, the growth in the second half of 2022 was materially stronger. On a constant currency basis¹, H2 grew 21% year on year, whereas growth in the first half, on the same basis, was 8%. That acceleration was driven by launches in big markets like China, where Boku launched with a major merchant activating both Alipay, the world's largest wallet and the second largest one, WeChatPay.

If growth is good in good times; it's better in bad

Getting new users can be particularly important when times are tough. At the start of 2022, Netflix reported slowing subscriber numbers. But there was a bright spot: Asia. And it was in Asia that Boku was helping them to recruit new users through 27 different LPM and DCB connections. As an executive acknowledged in a Bloomberg article: *"Netflix is [...] attract[ing] sign-ups through innovative payment methods, like allowing users to include their subscription fees in their monthly phone bills or pay via digital wallets. [...] The number of new members signing up last year using alternative payment methods more than tripled from the previous year."*

New sectors

Boku has also been able to break into new merchant verticals. The digital advertising business is nearly twice as large as the market for digital entertainment. When Boku only provided DCB, the advertising segment was unavailable to us – you're not going to charge your advertising budget to your phone bill. But by leveraging our existing payment connection, in 2022, we have been able to grow the number of LPM payment connections to a major digital advertising platform from three in one market in 2021 to 16 in nine countries in 2022. This success gives us the credentials to sell our payment services to other digital advertising companies.

Outlook

2022 has been a breakout year. Boku's growth became primarily driven not by DCB, but by mobile wallets and account-to-account/real time payments. By the end of the year nearly 7% of our Monthly Active Users and more than double that percentage of our revenue came from these newer payment methods. I expect both those figures to grow further in 2023. With new customer wins and launches of deals, such as the new multi-year Amazon LPM contract, Boku is well set for further progress into the Big Pond. In the immortal words of Bachman Turner Overdrive: "You ain't seen nothing yet".

Jon Prideaux

Chief Executive Officer
20 March 2023

Chief Financial Officer's Report

Strong underlying growth and key global merchant wins

Group results

2022 was a key year for Boku as we disposed of our Identity division in February, saw significant take up of our newer Local Payment Methods ('LPMs') from our global merchant base including our first launches with the world's largest eWallets in China and the announcement of a multi-year global agreement for LPMs with Amazon validating our investment in building out a global LPM network.

Revenues and Adjusted EBITDA² were both impacted by significant currency headwinds but on a constant currency basis¹ revenue growth was up 14% and the underlying metrics of users and payment volumes process showed similar strong growth. The profit on disposal of the Identity business helped increase group net Profit to \$28.9 million (2021: \$6.3 million) and the cash proceeds helped balances increase to \$116.5 million at year end (2021: \$62.4 million).

Consolidated Statement of Comprehensive Income and restatement of prior year comparatives

Following the disposal of Boku's Identity division on 28 February 2022 the Consolidated Statement of Comprehensive Income includes the results relating only to the continuing Payments business. The Identity results are shown separately under "discontinued operations". The prior year comparatives have been restated accordingly.

Payments division (continuing operations)

Boku's Payments business was founded on Direct Carrier Billing ("DCB") which enables end user customers of Boku's merchants to charge payments to their phone bills, but its payments network has now expanded to offer connections to offer Local Payment Methods ('LPMs') such as eWallets and Account to Account ('A2A') (also known as Real Time Payments ('RTP')) through its 'mobile-first' payments platform. These services are provided to the world's largest digital merchants including Apple, Netflix, Meta/Facebook, Google, Amazon, Spotify, Microsoft and Sony, mainly on an exclusive basis.

In 2022 the Payments division performed strongly on an underlying basis when looking through significant currency headwinds, as the US dollar (our reporting currency) appreciated against almost all major currencies, with revenues increasing to \$63.8 million (2021: \$62.1 million) an increase of 14% on a constant currency basis¹ (and 21% growth in H2), which in turn delivered Adjusted EBITDA² of \$20.5 million (2021: \$22.9 million). Growth comes from both from the existing merchant base and also from adding new carrier and LPM connections to new and existing merchants.

Total Payments Volume ("TPV")⁴ increased to \$8.9 billion (2021: \$8.2 billion) despite currency headwinds while Monthly Active Users ("MAUs") grew by 28% to 52.3 million (2021: 41.0 million) and 56.7 million new users made their first payment or bundling transaction with Boku during 2022.

We saw particularly strong growth in the new Local Payment Methods: An eight fold increase in volumes processed from LPMs including eWallets and Account to Account/Real Time Payments, compared to 2021. A 230% increase in MAUs of LPMs, to 3.8 million in December 2022 compared to 1.1 million in December 2021, while new users of LPMs increased considerably to 8.4 million in 2022 (2021: 2.7 million).

In 2022 Boku completed approximately 150 new payment launches with existing and new merchants including Google, Apple, Meta, Microsoft, Amazon, Disney, Netflix, Spotify, Samsung, Sky and EA Games, through Boku's expanded mobile-first payments network. Of these launches, around 50 were for LPMs and more than 30 for bundling programmes.

The blended average take rate was broadly stable at 0.73% however contracts for the new Local Payments Methods, which are all settlement model and so we handle the cash and charge higher fees, have generally been at higher overall take rates than average and so we expect our blended take rate to increase in future years.

We continued to invest in Boku's mobile-first payments platform in 2022 as we further expanded its capabilities to include LPMs. The mobile-first payments platform has the capacity to process volumes considerably in excess of today's peak transaction rates.

The Fortumo brand has now been discontinued both internally and externally, and the Payments business now trades solely as Boku. As a result, the Fortumo brand name included in intangibles, which was separately valued as part of the Purchase Price Allocation (“PPA”) work at the time of the acquisition of Fortumo in July 2020, was fully impaired in the year.

Adjusted Operating Expenses⁵ (continuing operations)

Adjusted Operating Expenses⁵ for the continuing Payments business increased to \$41.5 million (2021: \$37.6 million).

	Period ended 31 Dec 2022 \$'000	Period ended 31 Dec 2021 \$'000
Gross profit	61,993	60,511
Adjusted EBITDA ²	20,464	22,933
Adjusted Operating Expenses ⁵	41,529	37,578

This was due to a number of factors including payroll increases due to wage inflation and the return of international travel – but primarily due to the continued investment into building out Boku’s ‘mobile-first’ Payments network globally as we added capabilities in eWallets and Real Time Payments/Account to Account globally, including a further expansion of our regulatory footprint by adding new licences and legal entities. These regulated payment capabilities now cover more than 50 markets. A recent highlight is the granting of a payments licence in the Philippines.

The Group capitalised \$4.9 million of internally generated intangible assets during the year compared with \$5.0 million in 2021.



Identity division (discontinued operations)

Boku's Identity division was sold to Twilio on 28 February 2022 for a maximum consideration of \$32.5 million with Boku receiving the bulk of the consideration on the date of the deal with \$6.5 million held back by Twilio for a maximum of 18 months subject to meeting certain criteria. Included in this total is an indemnity of \$5.6 million against possible future claims for 18 months from the transaction date which expires at the end of August 2023. No potential claims have been identified as at the date of this report and management believes the likelihood of any claims under this indemnity to be extremely low and therefore that it is highly likely that the full amount will be received. As a result, the full amount has been included in the profit from discontinued operations in the Statement of Comprehensive Income. This amount is disclosed within current assets on the Statement of Financial Position.

The sale was well timed from a valuation perspective and resulted in a Profit on disposal of \$25.2 million net of disposal costs. This along with the Identity losses incurred in the two months of trading to 28 February 2022 are shown in the ‘Discontinued Operations’ line on the face of the Statement of Comprehensive Income.

Chief Financial Officer's Report

The net consideration received on 28 February 2022 was \$17,665,539 with a further \$8,125,000 of cash consideration paid directly to Citibank by Twilio to repay Boku's term loan with Citibank in full on the day of the sale. A further \$155,972 was received from Twilio on 22 July 2022 as part of the agreed three month working capital adjustment. On 8 December 2022 a further \$600,000 was received from Twilio as payment in full of the Specific Indemnity Holdback per the Identity SPA which was part of the \$6,500,000 contingent consideration.

The remaining deferred consideration of \$5.6 million relating to the final indemnity holdback will be released to Boku net of any claims by the end of August 2023 as detailed above. The group is now debt free and had cash balances of \$116.5 million at 2022 year end (31 December 2021: \$62.4 million).

Adjusted EBITDA²

Adjusted EBITDA² for the full year 2022 was \$20.5 million (2021: \$22.9 million). As mentioned previously, revenues and Adjusted EBITDA were impacted by significant currency headwinds as the US dollar strengthened against almost all major currencies. We also continued our investment into expanding Boku's mobile-first network but still managed to achieve Adjusted EBITDA margins of over 30%. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, adjusted for share based payments expense, forex gains/losses and exceptional items. It excludes any contribution from the discontinued Identity division.

Net profit from continuing operations

Net profit from continuing operations before interest and tax for 2022 was \$4.5 million (2021: \$10.6 million) as we incurred a fair value adjustment charge of \$3.47 million in relation to warrants granted in September 2022 to a subsidiary of Amazon Inc, Amazon.com NV Investment Holdings LLC (see note 3) and impaired the carrying value of the Fortumo brand by \$1.26 million (included in exceptionals). This can be broken down as follows:

- Other income of \$0.8 million relates to income from Boku providing ongoing accounting services to Twilio following the sale of the Identity business to enable a smooth transition. This amount has been excluded from Adjusted EBITDA² as a non-trading, non-recurring item. (In 2021 'Other Income' of \$1.08 million related to the difference between the fair value of contingent consideration relating to the acquisition of Fortumo as determined at 31 December 2020 and the actual amount paid to Fortumo shareholders. This amount was excluded from Adjusted EBITDA² as a non-trading, non-recurring item).
- Gross margin increased to \$62.0 million/97% (2021: \$60.5 million/97%)
- Depreciation and Amortisation charges decreased to \$5.7 million (2021: \$6.3 million)
- Foreign Exchange movements resulted in a loss of \$0.8 million (2021: \$0.1 million gain)
- Share Based Payments expense fell to \$5.2 million from \$6.4 million in 2021. The Share Based Payments expense comprises the IFRS 2 charge and related National Insurance expense. The current period includes the part reversal of the National Insurance accrual as the share price was lower at year end than at 31 December 2021. Boku continued with its policy of offering all staff share based awards annually. RSU and stock option charges are spread over three and four years respectively, and in line with their vesting conditions, from the date of grant. Of the \$5.2 million booked in 2022, \$0.3 million was paid out cash (via employer's NI), the remainder was non-cash. All comparatives are for the continuing payments business only.

- Exceptional Items in the period were \$5.1 million (2021: \$0.8 million) of which :
 - \$3.47 million relates to the year end fair value movement in relation to the Amazon warrants (see note 3) (2021: nil)
 - \$1.26 million relates to the impairment of the intangible relating to the Fortumo domain and 'brand' which has now been discontinued (2021: nil)
- The balance of \$0.3 million is mainly charitable donations (2021: 0.01 million). Financing expenses remained largely the same at \$0.7 million in 2022 (2021: \$0.8 million). These costs relate to Interest on leases and bank loans/overdraft. Although the loan taken to finance the Fortumo acquisition was repaid in full on 28 February 2022 from the proceeds of the sale of Boku's Identity division, the amortisation of the amount on the statement of financial position relating to costs of setting up the loan were accelerated when the loan was repaid.
- Tax credit of \$0.2 million in the year (2021: \$1.9 million credit). Please see Note 12 for details.

Profit from discontinued operations, net of tax

Profit from discontinued Identity business of \$24.6 million includes a \$25.2 million profit on disposal of Boku's Identity business to Twilio on 28 February 2022 net of disposal costs, and offset by the Identity trading loss for the two months to end of February 2022 (see note 4).

Net Profit after tax

The Group reported a net profit after tax of \$28.9 million for the period (2021: \$6.3 million) primarily driven by profit from the disposal of the discontinued Identity division of \$24.6 million. Excluding this profit on disposal, profit after tax was \$4.3 million (2021: \$11.8 million)

Chief Financial Officer's Report

Consolidated Statement of Financial Position

- Closing cash balances were \$116.5 million at the end of 2022 (including restricted cash balances of \$17.0 million) up from \$62.4 million on 31 December 2021. This includes proceeds from the disposal of Boku's Identity division on 28 February 2022 to Twilio, which were used to pay down remaining bank debt with Citibank of \$8.1 million. Boku also has a Revolving Credit Facility ("RCF") of \$10.0 million with Citibank. At year end the RCF facility had not been drawn down.
- The average daily cash balance, a measure which smooths out the effect of carrier, eWallet and merchant payments, were \$98.8 million in December 2022 (December 2021: \$50.8 million) up from \$63.3 million in June 2022 (unaudited).
- Deferred tax assets of \$3.4 million were recognised at 31 December 2022 (compared to \$3.1 million at 31 December 2021). This reflects a re-appraisal of the usability of certain tax losses and future transaction volumes through its US and UK incorporated entities.
- From a working capital perspective, Current Assets exceeded Current Liabilities at 31 December 2022 by \$54.4 million compared with \$22.9 million at the 2021 year end.
- Intangible Assets were \$56.2 million as at 31 December 2022, compared to \$63.1 million at 31 December 2021 due to amortisation of certain intangibles and disposal of the Identity business. The Payments CGU (cash generating unit) was assessed using discounted cashflows and determined that no impairment was needed.
- Other intangibles and goodwill – the Fortumo brand and domain name which was separately valued as part of the PPA work at the time of the acquisition of Fortumo in July 2020 and included in intangibles, has been written down from \$1.26 million to zero (\$1.44 million at 31 December 2021 less amortisation of \$0.18 million) as the Fortumo brand is no longer being used internally or externally. We assessed remaining other intangibles and goodwill for impairment and deemed that no impairment exists at 31 December 2022.

• Intangible assets

	31-Dec 2022 \$'000	31-Dec 2021 \$'000
Goodwill	41,733	45,379
Fortumo domain name, trade marks etc	–	1,441
Other intangibles	14,497	16,297
Intangible assets	56,230	63,117

Consolidated Statement of Cashflows

During the year there was a net increase in cash and cash equivalents of \$59.6 million.

Cash from operations before working capital changes increased from \$19.5 million to \$22.0 million broadly in line with prior year, however we saw large increases in trade and other payables of \$40.3 million (2021: \$15.9 million reduction) due to timing of payables to merchants as daily settlement to merchants of funds received from e-wallets was delayed over the Christmas shut down with their agreement. This was partly offset by an increase in receivables of \$12.3 million (2021: decrease of \$8.7 million) for similar reasons as receipts from carriers and wallets were delayed. This situation partly reversed after year end.

Also during the year we received proceeds from the sale of our Identity business (net of cash disposed) of \$26.5 million from which we paid down our remaining term loan of \$8.1m in full, on 28 February 2022. We also purchased \$1.8 million of our own shares to cover employee RSU awards in the year, per note 24.

Amazon contract and warrants

On 16 September 2022, an Amazon Inc. subsidiary, Amazon.com NV Investment Holdings LLC (“Amazon”), signed a multi-year agreement with Boku to connect to new Local Payment Methods in multiple geographies which validated Boku’s move into offering the new Local Payments Methods including eWallets and real-time payments via our expanded mobile-first network. In conjunction with the agreement, Boku entered into a stock warrant agreement with Amazon allowing them to acquire up to 3.75% (11,215,142 shares) of Boku common stock at 81.20p per share based on Amazon spend with Boku over a seven year period. 747,676 shares of common stock vested immediately on the signing of the warrant agreement on 16 September 2022. The warrant valuation resulted in recognition of a \$1.7 million warrant contract asset and a \$5.2 million contract liability as at 31 December 2022. Please refer to Note 5 for full details.

Looking Ahead

The divestment of our Identity business enabled Boku to focus on its core Payments business and to invest to fully exploit the Big Pond opportunity by continuing to build out the Boku ‘mobile-first’ payments network. We are encouraged by the 2022 results despite significant currency headwinds, particularly the progress of our new Local Payment Methods where volumes and users have increased significantly, including the announcement that Amazon has signed a multi-year agreement with Boku to connect to these new payment types in multiple geographies. As flagged previously, we expect to make continued further investment into building out our LPM network but we also expect this to flatten in FY24 and beyond after this heavy investment phase.

We are pleased with the 2022 financial results and believe the company is well positioned for 2023 as a pure play payments company to exploit the substantial opportunities it has. We look forward to the future with confidence.

Keith Butcher

Chief Financial Officer

20 March 2023

Highlights

Financial Highlights

- Revenues up 3% to \$63.8 million (2021: \$62.1 million) despite significant currency headwinds.
 - On a constant currency basis¹, revenues were 14% higher than 2021.
 - H2 2022 revenues were 21% higher than H2 2021 on a constant currency basis
- Adjusted EBITDA² of \$20.5 million (2021: \$22.9 million) at 32% Adjusted EBITDA margin despite currency headwinds and continued investment in Boku's mobile-first payment network.
- Net Profit after tax of \$28.9 million (2021: \$6.3 million). The increase was largely due to the profit from discontinued operations after tax of \$24.6m.
- Net profit from continuing operations before interest and tax for 2022 was \$4.5 million (2021: \$10.6 million) as we incurred a fair value adjustment charge of \$3.47 million in relation to Amazon warrants granted in September 2022 and impaired the carrying value of the Fortumo brand by \$1.26 million.
- Group cash was \$116.5 million at year-end, up from \$67.8 million at 30 June 2022.
 - The Group is debt free.
- The average daily cash balance, a measure that smooths out the effect of carrier and merchant payments, was \$98.8 million in December 2022, up from \$63.3 million in June 2022.
- Cash generated from operations before working capital changes during the year was \$22.0 million (2021: \$19.5 million).

Following the disposal of Boku's Identity division on 28 February 2022, the results shown are for the continuing Payments division. The prior period comparatives in the Consolidated Statement of Comprehensive Income have been restated accordingly and exclude the Identity division results.

¹ Constant currency calculated by applying the monthly average foreign exchange rates in 2021 to the actual 2022 monthly results.

² Adjusted EBITDA is defined as: Earnings before interest, tax, depreciation, amortisation, non-recurring other income, share based payment expense, foreign exchange gains/(losses) and exceptional items (see Note 9). Management has assessed this performance measure as relevant for the user of these financial statements.

³ Monthly Active Users (MAU) data includes all users who successfully processed a payment or had an active bundle during the last month of the period.

Non-Financial KPIs

- 28% increase to 52.3 million Monthly Active Users (“MAUs”)³ in December 2022 (December 2021: 41.0 million)
- 56.7 million new users made their first payment or bundling transaction with Boku during 2022.
- TPV⁴ of \$8.9 billion in 2022, up from \$8.2 billion in 2021 despite currency headwinds. On a constant currency basis¹, TPV was 20% higher than 2021.
- Particularly strong growth in the new Local Payment Methods (“LPMs”):
 - 700% increase in volumes processed from LPMs including eWallets and account to account/real time payments, compared to 2021.
 - 230% increase in MAUs of LPMs, to 3.8 million in December 2022 compared to 1.1 million in December 2021
 - 200% increase in new users of LPMs to 8.4 million in 2022 (2021: 2.7 million).

Operational Highlights

- New multi-year global Local Payment Method contract signed with Amazon in H2 2022.
- Launched in China on Alipay and WeChat Pay wallets for global games merchant.
- Approximately 150 new launches in 2022 with existing and new merchants including Google, Apple, Meta, Microsoft, Amazon, Disney, Netflix, Spotify, Samsung, Sky and EA Games, through Boku’s expanded mobile-first network. Of these launches, around 50 were for LPMs and more than 30 for bundling programmes.
- Continued investment in Boku’s regulated payment capabilities which now cover more than 50 markets.
- Mobile-first payments network expanded to reach over 7.3 billion end user accounts, 45% of which are non-Direct Carrier Billing (“DCB”).
- Identity business sold to Twilio on 28 February 2022 for a maximum consideration of \$32.5 million.

⁴ TPV (Total Payments Volume) is the US\$ value of transactions processed by the Boku platform and includes transactions from DCB, Bundling, eWallets and account to account/real-time payments. More bundling programmes are included in 2022 vs. prior years as these contracts switched to an ad valorem pricing model.

⁵ Adjusted Operating Expenses is defined as: Gross profit less Adjusted EBITDA (see note 9).

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 and approved at Board level but delegated to the Audit Committee for ongoing review through the year.

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 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 business operations).

Risks are classified on two dimensions: risk level and risk tolerance. The former is classified High/Medium/Low and relates to the potential impact, the latter is classified as Red/Amber/Green and relates to the likelihood of the risk occurring.

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 behaviour. The impact of changes to the structure of the app store payment market, competition, pricing pressure, Payments market changes, could result in a material loss of revenue and profit for the Group. Loss of market share and/or a major merchant customer account and/or a major issuer relationship to competitors would have a significant affect with regard to loss in revenue.</p> <p>Risk level: Medium Risk tolerance: Amber Risk movement: Reduced</p>	<ul style="list-style-type: none"> Investing in new products, markets and technologies and improving relationships with key merchants, carriers, and LPMs. 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 on new 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 relationships with our merchants to better understand their needs. Engage with merchants potentially impacted by potential app store market changes.
<p>Inability to evolve the organisation's processes, systems and tools to scale efficiently to bring on new customers and make new connections.</p> <p>As Boku is growing and continuously evolving, systems and production, need 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>Risk level: High Risk tolerance: Amber Risk movement: Unchanged</p>	<ul style="list-style-type: none"> Identify current and future needs of new systems and processes (production, etc.) to ensure these can support the transactional and settlement solution requirements of target customers and issuers (LPM, A2As) in new markets. Grow employee skills and experience through recruitment of industry experts from competitors and market. Investing significantly in 2023 in back office systems automation and headcount. Invested significantly in 2021 and 2022 in Technology, both in Product and Platform (AWS). Further team optimisation plans.

Principal Risks and Uncertainties

Risk	Mitigation
<p>Increase in regulation</p> <p>Additional regulatory license requirements for Boku due to expansion of product offering and target markets. These additional requirements could require changes to the Group's existing processes and systems to comply.</p> <p>Changes in the regulatory landscape could have adverse effects on Group's existing processes and provision of services. Examples can be:</p> <ul style="list-style-type: none"> • Privacy/Data residency (Privacy shield invalidity in EU, data residency requirements in India and other regions). • AML and customer due diligence (stricter requirements from Central Banks & non-financially regulated bodies introducing new requirements). <p>Risk level: Medium Risk tolerance: Amber Risk movement: Reduced</p>	<ul style="list-style-type: none"> • Continuing to invest in solutions that improve the Group's ability to manage risks and ensure compliance with regulations. • Liaise with local outside counsels, attending industry events and associations member meetings to stay current with any significant changes relevant to our business. • Increase Compliance team to 4 and plan to hire an internal audit function in 2023 to focus on regulated activities. • Ensure sufficient compliance support and addition of 3 Line of Defence mechanism. That is, Ops Staff, Compliance and Internal audit to test regulatory compliance and report as required to the Group Boards. • Establish internal task force to review ahead of launch of a new service/product in order to determine any regulatory, legal and operational impact and assess timeline and project feasibility. • Invest in solutions such as third-party horizon scanning that improve the Group's ability to manage risks and ensure compliance with regulations. • Follow European Commissions template of Standard Contractual Clauses (SCC) and external DPO to provide expert advice.
<p>Failure of issuer 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>Risk level: Low Risk tolerance: Green Risk movement: Unchanged</p>	<ul style="list-style-type: none"> • Develop strong relationships with MNOs, aggregators and Local Payment Methods (LPM's) • An increasing proportion of Boku's issuer intermediaries are regulated, and as a result the risk of failure in settlement is decreased due to safeguarding obligations of regulated entities. • Effective credit control and management of receivables. • Creating direct relationships with issuers and reducing dependency on intermediaries. • Our merchant contracts limit the liability to Boku for non payment by carriers or intermediaries • Use Creditsafe tool for a credit check during onboarding of new third parties.

Risk	Mitigation
<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>Risk level: Medium Risk tolerance: Amber Risk movement: Unchanged</p>	<ul style="list-style-type: none"> • Recruiting specialised, experienced fraud prevention staff • Review investment opportunities in solutions that improve the Group's ability to manage risk • Develop comprehensive internal policies and procedures • Ensuring there are systems and experienced staff in place to defend against potential cyber security threats. • Regularly review risk rules to ensure they are effectively monitoring customer behaviour.
<p>Cyber Security and Data Protection breaches</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>Risk level: High Risk tolerance: Amber Risk movement: Unchanged</p>	<ul style="list-style-type: none"> • 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. • Significant investment in 2022 in cyber security tools and systems to mitigation potential risks • Broaden existing ISO 27001 certification to cover all Boku business lines.
<p>Failure 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 required in-depth analysis and planning around integration, finding the synergies and ensuring an effective operational model is in place, and focusing on how the working cultures and values are integrated.</p> <p>Risk level: Medium Risk tolerance: Amber Risk movement: Unchanged</p>	<ul style="list-style-type: none"> • Developing the skills and capabilities of staff as part of talent management. • 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. • Form working groups to execute the plans following the synergies identified • Align polices and best practices to be followed by all employees • Review costs and duplication of activities for better utilisation of resources • Create a consolidated product roadmap with aligned engineering investment. • Put in place integrated teams and management with common objectives.

Principal Risks and Uncertainties

Risk	Mitigation
<p>Failure to attract and retain 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>Risk level: Medium Risk tolerance: Green Risk movement: Increased</p>	<ul style="list-style-type: none"> • 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 • Ensuring that all Employees have equity in the company through our RSU programme • Implement succession planning for key executives and employees
<p>Unforeseen disasters and other Black Swan events</p> <p>Boku is a global company, operating in a number of jurisdictions. Because of that global scale and the current post pandemic world, we face a number of uncertainties where an unforeseen disaster (Black Swan) might impact us significantly and in an immediate way, or emerging risks may potentially impact us in the longer term.</p> <p>Risk level: Medium Risk tolerance: Amber Risk movement: Unchanged</p>	<p>There might be cases where we have insufficient information to understand the likely scale or impact the risk could have in our business and people. We also might not be able to fully define a mitigation plan until we have a better understanding of the threat. However, currently we are doing the below:</p> <ul style="list-style-type: none"> • We have created a "risk universe" which list of risks and their velocity we monitor regularly • We have created a watchlist of those emerging risks which we review on a regular basis so that future strategies take into account future technological, environmental, regulatory or political changes. • We have created a Business Continuity Program and develop disaster recovery plans to respond to events as necessary. • The Russia/Ukraine conflict that started in 2022 is an example of a 'Black Swan' event. Boku operates in 92 countries globally and therefore its revenues are well spread. Connections to carriers in Russia have been impacted.



Board of Directors



Dr. Richard Lawrence Hargreaves

Independent Non-Executive Chairman

Richard Hargreaves began his career at ICFC (now 3i plc), which was then the principal source of equity for UK unquoted companies. He next started Baronsmead plc, which he developed until its sale. He was actively involved in the growth of the venture capital industry through the British Private Equity & Venture Capital Association (BVCA), where he became chairman. He was involved with their tax incentive lobbying, which saw the birth of the Venture Capital Trust, and Baronsmead's name is still on several of the best performing VCTs. He currently serves as Boku's Independent Non-Executive Chairman

More recently, he co-founded Endeavour Ventures Ltd, which invests in young technology companies for its client base of high-net-worth individuals. He retired from Endeavour in 2018 to focus on being a professional business angel. Richard has nearly 50 years' experience investing in young technology companies and helping them to grow. He is a very experienced Non-Executive Director with significant understanding of the US market. He is a graduate of the University of Cambridge and has an MSc and PhD from Imperial College, London.



Jon Prideaux

Chief Executive Officer

Jon has more than 25 years of payments experience. He was an early Visa Europe employee and a key contributor to its growth, leaving in 2006 as EVP 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.

Jon joined Boku in 2012, becoming CEO in 2014 and led the company's IPO in 2017.



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 listed 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.

Keith became CFO of Boku in 2019, having originally joined the Board as a non-executive Director on Boku's admission to AIM in 2017, where he was audit committee chairman. Keith also joined the Board of LHV UK Ltd in May 2022 as a Non-executive Director. Keith was awarded Finance Director of the Year at the Quoted Company Alliance Awards (QCA) 2014.



Stewart Roberts
Independent 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 is also Chairman at HappyOrNot AY.

Board of Directors



Charlotta Ginman

Independent Non-Executive Director

Charlotta began her career at Ernst & Young, where she qualified as a Chartered Accountant. She was then appointed to a series of senior roles in investment banking with UBS, Deutsche Bank and JP Morgan both in London and Singapore, where she gained considerable M&A transactional experience. Charlotta has also held senior roles within Nokia Corporation, including acting as CFO of its luxury mobile phone division Vertu Corporation Limited.

Charlotta is a Non-Executive Director and Chair of the Audit Committee of two investment trusts, Polar Capital Technology Trust PLC and Pacific Asset Trust PLC, as well as AIM listed Keywords Studios plc and Gamma Communications plc. She is also 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 others are all AIM listed, with less regulatory burden than a premium listing, Charlotta has sufficient time to devote to each of her roles.



Meriel Lenfestey

Independent Non-Executive Director

Meriel is an experienced customer focused technology entrepreneur and adviser, having worked across multiple sectors. She is currently a member of several other boards of companies listed on the London Stock Exchange including International Public Partnerships Ltd, and Bluefield Solar Income Fund Ltd, as well as some private and third sector roles including Jersey Telecom where she is Chair. Mrs. Lenfestey is the Chair of Boku's Remuneration Committee.



Loren I. Shuster

Independent Non-Executive Director

Loren I. Shuster currently serves as the Chief People Officer & Head of Corporate Affairs on the Executive Leadership Team at LEGO Group. Before joining the LEGO Group, he held senior leadership positions within commercial and marketing at Google, and before that at Nokia and other multinationals. Loren is also a Board Trustee of the Institute of Business Ethics in the UK.



Mark Britto

Non-Executive Director

Mark Britto has over 20 years as an entrepreneur, sales and financial services executive. Mark served as a senior executive for PayPal in various capacities for 5 years. He also served 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 First USA and Bank of America.

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 and marketing, charged with finding innovative new solutions that help global merchants reach new paying customers.

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



Chris Newton-Smith

Chief Operating Officer

Chris has more than 20 years of experience in B2B software, working in payments, mobile, digital, and hospitality businesses. At Boku, Chris leads the Technology, Operations, Human Resources, Information Technology & Security, and Compliance teams.

Prior to Boku, Chris was CEO of iRiS Software Systems, the leading guest experience SaaS platform serving the hospitality industry. Chris led the roll-out of its innovative digital food & beverage (F&B) ordering solution to global hotel groups including Marriott International and Four Seasons Hotels & Resorts.

Previously, Chris was General Manager, Europe, Middle East, and Africa (EMEA) and Chief Product & Marketing Officer at Redknee Solutions (now Optiva) as the company grew from a Canadian start-up to a listed global leader in monetisation software for telecoms, with more than 200 carrier customers in 100 countries.

Chris has also held product management and business development roles at LogicaCMG Telecoms and BlackBerry. He has been a mentor for METRO Accelerator by Techstars and was Chair of the Board of Trustees and a Trustee at Emmaus Hertfordshire. He has a Bachelor of Engineering and Management degree from McMaster University in Canada.



Mark Stannard
Chief Business Officer

Mark has over 25 years' experience in mobile, digital and fintech start-ups and major PLC's. At Boku he leads the commercial organisation, which has brought the biggest digital brands onto its payment platform: Apple, Meta, Spotify, Sony PlayStation, Google, Netflix, Microsoft and most recently Amazon.

As Boku's Chief Business Officer, Mark has direct responsibility for Boku's market-leading network of 400 local payment connections, including digital wallets, A2A banking Apps and carriers.

Previously, Mark held positions at Deutsche Telekom & Buongiorno-Vitaminic (which was acquired by NTT-DOCOMO) where he managed BD and led marketing & licensing for music and digital entertainment services. He launched Europe's first mobile music service in 2001, signing deals with all 5 major record labels and later brought leading film & TV brands to mobile – Spider-Man, Pink Panther & Transformers.

He holds a Masters in Business Administration from the University of Cambridge.

Corporate Governance Report

Chair's Introduction

Dear Shareholder,

As Chair of the Board of Directors of Boku Inc, it is my responsibility to ensure that the Company has both sound corporate governance and an effective Board, including leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders and to ensure that the highest levels of corporate governance are maintained throughout the Company and also at Board level.

Boku has decided to adopt the Quoted Companies Alliance Corporate Governance (the "QCA Code"), which requires AIM-quoted companies to adopt a 'comply or explain' approach in respect of the application of guidance contained within. The following report sets out how we do this. It also covers how the Board and its committees operated in 2022 and how we have continued to comply with the principles of the QCA Corporate Governance Code (the "QCA Code").

Information of Boku's compliance with the principles of the QCA Code can also be found on our website at: <https://www.boku.com/investor-relations/corporate-governance-statement/>.

Dr. Richard Hargreaves

Non-Executive Chair

20 March 2023

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	<p>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.</p> <p>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 11.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>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.</p> <p>The main day-to-day engagement with shareholders and prospective investors is carried out by the Chief Executive Officer and Chief Financial Officer and time to time by our Chair. During the year, meetings with analysts and institutional shareholders take place immediately after the results announcements, supplemented by ad hoc meetings and calls at other times.</p> <p>Regular market reports are prepared by Company's Nominated Advisor, Peel Hunt, which are then forwarded to the Board and discussed to ensure that the Directors have a clear understanding of shareholders' views and expectations.</p>

Principle	Application/Evidence
Deliver Growth	
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 24 to 28.
Maintain a Dynamic Management Framework	
5. Maintain the Board as a well-functioning, balanced team led by the chair	<p>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 Chair (Richard Hargreaves), two Executive Directors: the Chief Executive Officer (Jon Prideaux) and the Chief Financial Officer (Keith Butcher) and five Non-executive Directors (Mark Britto, Stewart Roberts, Charlotta Ginman, Meriel Lenfestey and Loren I. Shuster). Four of the Non-executive directors and the Non-executive Chair are considered independent.</p> <p>The Board holds at least six regular meetings per year and has also created separate Audit and Remuneration Committees comprising of Directors with the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Both Executive Directors are full time employees. Non-executive Directors are required to devote sufficient time to prepare for and attend regular Board meetings, any ad hoc Board sessions, their Committee duties and other stakeholder engagement.</p> <p>Further details of the current directors and a note of those who are considered to be independent are set out on page 30.</p>
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>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.</p> <p>The current directors, their background and experience are described on pages 30 to 33. Collectively, our team has all the necessary skills and experience, to carry out the Group's strategy and business model effectively.</p> <p>They keep their skills up to date through appropriate training, including an annual refresher Directors' training on AIM rules provided by the Nomad.</p> <p>Stewart Roberts 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.</p> <p>The Remuneration Committee engaged an external remuneration consultant to provide advice on the structure and presentation of Executive and Non-executive compensation.</p> <p>The latest review of Board effectiveness did not highlight any areas of concern. Additionally, neither the Chair or Chief Executive have received any representations to this effect.</p>

Corporate Governance Report

Principle	Application/Evidence
Maintain a Dynamic Management Framework	
<p>7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>In line with its standard practice, the Board has undertaken a formal annual evaluation survey of its own performance and effectiveness, including of the Company's committees.</p> <p>The evaluation which was discussed at the Board demonstrated overall positive results of the performance of the Board and committees, by recognising the strengths suggesting improvements where appropriate.</p> <p>The board evaluation process reviews performance against a set of criteria which includes company strategy, board skillset, composition and succession planning, stakeholder engagement and the effectiveness of the Board committees. The Board reviews the criteria to ensure that the evaluation survey remains relevant. Following a recent review of the survey, an ESG question was also added to the survey.</p> <p>The Board reviews its composition and succession planning following the board evaluation survey during a meeting. During 2022, the Board appointed two new independent Non-executive Directors. In addition, succession planning is an item included in the Company's risk register and is subject to regular review by the Audit committee and Board.</p> <p>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.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Company's culture is guided by many different activities, which include regular senior management meetings and feedback following employee surveys. Such surveys provide an insight to the views of the workforce on the Company.</p> <p>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 such as diversity, equity and inclusion, whistleblowing and anti-bribery assist in embedding a culture of ethical and inclusive behaviour for all employees.</p> <p>An outline of the corporate culture promoted by the Board is set out in the section of the Company's website headed Core Values and is entirely aligned with the Company's objectives and strategy.</p> <p>The Chair and other Non-Executive Directors regularly meet with employees without Executive Directors present so as to gauge the health of the company's culture.</p>

Principle	Application/Evidence
Maintain a Dynamic Management Framework	
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>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.</p> <p>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 www.boku.com/investor-relations/reports-documents</p> <p>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.</p> <p>From time to time, separate committees are set up by the Board to consider specific issues when the need arises.</p> <p>The roles and responsibilities of the Chair, 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 28.</p> <p>The principal responsibilities of Board members are as set out below:</p> <p>Amongst other things the Chair is responsible for:</p> <ul style="list-style-type: none"> • 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. <p>The Chief Executive is responsible for the following matters amongst others:</p> <p>Developing and implementing strategy following approval by the Board</p> <ul style="list-style-type: none"> • 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 <p>The Chief Financial Officer is primarily responsible for the delivery of high quality information to the Board on the financial position of the Company.</p> <p>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.</p>

Corporate Governance Report

Principle	Application/Evidence
Maintain a Dynamic Management Framework	
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)</p>	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>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 prepare effectively. 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.</p> <p>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.</p> <p>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.</p>
Principle	Application/Evidence
Build Trust	
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>Reports on the work of the Board and its committees are set out as follows:</p> <ul style="list-style-type: none"> • Board: page 41 • Audit Committee: page 43 • Remuneration Committee: page 46 <p>Information about shareholder voting at the 2022 Annual General Meeting of the Company is set out on Boku's website.</p> <p>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 2022 and retrospective years are available from the Company's website.</p>

The Board Composition and Responsibilities

The Board currently consists of a non-executive Chair, the Chief Executive Officer, the Chief Financial Officer and five Non-executive Directors. There is a clear division of responsibilities between the Chair and the executive officers and the Board considers four 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.

By rotation, Directors are subject to reappointment by a shareholder vote at the Company's Annual General Meeting. Mr Prideaux and Mr Britto are up for re-election and Mr Shuster for election at the Annual General Meeting scheduled for 24 May 2023. 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

Executive	25%
Non-Executive	75%

62.5% of the Board are independent

Board Tenure

0-3 years	37.5%
3-6 years	37.5%
Above 6 years	25%

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 separate committee.

Audit committee

The Audit Committee is chaired by Stewart Roberts and its other members are Charlotta Ginman, Meriel Lenfestey and Loren I. Shuster, all of whom are independent Non-executive Directors. The Audit Committee meets formally at least three times 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 43.

Corporate Governance Report

Remuneration committee

The Remuneration Committee is chaired by Meriel Lenfestey and its other members are Loren I. Shuster and Stewart Roberts, all of whom are independent Non-Executive Directors. For part of the year the committee was chaired by Richard Hargreaves, then Stewart Roberts, until the permanent chair was appointed. Charlotta Ginman and Richard Hargreaves stepped down during the year.

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, Chair, 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 Chair and executive directors of the Board. No director or manager is allowed to partake in any decisions relating to their own remuneration. A full report of the Remuneration Committee can be found on page 46.

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 24 May 2023.

Audit Committee Report

Committee Chair Introduction

Dear Shareholders,

I am pleased to introduce the Audit Committee Report for the year ended 31 December 2022. 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 in 2017. Taking account of the Auditing Practice Board's Ethical Standard 3, a new senior statutory auditor for the current audit period is now in post, replacing the previous senior statutory auditor who had been our Partner for the past five years and stepped down after 2021 full year results.

Composition of the committee

The Audit Committee comprises Stewart Roberts (who serves as chair), Charlotta Ginman, Meriel Lenfestey and Loren I. Shuster. Mr Roberts and Mrs Ginman both served on the Board and the Audit Committee throughout the full financial year. Mrs Lenfestey and Mr Shuster both joined the Board and Audit Committee in September 2022. Richard Hargreaves stepped down from the committee during the year, when he took up his position as Non-Executive Chair.

All members of the committee are Non-Executive Directors and are independent of management. Both Mr Roberts and Mrs Ginman have significant accounting, auditing and other related financial management expertise and the Board considers that the Audit Committee as a whole has competence relative to the sector in which the Company operates.

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 majority of committee meetings and meet privately with committee members, in the absence of executive management, at the beginning or end of a number of committee meetings during the year.

The committee is required to meet a minimum of three times during each financial year but chose to meet four times during 2022.

The Role and the responsibilities of the committee

The Audit Committee Terms of Reference are published on our website but for clarity, 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, review and monitor the adequacy and effectiveness of 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 The Committee has discharged its responsibilities.

Audit Committee Report

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 for a company 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 will only be appointed to perform a service when doing so would be consistent with both the requirements and principles of the relevant external regulations including the Revised Ethical Standards 2019, 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.

	2021 \$	2022 \$
Audit services – core	393,750	358,822
Audit services – subsidiary audits (other BDO firms fees)	129,000	138,228
Audit – related services (BDO review of interim accounts and other audit related assurance services)	76,050	27,400
Total audit and audit related fees (BDO)	598,800	524,450
Audit services – subsidiary audits (non BDO firms fees)	31,478	–
Total audit fees	630,278	524,450

NOTES: The 2021 audit fees included an amount of \$69,879 relating to the 2020 audit

Internal Audit

In 2022 Boku employed an external company to provide internal audit services for its Irish entity for the first time to be compliant with its new regulatory obligations. Boku had not previously employed an internal audit function – which is considered typical for a company of Boku’s size. However, the need for an internal audit function for the whole company was also considered during the year and it has been decided and agreed that in 2023, an internal audit function will be added with a limited scope focused around controls and practices as required by various local regulatory requirements for new local payment methods and real time account to account payments in a number of markets. This decision and the scope will be reviewed periodically by the Audit Committee.

Boku has a Risk & Compliance Team whose primary focus is to ensure that the company remains 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.

Risk management and internal controls

As detailed in the Corporate Governance Statement, the Group’s risk management and controls framework is monitored by the Committee. The framework is designed to manage the Group’s levels versus its risk appetite, rather than being designed to eliminate any risk of failure to meet the Group’s strategic objectives. The principle risks are set out in the Risk Management section of this report on pages 24 to 29.

Changes of accounting policies/ Application of IFRSs

The Committee is satisfied that there are no changes in accounting policies impacting the current year and that there are no IFRSs yet to be adopted that the Committee expects to have a significant impact on the financial statements

Key activities in the year ended 31 December 2022

Fulfilled each of the business considerations commensurate with the Audit Committee Terms of Reference.

Reviewed budgets, forecasts and financial reporting produced by management, paying particular attention to the changes required following the divestment of Boku Identity to Twilio early in 2022, and the impact of significant core currency movements during the year that could otherwise cloud the clarity of business performance reporting.

Reviewed the key business risks of the company and agreed the subsequent updates to the focus areas. (Please refer to page 24 for a more detailed review of company’s principle Risks and Uncertainties).

Reviewed and refreshed the process and schedule for monitoring the Group’s risk management and controls framework to keep it appropriate, current and ongoing.

Agreed the limited scope of a new internal audit function within Boku in 2023 to encompass controls and practices as required by various local regulatory requirements for new LPM’s and A2A payments in a number of markets.

Reviewed the group’s Going Concern paper and Impairment review paper produced by management.

Reviewed Discontinued Operations and the estimation uncertainty over the recoverability of the holdback receivable from Twilio.

Reviewed Share based payments, recognition of deferred tax and the appropriateness of the classification of the exceptional items.

Reviewed the Alternative Performance Measures (non GAAP measures).

Reviewed the paper, accounting implications and the estimation in the Amazon warrant contract asset and Amazon warrant liability.

Reviewed in detail, and agreed the external auditor services remuneration level for 2022 in light of market wide inflationary pressures.

Looking ahead

The Audit Committee will review and monitor the enduring suitability and impact of control processes, regulations and risks associated with the rapid growth and expansion of LPM’s and Real Time Payments.

Stewart Roberts
Audit Committee Chair
20 March 2023

Remuneration Report

Chair's Introduction

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the 2022 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.

As the new Remuneration Committee Chair, I'm committed to maintain Boku's high standards of corporate governance as an AIM listed company, transparency on remuneration disclosures and flexibility to the specific incentivisation needs of a US-based, high growth, global technology company.

Shareholders' expectations are important in our decision process and I welcome shareholder feedback at any time. We will continue our practice of putting an advisory resolution on remuneration to shareholders at our Annual General Meeting.

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 2022, and briefly includes expectations for 2023. The information provided fulfils the requirements of AIM Rule 19.

Note: Boku, Inc, being US incorporated and quoted on AIM 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.

Performance and Decisions on Remuneration Taken during 2022

The Company performed well in the year and along with most peer companies continues to navigate the high inflationary environments in considering remuneration for staff all around the world. Inflation in the markets in which we operate varied between a low of 7% up to nearly 25% in Estonia. An average inflationary rise of between 6.5% - 14% was applied to all staff (depending on their location) with the Executive Directors getting 6.5%. Growth was in line with market expectations although the financial results show the impact of material adverse foreign exchange headwinds. The Remuneration Committee awarded Annual Bonuses to the two Executive Directors to reflect the successful delivery of strategy.

Awards were made to all employees (other than the senior executive team) under the company's Equity Plan in January 2022 and comprised time based Restricted Stock Units. Additionally, during the year, the company made long term incentive awards to senior executives and certain other key employees in the form of Performance Restricted Stock Units (subject to the meeting of performance conditions). These stock units have vesting rules which are detailed in note 24 and vest after three years.

I hope that you find the report helpful and informative.

Meriel Lenfestey

Remuneration Committee Chair

20 March 2023

Remuneration Committee Composition

The Committee members are Meriel Lenfestey (Chair), Stewart Roberts and Loren I. Shuster who are all considered Independent Directors. Charlotta Ginman and Richard Hargreaves stepped down from the Remuneration Committee during the year. 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. Other members of the Board may be invited to attend as appropriate to provide contextual information.

Matters regarding Non-Executive Director remuneration are decided by the Executive Directors and Chair and are not a matter for the Remuneration Committee.

Note: For some of the reporting period the Remuneration Committee was chaired on an interim basis by Stewart Roberts prior to the appointment of the new permanent chair on 24 September 2022.

Remuneration Policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to attract, recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise in a competitive and evolving global sector.

The Committee is focused on applying this approach to attract, recruit, motivate and retain high quality Executive Management who will deliver value for shareholders, whilst remaining aligned with AIM principles.

Executive Directors

Executive Director remuneration consists of 5 elements:

- Salary
- Annual Bonus
- Long Term Incentives (LTI)
- Pension
- Benefits

More detail on each follows:

Salary: Base salary for each Executive Director is reviewed annually by the Committee. In considering adjustments the committee takes into account salary levels paid by companies of a similar size and nature; the performance of the group as a whole, the Director's performance, experience and

responsibilities, and any cost-of-living increase applied to staff pay. External benchmarking was done in 2022 which confirmed executive salary levels remained aligned with market norms following the prior year adjustments.

Annual Bonus: Executive Directors participate in the annual bonus scheme. This delivers a bonus for the effective delivery of strategy, as demonstrated through the achievement of in year performance targets. The Company uses revenue, Adjusted EBITDA and personal performance targets with equal weightings. The company does not publish the specific targets but they are broadly aligned with the figures for expected performance in the market. If either revenue or Adjusted EBITDA fall below 90% of targets no bonus will be payable for either. The committee considers ESG factors alongside other factors in the personal contribution element and will look at the feasibility of including an ESG element in the targets as the company's ESG policy matures. The Committee has discretion to make adjustments to the level of bonus to avoid unintended consequences.

Jon Prideaux *Chief Executive Officer*

On-target performance: up to 50% of salary (split into 2 half yearly payments)

Over performance cap: up to a further 50% of salary (paid annually)

Keith Butcher *Chief Financial Officer*

On-target performance: up to 40% of salary (split into 2 half yearly payments)

Over performance cap: up to a further 40% of salary (paid annually)

Long Term Incentives: The Committee sees Long Term Incentives as an important part of the remuneration of all staff, to align them with shareholders and reward them for strong performance. These are structured as Performance-based Restricted Stock Units (PRSU) which have a normal vesting period of three years after which they convert into common shares. They are all subject to performance conditions relating to Adjusted EBITDA targets set annually for each of the three years. Details of awards currently held by Executive Directors are set out later in this report.

Pension: The Company operates a stakeholder pension scheme for all UK employees. Executive Directors participate on the same basis as other employees.

Benefits: The Company provides the option for all employees to participate in a private healthcare plan.

Remuneration Report

Non-Executive Directors

Non-Executive Director remuneration consists of 2 elements:

- Fees
- Single issue of Restricted Stock Units (RSU)

They do not receive any performance or retention-based incentives, or other benefits.

More detail on each follows:

Fees: The fees paid to the Non-Executive Directors are determined by the Executive Directors and the Chair. They receive an annual fee and additional fees for chairing board committees. They are entitled to recover reasonable expenses incurred in the performance of their duties.

RSUs: As an additional element of remuneration, as is normal practice for US domiciled high growth companies Non-Executive Directors are granted equity to align their financial interests with those of shareholders. Boku Non-Executive Directors appointed prior to 30 June 2022 were awarded a single fixed grant of 103,276 RSUs on the first anniversary of their appointment date which vests after approximately 2 years. No further allocations are made beyond this single award, nor are there any performance conditions attached to the RSUs.

In the light of some shareholder feedback and the likely growth of the share price, the company has revised its Non-Executive Director RSU policy to reassure shareholders that such single grants of non performance related RSUs do not compromise the Director's independence. Non-Executive Directors appointed to the Board after 1 July 2022, have the quantum of their award set at twice the Director's basic annual fee at the 30 day Volume Weighted Average Price (VWAP) of the shares on the appointment date rather than a fixed allocation. This policy ensures that the value remains sufficient to align Non-Executive Directors' interests with shareholders without impacting their ability to challenge management and be independent. The RSUs will continue to have no performance condition attached, and will vest on the third anniversary of the Non-Executive Director's appointment.

Note: The company recognises the points made by proxy advisers but explains that to attract a high calibre of global technology candidates and to align them with the interests of all the Company's stakeholders (shareholders and staff), an equity component of remuneration is considered appropriate. As Non-Executive Director RSUs are not tied to performance, and are a single award, the Board is confident that they do not impact their independence.

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	6
Keith Butcher	1 October 2019	6

Non-Executive Directors

Date of contract Notice period (months)

Mark Britto	30 August 2017	2
Richard Hargreaves	8 August 2017	2
Stewart Roberts	1 January 2020	2
Charlotta Ginman	24 September 2020	2
Meriel Lenfestey	21 September 2022	2
Loren Shuster	21 September 2022	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. Mark Britto and Jonathan Prideaux are up for re-election and Loren Shuster is up for election at the 2023 Annual General Meeting.

2022 Remuneration Summary

2022 was a very good year for Boku. There was strong underlying growth, in line with market expectations and excellent progress against the strategy of growing new Local Payment Methods, such as wallets and Account to Account/Real Time Payments. Significant team effort went into building relationships, and developing new products and technologies. The team is growing in order to deliver the next stages of the strategy. This is the context in which the Remuneration Committee made decisions.

The following sections show how remuneration was managed for year ended 31 December 2022.

Executive Directors

Base Salaries:

Jonathan Prideaux Chief Executive Officer	£309,000	(2021: £300,000)
Keith Butcher Chief Finance Officer	£216,500	(2021: £210,000)

Annual Bonus:

In determining bonus payments for 2022, the Remuneration Committee considered underlying 2022 revenue and adjusted EBITDA growth, including adjustments for the effect of material fluctuations in foreign exchange rates, progress towards strategy, share price performance and shareholder sentiment and determined to pay on target awards to the Executives for the Revenue and Adjusted EBITDA element of the scheme; no over achievement award was made for these elements. The assessment of personal achievement for both Mr. Prideaux and Mr. Butcher were assessed at 90%, leading to aggregate payouts at 63.3% of the maximum awardable.

The following annual bonus payments are being made for 2022.

Jonathan Prideaux *Chief Executive Officer*
Full year award: £195,700 (63.3% salary) (2021: £211,000)

Keith Butcher *Chief Financial Officer*
Full year award: £109,693 (50.7% of salary) (2021: £118,160)

Long Term Incentive Plan:

During 2022 the Company granted 1,605,103 (2021: 2,449,665) Performance-based Restricted Stock Units ("PRSUs") over common shares to Executive Directors, other Executives, and employees under the Company's 2017 Equity Incentive Plan.

Jonathan Prideaux *Chief Executive Officer*
Detail PRSU award in 2022: 210,000 PRSU with vesting date of 01/04/25
Detail PRSU award in 2023: 210,000 PRSU with vesting date of 01/04/26

Keith Butcher *Chief Finance Officer*
Detail PRSU award in 2022: 175,000 PRSU with vesting date of 01/04/25
Detail PRSU award in 2023: 175,000 PRSU with vesting date of 01/04/26

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

Pension:

Mr. Prideaux opted out from the pension scheme.
Mr. Butcher participated for the entire year.

Benefits:

Mr. Prideaux participated in the medical insurance plan for the entire year.
Mr. Butcher did not participate in the medical insurance plan.

Remuneration Report

Non-Executive Directors

Fees:

Name	Fees 2022 £	Fees 2021 £
Mark Britto	62,419	72,687
Richard Hargreaves	67,033	45,000
Stewart Roberts	46,237	45,000
Charlotta Ginman	41,100	40,000
Loren I. Shuster	13,733	-
Meriel Lenfestey	15,450	-
	245,972	202,687

Note: Mrs. Lenfestey and Mr Shuster joined the Board in September 2022, and Richard Hargreaves took over the Chair role in June 2022 with Mark Britto remaining as a Non-Executive Director.

Restricted Stock Units:

No actions took place during 2022 regarding Non-Executive Director RSUs.

All Directors

Summary of Directors' Total Remuneration for 2022

Executive Directors	Salary	Bonus	Pension	Benefits	Total 2022	Total 2021
Jonathan Prideaux	308,397	195,700	0	2,523	506,620	507,574
Keith Butcher	215,958	109,693	1,321	0	326,972	327,262

Directors' Interests in Shares

The interests of the Directors as at 31 December 2022 in the shares of the company were:

Name	Number of Common Shares	Percentage of share capital
Mark Britto	10,328,145	3.451%
Jon Prideaux	3,106,458	1.039%
Richard Hargreaves	1,255,312	0.415%
Keith Butcher	578,906	0.193%
Charlotta Ginman	12,715	0.004%

Jon Prideaux's interests include 16,949 shares held by his spouse

Richard Hargreaves's interest include 622,961 shares held by his family members.

Market value options

Name	Date of Issue	Number of options	Exercise price	Start vesting date	Final vesting date	Lapsing date
Mark Britto	28 Oct 2016	569,930	USD \$0.28	23 Jan 2013	23 Dec 2016	23 Dec 2023
Mark Britto	28 Oct 2016	424,514	USD \$0.28	23 Jan 2013	23 Dec 2017	23 Dec 2023
Mark Britto	28 Oct 2016	500,000	USD \$0.28	23 Sep 2016	23 Sep 2020	27 Oct 2026

Restricted Stock Units

Name	Date of Issue	Number of options	Share price on award date	Value on award date	Start vesting date	Final vesting date	Lapsing date
Jonathan Prideaux	24 Jan 2023	210,000	£1.525	£320,250	01 April 2026	01 Apr 2026	31 Dec 2026
	19 Jan 2022	210,000	£1.64	£344,400	01 April 2025	01 Apr 2025	23 Jan 2026
	20 Jan 2021	300,000	£1.40	£420,000	01 April 2024	01 Apr 2024	23 Jan 2025
	22 Jul 2020	301,142	£0.87	£261,993	01 Apr 2023	01 Apr 2023	31 Jul 2023
	15 Jan 2020	150,000	£0.76	£114,000	01 Apr 2023	01 Apr 2023	30 Apr 2023
Keith Butcher	24 Jan 2023	175,000	£1.525	£266,875	01 Apr 2026	01 Apr 2026	31 Dec 2026
	19 Jan 2022	175,000	£1.64	£287,000	01 Apr 2025	01 Apr 2025	23 Jan 2026
	20 Jan 2021	250,000	£1.40	£350,000	01 Apr 2024	01 Apr 2024	23 Jan 2025
	22 Jul 2020	171,046	£0.87	£148,810	01 Apr 2023	01 Apr 2023	31 Jul 2023
	01 Jan 2020	125,000	£0.76	£95,000	01 Apr 2023	01 Apr 2023	30 Apr 2023
Charlotta Ginman	22 Sep 2021	103,276	£2.04	£210,683	01 Apr 2023	01 Apr 2023	31 Dec 2023
Stewart Roberts	20 Jan 2021	68,814	£1.40	£96,339	01 Apr 2023	01 Apr 2023	31 Dec 2023
	14 Mar 2021	34,462	1.575	£54,278	01 Apr 2023	01 Apr 2023	31 Dec 2023

Looking ahead to 2023

In 2022 the team worked tirelessly to build relationships, technologies and products which will be the springboard for growth in 2023. It's important that the remuneration schemes enable the recruitment and retention of highly skilled and motivated people, at all levels, to deliver against the strategy.

The following sections show how remuneration will be managed for the year ending 31 December 2023.

Remuneration Report

Executive Directors

Base Salaries:

Benchmarking during 2022 confirmed that the salaries remain aligned with market norms following prior adjustments. In considering inflationary increases the Committee awarded inflationary increases in line with the lowest levels awarded to staff in consideration of the cost-of-living crisis which impacts lower earners disproportionately.

From 1 February 2023 the following Base Salaries were applied:

Jonathan Prideaux, <i>Chief Executive Officer</i>	£329,085	(2022: £309,000)
Keith Butcher, <i>Chief Financial Officer</i>	£230,572	(2022: £216,500)

Annual Bonus:

For future years the bonus policy has been adjusted to award achievement against targets using budgeted foreign exchange rates, but retaining Remuneration Committee discretion in the case of unintended consequences.

Long Term Incentives:

The Committee will continue to consider and award as appropriate to incentivise long term, shareholder aligned efforts.

Pensions:

No change

Benefits:

No change

Non-Executive Directors

Fees:

For 2023, Non-Executive Directors will receive a 6.5% fee increase leading to a basic fee of £44,496 for those Non-executive Directors ordinarily resident in the UK. US based NEDs will receive a basic fee of \$56,160. The fee for chairing a committee is £5,562. The Chair's fee is £88,560.

Restricted Stock Units:

In line with the new policy for Non-Executive Director Remuneration, the two new Non-Executive Directors (Mr. Shuster and Mrs. Lenfestey) have been awarded a single grant of 100,100 RSUs which will vest in September 2025.

Environmental, Social and Governance Report (ESG)

Boku is not a significant Greenhouse Gas (GHG) emitter which means that our approach to Environmental, Social and Governance (ESG) is driven from our values rather than pure reporting requirements for 2022. We are a global company, with customers and employees across the planet, and many of the global technology giants who work with us pay an ever increasing amount of attention to social and environmental responsibilities and risks.

With this in mind, we look at three aspects relating to the environment for Boku:

1. Strategic: How our strategy can contribute towards a better outcome for planet and people
2. Risks: What risks may need to be considered related to climate change
3. Operational: How we as a business can do good and reduce harm in our day to day working

a. Strategic

A key part of our strategy is built on creating a platform for global technology companies, and people all around the world, including in underserved developing economies in the world to transact. This requires a deep focus on UN Sustainable Development Goal (SDG) 10, and in particular 10.5 “Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations”. Boku entities are registered or have regulatory approval to provide payment services in 37 markets globally. This number is increasing steadily. This means we can enable a global market in financial transactions which fulfil all the varied regulatory and cultural requirements of very diverse markets.

Our payments services extend to populations around the world where consumers are “unbanked” or “underbanked”. Numerous populations lack access to payment methods like credit and debit cards that are the gateway to participation in eCommerce and the global digital economy in Western countries.

According to the World Bank, 1.4 billion people worldwide remain unbanked, but many rapidly developing regions like Africa and Southeast Asia are taking advantage of digital and payments technology in order to participate in the digital economy. For instance, while 70% of consumers in Southeast Asia are underbanked or unbanked according to a Bain & Co. study¹, the region’s economic growth remains one of the world’s most robust, with both consumers and merchants fully embracing digital commerce and payments technology.

Boku provides payment acceptance technology that allows consumers, who may not have previously had the opportunity, to pay for everyday online services which people in more economically developed countries may take for granted, like streaming services or gaming. Our technology helps our partners to connect with harder to reach consumers around the world with solutions that make payments easier, more accessible and more inclusive for those that need it.

b. Risks

The company integrates ESG risk into the corporate risk register. We operate (using 3rd parties) a resilient hosting environment with sufficient redundancy and do not consider climate risk to be a major risk to our operations.

c. Operational

Boku’s primary attention to ESG is in this category. We believe that these considerations should be integrated into the day-to-day business of the Company. Boku’s developing ESG framework ensures that ESG is considered in the decision-making at all levels of the business.

Environmental

In 2021, Boku began measuring and reporting on energy usage across each of its offices. To demonstrate our commitment to our ESG Framework and transparency, we have opted to report on our Scope 1 and 2 emissions despite not currently being subject to the Streamlined Energy and Carbon Reporting (SECR) requirements.

The Scope 1 figures, which capture our refrigerant emissions only, were calculated using the screening method. This is a method whereby an organisation multiplies the refrigerant amount by an emission factor, based on the specific type of equipment and emission event, to determine the operating emissions of our equipment.

The Scope 2 figures, showing emissions from purchased electricity and heat, were calculated using location-based reporting methods. The Scope 2 figures for Germany were calculated using an energy consumption estimate provided by the landlord for our office building in Munich. The Scope 2 figures for UK and USA were calculated using the area method. This allows users to estimate their energy use based on their share of the building’s floor space and total energy consumption, as individual energy consumption data was not available. The Scope 2 figures for Estonia and India were calculated using monthly bills with individual usage data from the building landlords and/or energy providers, respectively.

Environmental, Social and Governance Report (ESG)

As expected, the removal of the majority of COVID restrictions in many countries and an increased shift towards returning to the office and hybrid working has resulted in energy consumption increasing in our various offices. In January 2022, our Tallinn office moved to a larger office space which has also contributed to increased energy consumption by us in Estonia.

Several of our offices are supplied by energy tariffs which are either powered wholly or partly by renewable sources, with our London office supplied by a 100% renewable energy tariff. Our offices are also supplied with food and drinkware to reduce wastage.

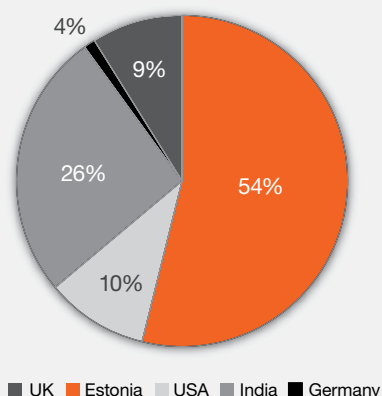
Energy Consumption (tCO2e)

	UK		Estonia		USA		India		Germany		Total	
	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22
Scope 1	0.40	0.40	0.00	0.00	0.00	0.00	0.19	0.19	0.00	0.00	0.59	0.59
Scope 2	6.04	11.93	35.95	79.09	21.72	14.90	20.40	37.69	0.91	1.95	85.01	145.56
Total	6.44	12.33	35.95	79.09	21.72	14.90	20.59	37.88	0.91	1.95	85.60	146.15

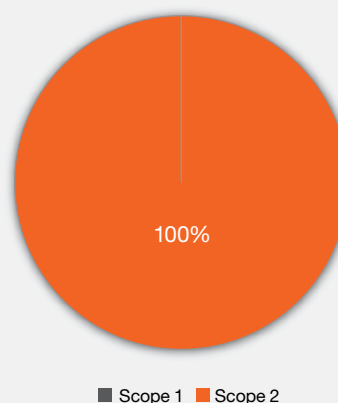
Intensity Ratio (tCO2e per \$m group revenue)

	UK		Estonia		USA		India		Germany		Total	
	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22
Scope 1	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Scope 2	0.11	0.19	0.64	1.24	0.39	0.23	0.36	0.59	0.02	0.03	1.51	2.28
Total	0.12	0.20	0.64	1.24	0.39	0.23	0.36	0.59	0.02	0.03	1.52	2.29

Energy consumption by country



Energy consumption by scope



Social

We take our responsibilities as an employer and guardian of good culture and values seriously. The following provides a flavour of how we do this now, and how we will continue to do so as we grow:

Culture of respect, equity and inclusion

At Boku, we are proud of our values which guide our decision-making, and sit at the heart of the way we operate and help drive our behaviours, goals and strategy. One of Boku's core values is 'collaborate' and with that we have created a culture where employees are empowered to be themselves and feel supported to raise and discuss matters openly in a supportive environment.

We strongly believe at Boku that our people are what makes the company great and this is why we are committed to continuing to foster an equitable, diverse and inclusive workplace which is crucial to our future success.

Caring for our team

While COVID-19 continued to impact certain communities across the globe during 2022, we continued to prioritise our people, as we know our team's dedication and commitment is the key driver to our success. During the 2022 financial year, we hosted several events and remote activities to support employees across the globe. We will continue to provide resources and support to our people and listen to their direct feedback on how to make Boku a fantastic place to work and thrive.

Employee engagement

With the majority of the workforce working remotely, it was more important than ever for us to stay close to our teams through regular all-hands meetings with Q&A sessions and employee engagement surveys to ensure that we are listening to, and supporting, our employees.

Further, we understand the importance of keeping team cohesion while our workforce continues to work remotely. This is why we regularly organise 'offsite' events for our various teams across the globe. These events allow our workforce to meet up in-person, engage in fun team-building activities, as well as share ideas of how Boku can improve and further achieve its goals. For us, a cohesive and happy team is a successful team.

Mentoring programme

Boku is a proactive and enthusiastic promoter of social mobility and inclusion within the workforce, supporting all staff in their career progression.

Our aim to be equal opportunity employer and to help talented people from all sectors of society to have the opportunity to work and thrive in the Fintech sector and we endeavour to hire and support future talents, empowering and supporting our people to reach their potential. Their contribution, in turn, drives the ability of Boku to better meet its business goals.

Boku's UK office participates in Urban Synergy's mentoring and internship (DREAM) programs. Urban Synergy is a youth empowerment charity whose mission is to inspire, guide and ignite the ambitions of young people. They run an early intervention scheme which helps youths, aged from 10 – 18 years old, to reach their full potential. Multiple members of the Boku leadership team in the UK have participated in these programs helping nurture talent and encourage development in the next generation, irrespective of their background.

Equity, Diversity and Inclusion ('EDI')

At Boku, we believe that an environment of respect, empathy and inclusion brings out the best in people by making them feel valued and enables a culture of workplace collaboration and harmony for everyone. Creating such an environment is critical to the success of our business but also embedded in our people, culture and business.

Our EDI strategy is built on the strong foundation we have cultivated over time which is overseen by our Equity, Diversity and Inclusion Committee and helps drive progress across our global workforce and beyond.

- Our Equity, Diversity and Inclusion Committee
Our EDI Committee plays a vital role in developing our EDI strategy and implementing initiatives to help us achieve our EDI goals. The Committee meet every two weeks to discuss key EDI topics and the development of initiatives to further our continuous drive to support all of our workforce. We regularly produce an EDI newsletter to raise awareness of key EDI topics, inform of current and planned initiatives, as well as to encourage our workforce to share their thoughts on our EDI strategy and initiatives.

- Equity, Diversity and Inclusion survey
In support of our EDI initiatives, we launched an EDI survey which anonymously polled Boku's employees on a variety of relevant benchmarks.

Environmental, Social and Governance Report (ESG)

Boku's 2022 EDI survey presented a significant improvement from the previous financial year's survey for the following reasons: (i) the overall engagement score increased from 43% to 64% which represents the levels of enthusiasm and connection employees have with their organisation at work and (ii) over 84% of employees responded favourably to inclusion related questions.

We also added new questions into the 2022 survey to gauge employees' opinions on our culture of inclusion, belonging and social mobility which will serve as a baseline for future programs. Feedback from these employee surveys provide critical insights from across the business which will help us continue to drive progress by putting together targeted initiatives and encouraging ongoing conversations on EDI topics.

Survey highlights include:

- 77% of employees responded that their managers demonstrated that diversity was important by fostering a safe environment for employees to raise and discuss EDI matters in the workforce;
- 84% of employees responded that Boku provides a flexible working environment for those with caring responsibilities; and
- 85% of employees responded that they felt confident that their social or economic background were not factors in the hiring process and did not influence the hiring decision.

Gender balance

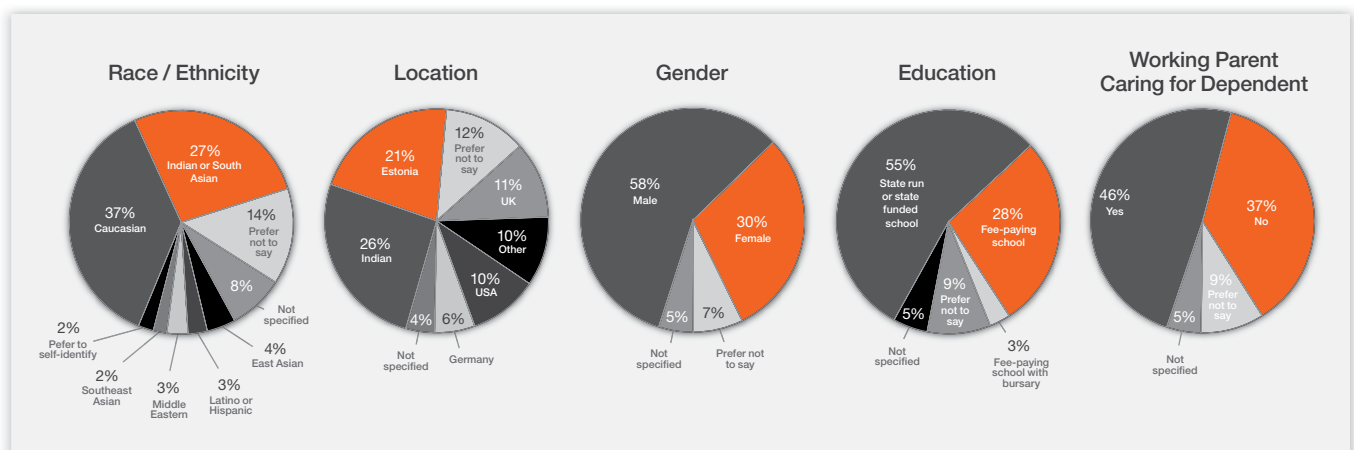
The Board and senior management at Boku recognises that there are gender diversity challenges in the FinTech industry. To resolve this we try to ensure that our recruitment practices are fair and encourage women to apply for our roles.

In 2022, the proportion of women working in each of Boku's offices, other than Estonia, increased. Here at Boku, we want to be doing more than 'just enough' to improve the gender balance of our workforce, and this is exemplified by the fact we employ a higher percentage of women in a number of our offices than the industry benchmark. For example, the percentage of women in our workforce in the US and UK is 37% and 44% respectively, which is higher than the FinTech industry benchmarks for each country.

Further, representation of women in technical roles across all of Boku's offices has increased from 18% to 25% between 2021 and 2022. While this growth shows good progress, this is an area where we will place continued focus moving forward.

Another goal of ours was to improve the representation of women in senior leadership positions and on the board. In 2021, only 17% of our senior leadership positions were filled by women. Fast-forward to 2022, 26% of our senior leadership positions are now filled by women, a marked improvement. In the boardroom, the representation of women has also improved. In 2022, Boku appointed its second woman to the board of directors, which now means that 25% of the board are female compared to just 16% in 2021. For us, it is vital that we continue to encourage women into senior leadership and board positions to allow for new and diverse perspectives to shape our business and drive us towards our goals.

Spread of scores by demographics:



While there has been growth in gender diversity in many of Boku's offices, as well as in technical, senior leadership and board positions, we expect that our focused approach to gender diversity will result in further improvements and the eventual achievement of gender balance throughout all levels of the business.

Gender pay gap

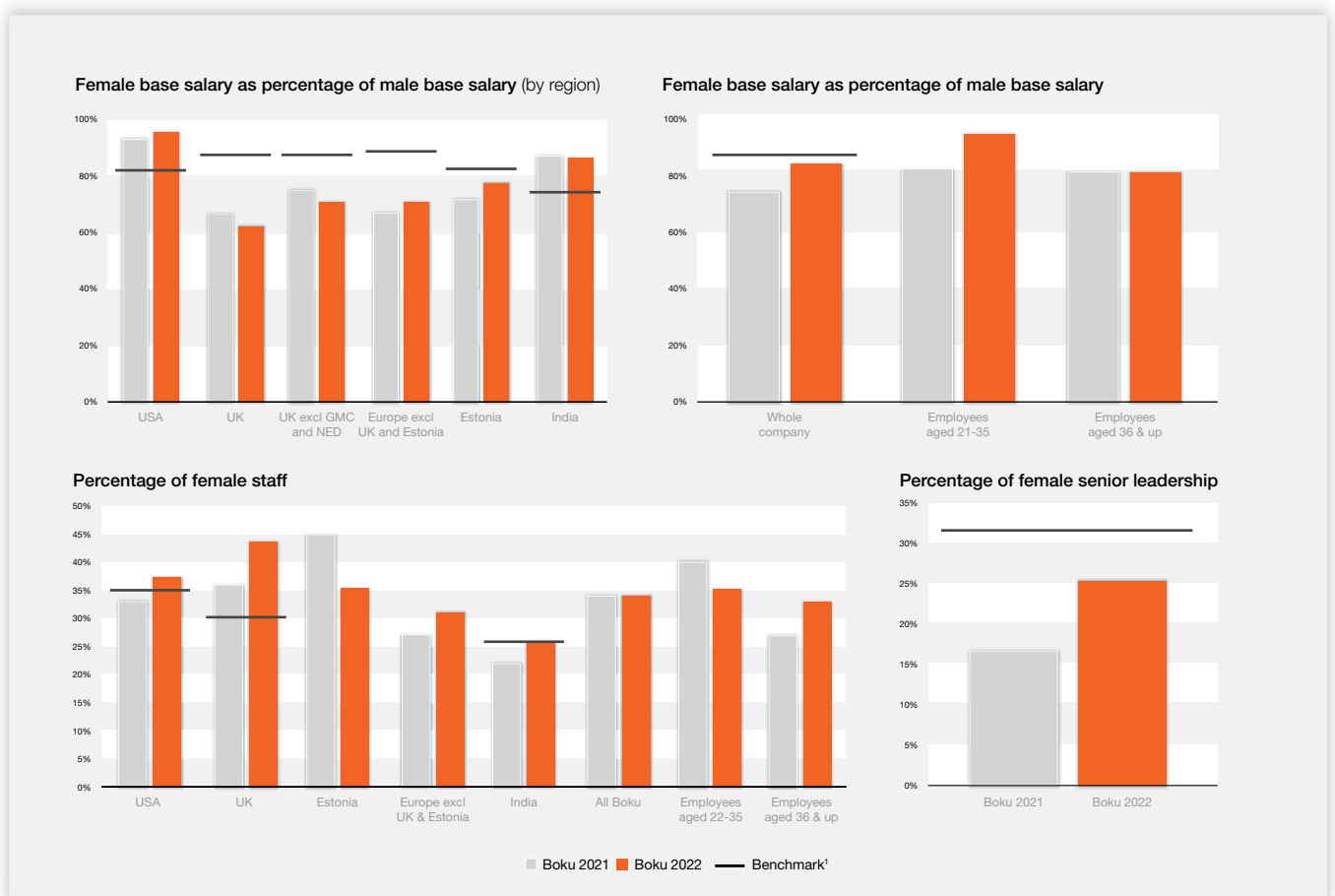
We recognise that it is important not only to improve the gender balance of the workforce and improve representation of women in senior leadership and board positions, but to also ensure that they are equitably compensated compared to men in similar roles.

In 2022, our worldwide gender pay gap (excluding Non-executive Directors) reduced from 26% in 2021 to 16%. While this is an improvement from our previous position, we know we

have significant room for improvement and we are committed to making further reductions in gender pay gap across our whole workforce. In 2022, the gender pay gap in our USA and India offices were, however, smaller than the industry benchmarks, with the pay gap in the US being 5%.

Addressing the gender pay gap is important to us, and we are aware that we have to make further improvements. More generally, we are taking a ground up approach to improving gender diversity.

In recent years, we have appointed a significant amount of women into entry-level jobs, women that we believe are the future technical leaders and managers of our company. Demonstrating this belief and our commitment to reducing the gender pay gap, the pay gap for employees aged 21-35 is just 5%. We believe this approach will set in motion the achieving of gender balance and equal pay in our workforce in the future.



¹US benchmark - Gender wage gap, OECD Data for 2020. India benchmark - Monster Salary Index (MSI) for India, March 2019 pg 28

Environmental, Social and Governance Report (ESG)

As a business, we remain firmly committed to reducing our gender pay gap. We will continue to monitor these results and review our policies throughout the year to ensure we are doing everything we can to further reduce the gender pay gap.

Equity and Inclusion

At Boku we are proud to be an equal opportunities employer where individuals seeking employment are considered without regard to age, colour, gender, identity, national origin, race, sex, marital status, physical or mental disability, religion or sexual orientation, or any other legally protected categories.

To find and select a diverse pool of talented candidates to hire from, managers and recruiters are expected to consider a diverse range of candidates. To help achieve this goal, Boku uses an online tool which is designed to find and hire the best talent whilst reducing any unconscious bias throughout every stage of the hiring process.

We understand the importance of writing inclusive job descriptions when hiring, so we have placed importance on guiding our managers on how to write them effectively.

We are also firm believers that hiring diverse talent requires diverse interview panels, hence why our interview panels are always made of a diverse range of Boku staff.

We continue to be focused on attracting, developing and retaining the diverse talent that we need to advance our business today and into the future. We invest across the employee life cycle – from recruiting and employee development to engagement, compensation and benefits - in order to build a diverse team and inclusive culture where our employees across the globe are welcomed, valued and are able to be themselves and produce their best work.

Our goal is to maintain a diverse and inclusive workforce, reflective of the jurisdictions we operate in, and we are focused on hiring talent with a wide range of characteristics and diversity of skill sets and thinking.

Connecting our global workforce and celebrating our cultural diversity

On a group-wide basis, we like to communicate with our workforce through regularly publishing internal employee newsletters (alongside our EDI newsletter) which provides updates on company events encourages employees to share thoughts, and help Boku's global workforce to remain connected on what is going on in other parts of the organisation.

We also see the value in supporting our workforce in keeping connected. We want our employees to embrace their passions outside of the company and share them with their colleagues, so we have created a number of dedicated Slack channels for different interests across our office groups. These range from #food and #bakeoff to #diversityofficeevents and cater to our people's wide-range of passions. These Slack channels are a great place for people to connect, discuss challenges they are facing and share thoughts.

We are incredibly proud of the cultural diversity within each of our offices and we love to celebrate significant dates and rituals that are vital to our workforce's cultural identity. On religious holidays like Diwali, we encourage our employees to take part in the festivities and learn more about their colleagues' cultures. We also encourage each office to create their own local initiatives which cater to their culture. For example, in Estonia, employees from both offices come together to celebrate annual 'winter days' and 'summer days' events. We also like to offer our people in the UK offices free lunches on Wednesday, with cuisines varying on a weekly basis with input from our employees. Through celebrating our cultural diversity, we encourage our people to share their perspectives and stories, allowing our people to feel valued as part of the Boku community.

Training

We train our employees with the skills needed for today and tomorrow. Training efforts across the company include mandatory onboarding for new hires and focused on topics from technology to compliance and business processes. All employees are required to take annual training on anti-money laundering (AML), privacy and data protection (GDPR), cybersecurity and anti-corruption. In 2022, all managers at Boku were requested to take EDI training relating to tackling unconscious bias in hiring and performance management. We also encourage and support employees to find seminars and qualifications relevant to their individual roles. We believe that by investing in our employees' own personal skillsets both the employee and Boku will reap long-term rewards.

Well-Being and Work Life Balance

Our employees' health and wellbeing is incredibly important to us here at Boku. We offer numerous healthcare benefits for employees and their families and we also encourage our employees to focus on their well-being. In our London office, a sports therapist comes in once a month to offer massages to employees.

We are also focused on supporting our employees' mental health. We are committed to building a workplace that increases awareness of mental health, educates employees and provides support when people need it. For example, employees in our US offices have access to confidential third party counselling and support.

We are committed to supporting all our staff in balancing work and family life and we have implemented certain policies and support mechanisms to deliver on this objective. One such policy is to offer staff the choice to work flexibly, giving them some control over their schedule. This policy allows employees to organise their time by working around external commitments, such as childcare duties. The policy has been a resounding success, with between 50-55% of our employees company-wide now working remotely full time.

With the success of our remote working policy, we have taken proactive steps to ensure that all of our people feel included and able to be at their productive best. Examples of some of the steps taken by the company include:

- i. investing in new technology within our meeting rooms and team areas to help remote workers feel included;
- ii. investing in the technology provided to our remote workers to help them remain productive;
- iii. creating dedicated routes for our remote workers to continue to enjoy the social aspects of their jobs – such as hosting remote socials and the creation of the dedicated Slack channels mentioned above; and
- iv. ensuring healthcare benefits cater for all our workers, including those who work remotely.

We continue to invest in technologies to ensure that our team members can work productively, regardless of where they are based. We have a Home Office Expense Policy in which we pay for all the equipment our remote and hybrid workers need to do their jobs – the comfort of our people is crucial to us, regardless of where they are working from.

Governance

Boku recognises that a strong corporate governance framework is an essential foundation for the running of a successful, sustainable and ethically run business. Governance arrangements are reviewed by the our Board on a regular basis to ensure that they are fit for purpose and comply with the Quoted Companies Alliance (QCA) Corporate Governance Code. A summary of Boku's compliance with the QCA Code can be found on page 36.

In 2022, we appointed a further two independent Non-Executive Directors. Our Board appreciates that, as a quickly expanding listed company, it is imperative that our Board comprises of individuals who can offer a wealth of experience, knowledge and advice. The Board feels that it has achieved this with the appointment of the new independent Non-Executive Directors who come from different professional backgrounds to the existing board members.

We have an established a Code of Ethics which is underpinned by several policies, procedures and training modules to ensure that staff adhere to its principles. We also have specific staff conduct policies including whistleblowing, information security and anti-bribery and corruption. Compulsory training modules on data protection, information security and anti-money laundering are taken by all staff on an annual basis.

We are committed to not only preventing unethical practices, such as modern slavery, within our own business but also across our supply chain. Due to the nature of our business, Boku's main suppliers are mostly involved in IT and marketing services and are largely considered to be low risk. As part of our onboarding process, we conduct due diligence on all our prospective partners and suppliers, applying a risk-based approach to ensure that all our partners are meeting our highest standards. Boku has established and published a modern slavery statement which can be found on our website.

¹Fulfilling Its Promise: The Future of Southeast Asia's Digital Financial Services. Bain & Company, Google, and Temasek. Accessed February 2022.

Directors' Report

The Directors present their report and the audited financial statements for Boku Inc. for the year ended 31 December 2022.

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 digital payments, including mobile wallets, real-time payments schemes, and direct carrier billing for global merchants. These solutions enable merchants to acquire new customers and accept online payments from billions of consumers who prefer to pay without credit cards.

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 11.

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
7. Meriel Lenfestey (appointed 21 September 2022)
8. Loren I. Shuster (appointed 21 September 2022)

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 33 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 (2021: £nil).

Post Balance Sheet Events

Please see note 31 for details of post balance sheet events

Financial Risk management

Details of financial risk management are provided in note 5 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.

Purchase of own shares

The Company, on 7 July 2022, announced a share buyback programme to repurchase common stock with par value of \$0.0001 per share in the capital of the Company ("Common Stock") up to a maximum aggregate consideration of £8 million and up to a maximum of five million Common Stock. During the period, the Company purchased a total of 1,500,000 Common Stock on the open market at an aggregate cost (exclusive of broker commission) of £1,556,750 and an average cost of £1.04 per share.

After the year end, between 1 January 2023 and the date of this report, the Company purchased a further 1,687,581 Common Stock on the open market at an aggregate cost (exclusive of broker commission) of £2,504,564.03 and an average cost of £1.48 per share. As at the date of this report, the Company has purchased a total of 3,187,581 Common Stock on the open market at an aggregate cost (exclusive of broker commission) of £4,061,314.03 and an average cost of £1.27 per share.

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.

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2022:

Shareholder	
BlackRock Investment Mgt (London)	7.34%
Build Lux Holdco Sarl (Luxembourg)	7.10%
Capital Research Global Investors (Los Angeles)	6.86%
Boku Inc Directors and Related Parties (London)	5.87%
Danske Capital Mgt (Copenhagen)	5.38%
abrdn (Standard Life) (Edinburgh)	5.16%
Canaccord Genuity Wealth Mgt (London)	4.78%
Octopus Investments (London)	3.98%
Canaccord Genuity Wealth Mgt (Jersey)	3.88%
Swedbank Robur (Stockholm)	3.53%
Danal Co. Ltd (Hwaseong)	3.40%
	57.28%

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 directors are 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the IFRS. 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Jon Prideaux
Chief Executive Officer
20 March 2023

Independent Auditor's Report

to the directors 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB);

We have audited the consolidated financial statements of Boku Inc., and its subsidiaries (the 'Group') for the year ended 31 December 2022 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 the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting standards as issued by the International Accounting Standards Board ("IFRS").

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 in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the consolidated 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:

- Review of the internal forecasting process to confirm the projections are prepared by an appropriate level of staff who are aware of the detailed figures included in the forecast but also have a detailed understanding of the entity's market, strategy and changes in the customer base;
- Review of the forecasts prepared and challenge of the key assumptions and inputs (such as, the revenue forecast) used by management in their prepared models, to determine whether there is adequate support for the assumptions underpinning the forecasts. Furthermore, we considered the outcome of prior year forecasts to consider the historical budgeting accuracy of the Directors' forecast and agreed the consistency of the model to those used elsewhere in the business, for example discounted cashflow models used in impairment reviews;
- The Directors have applied downwards sensitivities to the more variable aspects of the forecasts and also modelled a number of mitigating cash saving initiatives. We considered the appropriateness of the sensitivities applied and the Directors' available mitigating actions and their effects on the group's solvency and liquidity position based on our knowledge of the business;
- Review of post year-end management accounts, specifically comparing the cash position against that budgeted.
- Making inquiries of the Directors as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern;
- Considering the adequacy and completeness of the disclosures in the financial statements against the requirements of the accounting standards and the Directors' going concern assessment.

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 consolidated 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.

Independent Auditor's Report

Overview

Coverage	78*% (2021: 98%) of Group profit before tax 84% (2021: 98%) of Group revenue 86% (2021: 88%) of Group total assets (* on a continuing basis)		
Key audit matters		2022	2021
	Fraud in revenue recognition	X	X
	Recoverability of holdback receivable (arising from disposal of Identity)	X	n/a
	Valuation of share warrants issued to Amazon	X	n/a
Materiality	Group financial statements as a whole \$405k (2021: \$650k) based on 5% of adjusted* profit before tax (2021: 1% of revenue) *adjusted for the Fortumo Brand impairment of \$1.3m, Change in the Fair value of the Amazon warrant of \$3.5m and Other income of \$0.6m		

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 consolidated 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.

The Group is headed by US incorporated parent entity, Boku, Inc. and comprises of one UK incorporated and four non-UK entities (2021: one UK incorporated and five non-UK entities) which are deemed as significant components. The remaining entities are a mix of UK and non-UK incorporated and deemed non-significant components.

Based on our assessment of the group, we focused our group audit scope primarily over the parent company (Boku, Inc.) and four principal trading entities that were identified as significant components: Boku, Inc., Boku Network Services UK Ltd, Boku Payments Inc., Boku Network Services Inc. and Boku Network Services Estonia OÜ (formerly named Fortumo OÜ).

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

Except for Boku Network Services Estonia OÜ (formerly named Fortumo OÜ), which is audited by our network member firm in Estonia, the other significant components with the consolidated financial statements were audited by the Group engagement team.

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:

- Boku Network Services Estonia OÜ (formerly named Fortumo OÜ): We instructed our member firm in Estonia as to the scope and timing of their work on the financial information for group reporting purposes, we held virtual meetings through the planning, execution and completion stage with the audit team.
- We performed a detailed review of the component auditor's work and documentation including planning, execution and key findings and participated, in person, in the local audit planning and audit close meeting.

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>Fraud in revenue recognition (Group)</p> <p>Refer to the accounting policy in Note 4 and related disclosures in Note 7</p> <p>The Group's revenue is earned primarily from services earned on mobile payment transactions and integration fees.</p> <p>We considered the incentive for management to perpetrate fraud in revenue recognition. Consequently, we considered there to be a risk of material misstatement in relation to revenue.</p> <p>Due to the high volume-low value nature of transactions, we determined that this risk related to the occurrence of revenue through posting fictitious journals.</p>	<p>To address the risk of fraud in revenue recognition due to fictitious revenue posting, we performed the following procedures:</p> <ul style="list-style-type: none"> • Included data analytics procedures to test completeness of the journal entries and to identify specific journal entries to test to address the risk; • Performed detailed testing on any unusual journal combinations (ie credit to revenue and debit to unexpected accounts) and agree to underlying supporting documentation; • Tested unsettled revenue at the balance sheet date by sending debtor's confirmations and testing subsequent bank collections; and • Audited group adjustments to revenue as part of group consolidation adjustments by agreeing to underlying supporting documentation. <p>Key observations:</p> <p>Based on the work performed we have not detected any instances of fraud in revenue recognition.</p>

Independent Auditor's Report

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Recoverability of holdback receivable (arising from disposal of Identity)</p> <p><i>Refer to accounting policy in Note 4 and related disclosures in Note 5</i></p> <p>As explained in the Note 6 of the consolidated financial statements, on 28 February 2022, the Group sold its entire Identity business (Boku Identity Inc and its 100% subsidiary Boku Mobile Solutions IRE) to Twilio Inc. for a maximum consideration of \$32.5m (including \$6.5m of holdback receivable).</p> <p>At 31 December 2022 the holdback amount was \$5.6m, after a reduction of \$900k, being the amount settled by Twilio Inc. during the year.</p> <p>There is an estimation uncertainty involved in assessing the recoverability of the \$5.6m which is due in August 2023 and is dependent on Twilio not claiming against the indemnity clauses stated in the sale and purchase agreement, and we therefore considered this to be a key audit matter.</p>	<p>To address the risk around the recoverability of the holdback receivable, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained a detailed assessment of the conditions stated in the sale agreement from management and their analysis of the likelihood and basis of any claims. • Sought evidence to support Management's assessment, including sale and purchase agreement (SPA) and completion statements, due diligence reports and tax returns. • Reviewed legal expenses to identify any increased costs which may indicate a potential claim by Twilio Inc.; • Discussed management's assessment with internal legal counsel and challenged managements' position by reference to third party evidence. • We obtained external evidence that there were no known claims in relation to the Indemnity clauses in the sale and purchase agreement as at 31 December 2022 and as at 8 March 2023. • Reviewed disclosures in the consolidated financial statements for completeness and accuracy in line with applicable IFRS. <p>Key observations:</p> <p>Based on the work undertaken we consider the estimates and judgements made in the calculation of the recoverability of the holdback receivable are reasonable.</p>

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of share warrants issued to Amazon</p> <p>Refer to accounting policy in Note and related disclosures in Note 24</p> <p>As explained in the Note of the consolidated financial statements, the Group entered into a share warrant agreement with Amazon, Inc. ('Amazon') in conjunction with a commercial service level agreement for the Group to provide payment processing services to Amazon. Under the agreement, the Group issued share warrants to Amazon to subscribe for up to 11.2m shares of Boku's common stock, of which 0.7m shares vested on the issuance of the warrants.</p> <p>The remaining 10.5 m warrants vest based on Amazon achieving certain revenue targets over the next seven years.</p> <p>The determination of the of fair values involves assumptions and estimates including initial revenue estimate, historical share price growth of comparable companies, revenue volatility, Parent Company share price volatility and risk-free rate.</p> <p>Due to the long term nature of the warrants, such estimates involve significant estimation uncertainty and we therefore considered this to be a key audit matter.</p>	<p>To address the risk around the valuation of the warrant liability, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the share warrant agreement with Amazon to validate the key terms noted in the contract. • Engaged our technical accounting experts to assist in concluding on the accounting adopted for the Amazon contract. • Engaged our valuations experts to assist in concluding on the approach used to generate possible future scenarios of the expected qualifying revenue and the fair value of share warrant. • We have challenged management's assumptions and estimates including initial revenue estimates, revenue volatility, share price volatility, risk-free rates and future revenues from Amazon, by reference to actual revenue during the year, revenue growth and share price of comparable companies and other third party evidence. • Reviewed the disclosures in the consolidated financial statements for completeness and accuracy in line with applicable IFRS. <p>Key observations:</p> <p>Based on the procedures performed, we consider the assumptions made relating to the valuation of Amazon share warrants and the related disclosures in the financial statements, to be appropriate.</p>

Independent Auditor's Report

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 consolidated 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 consolidated 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	
	2022	2021
Materiality	\$405,000	\$651,000
Basis for determining materiality	5% of Profit before tax	1% of Revenue
Rationale for the benchmark applied	<p>Due to the consistent results of the continuing operations of the Group year on year, adjusted* profit before tax for the year is considered the most appropriate financial benchmark on which we have determine materiality.</p> <p>*Adjusted for the Fortumo Brand impairment of \$1.3m, Change in the Fair value of the Amazon warrant of \$3.5m and Other income of \$0.6m</p>	<p>We considered revenue to be the most appropriate benchmark as this is one of the primary key performance indicators, which is used to address the performance of the Group by the board and other users of the consolidated financial statements.</p>
Performance materiality	\$303,705	\$488,250
Basis for determining performance materiality	Performance materiality was set at 75% (2021: 75%) due to the low value of brought forward adjustments and expected total value of known and likely misstatements.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 14% and 60% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$58,000 to \$243,000. 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 \$20,250 (2021:\$32,550). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's and the Parent Company'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 the Parent Company 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 consolidated 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 consolidated financial statements.

Independent Auditor's Report

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 consolidated 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 a direct effect on the consolidated financial statements but compliance with which may be fundamental to the Group's ability to operate. These include compliance with Financial Conduct Authority (FCA) regulations, and any other regulators regulating activities of trading subsidiaries of the group.
- We obtained an understanding of the licencing requirements in the respective jurisdictions and the governance process around compliance with local licencing arrangements.
- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures. 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 of controls and inappropriate or incorrect recognition of revenue (revenue recognition assessed as a Key Audit Matter above) across the Group. We obtained an understanding of 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 those processes and controls;
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on unusual transactions based on our knowledge of the business; enquiries with Group Management; and focused testing as referred to in the Key Audit Matters section above;
- With regards to the fraud risk in management override of controls, our procedures included journal transaction testing, across the group, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, which are subject to management's judgement and estimation, and could be subject to potential bias; and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, who were all deemed to have appropriate competence and capabilities, to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit

Our audit procedures were designed to respond to risks of material misstatement in the consolidated 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 consolidated 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 Directors, as a body, in accordance with our engagement letter dated 2 March 2023. 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, UK

20 March 2023

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

Consolidated Statement of Comprehensive Income

		Year ended 31 December 2022	Restated ¹ Year ended 31 December 2021
	Note	\$'000	\$'000
Continuing operations			
Revenue	7	63,764	62,082
Cost of sales		(1,771)	(1,571)
Gross profit		61,993	60,511
Other Income (non-recurring) ²		755	1,080
Administrative expenses	8	(58,212)	(50,951)
Operating profit analysed as:			
Adjusted EBITDA ³		20,464	22,933
Other Income (non-recurring) ²		755	1,080
Depreciation and amortisation ⁴	8	(5,663)	(6,251)
Share based payment expense ⁴	24	(5,165)	(6,414)
Foreign exchange (losses)/gains ⁴	8	(796)	115
Exceptional items – Impairment of intangible assets ⁴	8	(1,264)	–
Exceptional items ⁴	8	(3,795)	(823)
Operating profit		4,536	10,640
Finance income	11	201	22
Finance expense	11	(675)	(770)
Profit before tax from continuing operations		4,062	9,892
Tax credit	12	237	1,882
Net profit from continuing operations		4,299	11,774
Discontinued operations			
Net profit/(loss) from discontinued operations after tax	6	24,605	(5,505)
Total profit for the year		28,904	6,269
Other comprehensive losses net of tax			
Items that will or may be reclassified to profit or loss			
Foreign currency loss on translation of foreign operations		(3,576)	(2,407)
Total other comprehensive loss for the year		(3,576)	(2,407)
Total comprehensive income for the year attributable to equity holders of the parent company		25,328	3,862
Earnings per share – Total			
Basic EPS	13	0.09690	0.02133
Diluted EPS (\$)		0.09338	0.02057
Earnings per share – from continuing operations			
Basic EPS	13	0.01441	0.04005
Diluted EPS (\$)		0.01388	0.03863

¹ Restated due to discontinued operations (see Note 6 for details)

² Other income in 2022 relates to the continued provision of services to the buyers of the Identity business after the disposal for business continuity reasons. Other Income in 2021 relates to the acquisition of Fortumo and is the difference between the expected fair value of the Fortumo earnout escrow amount as at 31 December 2020 and the actual amount paid to Fortumo shareholders in September 2021. To better reflect underlying performance, this non-recurring income is excluded from Adjusted EBITDA.

³ Adjusted EBITDA is defined as: Earnings before interest, tax, depreciation, amortisation, non-recurring other income, share based payment expense, foreign exchange gains/(losses) and exceptional items (see Note 8). Management has assessed this performance measure as relevant for the user of these financial statements.

⁴ Included in administrative expenses

Consolidated Statement of Financial Position

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Non-current assets			
Property, plant and equipment	14	696	669
Right of use assets	14	3,662	5,001
Intangible assets	15	56,230	63,117
Warrant contract asset	5(a)	1,711	–
Deferred tax assets	12	3,383	3,105
Total non-current assets		65,682	71,892
Current assets			
Trade and other receivables	17	90,080	82,557
Financial asset at fair value through profit or loss	5	5,600	–
Cash and cash equivalents – unrestricted	18	99,551	56,651
Cash and cash equivalents – restricted cash	18	16,962	5,789
Total current assets		212,193	144,997
Total assets		277,875	216,889
Current liabilities			
Trade and other payables	20	156,263	119,641
Current tax payable		222	
Bank loans and overdrafts	21	–	1,125
Lease liabilities	19	1,277	1,335
Total current liabilities		157,762	122,101
Non-current liabilities			
Other payables	20	1,194	1,700
Deferred tax liabilities		–	456
Warrant liability	25	5,206	–
Bank loans	21	–	6,688
Lease liabilities	19	2,272	3,498
Total non-current liabilities		8,672	12,342
Total liabilities		166,434	134,443
Net assets		111,441	82,446
Equity attributable to equity holders of the company			
Share capital	22	29	29
Share premium		252,385	246,883
Foreign exchange reserve		(6,290)	(2,714)
Treasury share reserve		(1,835)	–
Retained losses		(132,848)	(161,752)
Total equity		111,441	82,446

The financial statements on pages 72 to 139 were approved by the Board for issue on 21 March 2023

Jon Prideaux *Chief Executive Officer*

Keith Butcher *Chief Financial Officer*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2022

	Share capital	Share premium	Treasury shares reserve	Foreign exchange reserve	Retained losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at 1 January 2021	29	240,053	–	(307)	(168,021)	71,754
Profit for the year	–	–	–	–	6,269	6,269
Other comprehensive loss	–	–	–	(2,407)	–	(2,407)
Issue of share capital upon exercise of 6,751,318 stock options & RSUs	–	1,146	–	(37)	–	1,109
Share based payments expense	–	5,434	–	–	–	5,434
Issue of RSU's related to Fortumo acquisition	–	250	–	37	–	287
Equity as at 31 December 2021	29	246,883	–	(2,714)	(161,752)	82,446
Profit for the year	–	–	–	–	28,904	28,904
Other comprehensive loss	–	–	–	(3,576)	–	(3,576)
Issue of share capital upon exercise of 6,751,318 stock options and RSUs	–	470	–	–	–	470
Share based payment expense	–	5,032	–	–	–	5,032
Purchase of treasury shares	–	–	(1,835)	–	–	(1,835)
Equity as at 31 December 2022	29	252,385	(1,835)	(6,290)	(132,848)	111,441

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

Consolidated Statement Of Cash Flows

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Cash generated from operations	27	49,966	12,362
Income taxes paid		(314)	(443)
Net cash generated from operating activities		49,652	11,919
Investing activities			
Purchase of property, plant and equipment		(470)	(812)
Payments for internally developed software		(4,866)	(5,022)
Proceeds from discontinued operations (net of cash disposed of)		26,545	–
Proceeds from sale of assets		1	–
Interest received		201	22
Net cash generated/(used) in investing activities		21,411	(5,812)
Financing activities			
Payment of principal to lease creditors		(1,556)	(1,694)
Payment of interest to lease creditors		(235)	(235)
Proceeds from issue of share capital on exercise of options and RSUs to employees		470	1,109
Purchase of Treasury shares		(1,835)	–
Interest paid on loan		(127)	(409)
Repayment of bank loan		(8,125)	(4,563)
Loan settlement costs		(25)	–
Net cash used in financing activities		(11,433)	(5,792)
Net increase in cash and cash equivalents		59,630	315
Effect of foreign currency translation on cash and cash equivalent		(5,557)	(579)
Cash and cash equivalents at beginning of period		62,440	62,704
Cash and cash equivalents at end of period	18	116,513	62,440

Notes to the Consolidated Financial Statements

1. Corporate Information

Boku Inc. is a company incorporated and domiciled in the United States of America. The registered office of the Company is located at 660 Market Street, Suite 400, San Francisco, CA 94104, United States.

These consolidated financial statements comprise the Company (Boku Inc.) and its subsidiaries (together referred to as the "Group").

The principal business of the Group is the provision of local payment solutions for its merchants.

Boku's payments network provides multiple mobile payment methods, including via mobile wallets, direct carrier billing and real-time payment schemes.

2. Basis of preparation

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.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations as 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, assumptions and judgements". The accounting policies adopted in these financial statements have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2021. There are deemed to be no new standards, amendments and interpretations to existing standards, which have been adopted by the Group, that have had a material impact on the financial statements effective from 1 January 2022.

The presentation currency of the consolidated financial statements is US Dollars, rounded to the nearest thousand (\$'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 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 21 to these consolidated financial statements.

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.

Furthermore, in carrying out the going concern assessment, the directors considered a number of scenarios, including reductions in revenues of up to 10% and concluded that the business would still have adequate resources to continue in operational existence for the foreseeable future. Management also have the ability to identify costs savings if necessary, to help mitigate any impact on cash outflows.

The Covid-19 pandemic continued to have limited impact on Boku's business in 2022 indeed the Payments business saw increased processed volumes in covid impacted countries and regions, and therefore 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 strong net cash position of the Group (cash balances of \$116.5 million at year end).

The ongoing Russia/Ukraine conflict has not had a material impact on Group revenues.

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 16 of the financial information.

Notes to the Consolidated Financial Statements

2. Basis of preparation (continued)

Changes in accounting policies and disclosures

(a) New standards, interpretation and amendments adopted by the Group from 1 January 2022

The following amendments were issued by IASB and are effective for the period beginning 1 January 2022:

- 1) Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022). These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.
- 2) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022). IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Group has not committed to any unavoidable costs and therefore has not recognised any onerous contract provisions during 2022.
- 3) Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)
In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- 4) Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41 (applicable for annual periods beginning on or after 1 January 2022)
 - IFRS 1: Subsidiary as a First-time Adopter (FTA)
 - IFRS 9: Fees in the ‘10 per cent’ Test for Derecognition of Financial liabilities
 - IAS 41: Taxation in Fair Value Measurement

The Group applied for the first time all mandatory standards and amendments, which are effective for annual periods beginning on or after 1 January 2022, but did not have a material impact on the consolidated financial statements of the Group.

(b) New standards, interpretations and amendments published, not yet effective:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- 1) IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023). This standard will have no impact on the future Group financial statements as the group does not issue Insurance contracts.
- 2) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. Earlier application is permitted and applied prospectively.

- 3) Amendments to IAS12 Income taxes: require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- 4) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the standard with the following clarifications:
 - A change in accounting estimate that results from new information or new developments is not the correction of an error.
 - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

The following amendments are effective for the period beginning 1 January 2024:

- 1) IFRS 16 Leases – (Amendment – Liability in a Sale and Leaseback)
- 2) IAS 1 Presentation of Financial Statements – Amendments – Classification of Liabilities as Current or Non-Current
The amendments affect only the presentation of liabilities as current or non current in the statement of financial position and not the amount or timing of recognition of any asset, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non current is based on the rights that are in existence at the end of the reporting period, specify that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain the rights that are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. Early application is permitted.
- 3) AS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants). Mandatory effective for periods beginning on or after 1 January 2024)

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 effective on or after 1 January 2024 will not materially affect the Group after adoption.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

Notes to the Consolidated Financial Statements

3. Critical accounting estimates, assumptions 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 judgements and updates them as required. Actual results could differ. 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 judgements 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 related to matters that are inherently uncertain.

Judgements

a) Discontinued operations

While management were considering strategic options regarding the Identity business, they were not committed to a plan nor was there knowledge or belief that a sale would be definitively complete; taking account of this the Identity business was not deemed held for sale at 31 December 2021. The Identity business was sold on 28 February 2022 and the result of the sale is presented in Note 6 Discontinued operations.

b) Financial asset at fair value through profit or loss

Management applied judgement in deciding whether any indemnities are going to cause the buyer of Identity to hold back any funds from the \$5.6 million general indemnity. The holdback amount is payable at the end of August 2023. After careful consideration and analysis, including full receipt of a previous holdback, a review of all contractual terms and confirmation from the buyer of no claims at year end, management concluded that there are no likely events that will cause a breach of any of the contractual indemnities with the buyer of Identity business and no notice has been received from the buyer to enquire or notify of any items related to said indemnity. Boku received \$600,000 from the buyer in full payment of the separate 'specific indemnity holdback' in December 2022.

c) 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 cash or 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 or the cost of integrating acquired businesses.

d) Adjusted financial measure/Non-GAAP

Management regularly uses adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. The primary adjusted financial measures are EBITDA, Adjusted EBITDA, Adjusted Operating expenses and Constant currency revenues which management considers are relevant in understanding the Group's financial performance. Management uses the adjusted financial measures by excluding certain one-off items from the actual results. The determination of whether one-off material or non-recurring items should form part of the adjusted results is a matter of judgement and is based on whether the inclusion/exclusion from the results represent more closely the consistent trading performance of the business. The definitions of adjusted items and underlying adjusted results are disclosed in Note 9.

Critical Accounting Estimates

a) Depreciation and amortisation

We estimate the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

b) Taxation

In recognising income and deferred tax assets, management makes estimates of the likely outcome of future taxable profits for certain jurisdictions. 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. The carrying values of current tax and deferred tax assets and current liabilities are disclosed separately in the consolidated statement of financial position. It is possible that a change in profit forecasts or risk factors could result in a material change to the income tax expense and deferred tax assets in future periods.

c) Fair value measurement – Amazon warrants

The Group's accounting for warrants issued to a subsidiary of Amazon.com, Inc, Amazon.com NV Investment Holdings LLC ("Amazon") on 16 September 2022 (see Note 5 for more details) is determined in accordance with accounting standards for financial instruments and revenue recognition. The initial fair value of warrants issued to Amazon are recognised as a contract asset and liability respectively. The warrant contract asset is amortised to revenue (reducing revenue) over the seven year vesting period based on Amazon revenue earned to date as a proportion of total estimated Amazon revenue over the seven year vesting period. The derivative financial liability is remeasured to fair value at each reporting date. The fair value movement attributable to the change in the number of shares expected to vest due to a change in estimated Amazon revenues over the seven year vesting period is recorded as an equal and opposite increase to the financial liability and warrant contract asset, based on the fair value of the warrant at inception. The fair value movement attributable to the change in the fair value of the underlying warrants is recorded as gains or losses in profit or loss. The determination of fair values involves assumption and estimates including revenue volatility and share price volatility, risk-free rate and future Amazon revenues. Due to the long term nature of the warrants, such estimates involve significant estimation uncertainty.

Notes to the Consolidated Financial Statements

4. Accounting policies

Revenue from contracts with customers

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 revenue

Boku’s technology for the Payments delivers a low friction way for mobile phone users to buy things and charge them to their phone bill or pre-paid phone or wallet 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) or an eWallet provider. Management has determined that it is acting as an agent under IFRS 15 because it does not have the primary responsibility for providing the digital goods to the customer. Therefore, there has been no change in the classification as an agent from the previous assessment. Fees are calculated as a percentage of the value of transaction. An additional fee is also earned when a merchant requires settlement in a different currency than the currency received, or before the funds are received from the aggregator, MNO or wallet, at contractual agreed rates, in line with IFRS 15.

(ii) Transactional Model: from larger virtual and digital merchants who receive the funds for their sales directly from the MNOs, wallets or aggregators and pay a service fee to the Group. Management has determined that it is acting as an agent under IFRS 15 because it does not have the primary responsibility for providing the digital goods to the customer. Therefore, there has been no change in the classification as an agent from the previous assessment. Fees are calculated as a percentage of the value of transaction.

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 at a point in time as the obligation is fulfilled at time when a 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 statement of information from the Aggregator or the MNO or wallet provider.

(iii) Other revenue: from special merchant integrations

Special merchant integrations are recognised in full once the integrations phase is successfully tested and approved by the customer.

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. The group recognises all revenue initially as accrued income/ contract asset, until the reports from carriers are received at which points these contract assets are recognised as debtors/ receivables.

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 business is recognised at one point in time. Therefore, for the Payments business, at 31 December 2021 and 31 December 2022, the Group does not have deferred revenue on the in the consolidated statement of financial position.

2. Identity Revenue (Discontinued operations)

On 28 February 2022, the Group sold its entire Identity business (Boku Identity Inc. and its 100% subsidiary Boku Mobile Solution Ireland Ltd) to Twilio (please refer to Note 6 – Discontinued operations for full details). Until the date of disposal, Boku's technology for the Identity business provided 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 were charged either on a per user basis – for monitoring – or a per transaction basis, typically with monthly minimums.

For the Identity business, deferred revenue consisted of billings processed in advance of revenue recognition generated by Boku Identity's Mobile Identification/TCPA services. For these services, Boku billed its customers at the beginning of the contract term as a pre-payment for services which were billed at a set price per transaction. The revenue was recognised monthly, at a point in time, based on the amount of transactional volume processed during the month and services continued to be performed until the full value of the contract was realised. For the period ended 31 December 2022, deferred revenue in the statement of financial position for the Identity business was Nil (2021: \$303,853) due to the disposal of this business.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale (see Note 6 for details)

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

Holdback receivable asset

Any amounts not settled at the time of the transaction are recorded as a financial asset through profit and loss, at the closing date, and assessed for fair value at each period end for any fair value change.

Cost of sales

Cost of sales is primarily related to the monthly fees and some 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 General Management Committee (GMC). The segmental reporting is consistent with those used in internal management reporting and the measure used by the GMC 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. The Identity segment was sold on 28 February 2022. Details can be found in Note 6 – Discontinued operations. Management reviews the performance of the Group by reference to total results of a segment against budget on a monthly basis.

Notes to the Consolidated Financial Statements

4. Accounting policies (continued)

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 United States, the group has a 401(k) plan, a type of defined contribution scheme in which all United States employees can 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 years ended 31 December 2022 and 31 December 2021.

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

Intangible assets and Goodwill

(i) Goodwill

The Group uses the acquisition method of accounting for the acquisition of a subsidiary. Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. 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 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 15.

(ii) Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are identified, valued 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.

Impairment of goodwill and Intangible assets acquired in a business combination

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the cash generating unit to which the goodwill has been allocated, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets include acquired merchant relationships, IT Platforms and Domain names as well as internally developed intangibles (capitalised development costs). Acquired intangible assets are recognised at fair value at the acquisition date and are amortised on a straight-line basis over their estimated useful lives. Initial capitalisation cost for internally generated intangibles is based on the developer estimate of the time spent on development projects.

Impairment reviews are undertaken if events or changes in circumstances reveal any indicators of impairment. If indicators of impairment are present, the carrying value of the asset is compared to the recoverable amount of the cash generating unit to which the asset is allocated, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense.

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 and the determination of the discount rate are based on forecasts and assumptions 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 15 for a description of the specific judgements used including the judgments and assumptions used in the calculation of the goodwill impairment.

(iii) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Notes to the Consolidated Financial Statements

4. Accounting policies (continued)

(iv) Internally generated intangible assets (development costs)

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. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

(v) Amortisation rates

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the statement of comprehensive income within administrative expenses. Goodwill is not amortised.

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

Intangible asset	Useful economic life
Trade marks	Indefinite life – not amortised
Merchant relationships	5–10 years
Developed technologies	5–10 years
Domain names	10 years
Internally developed software	3 years

Trademarks do not expire after a period of time (unlike patents and copyrights). They exist as long as the owner continues to use the trademark. Therefore, trademarks are considered to have an indefinite life, and are not amortised, as trademarks can retain their value forever, and contribute to net cash inflows indefinitely. Trademarks will not be amortised until their useful life is determined to be finite.

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 fixtures and fittings	3–5 years on cost
Computer equipment and software	3 years on cost
Leasehold improvement	3–5 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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Carrying amounts are reviewed on each reporting date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, Restricted Cash (see below and note 18) and other short term highly liquid investments with original maturities of three months or less.

Restricted cash

The group holds merchants' cash in transit and in segregated accounts of some of its regulated subsidiaries and discloses restricted cash separately from own cash.

Notes to the Consolidated Financial Statements

4. Accounting policies (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Financial assets are classified, at initial recognition at fair value and then subsequently measured at amortised costs, fair value through other comprehensive income and fair value through profit or loss.

a) Financial assets at amortised cost.

The Group's financial assets mainly comprise cash, trade and other receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (trade receivables), but also incorporate other types of contractual monetary asset.

Trade and other 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 is 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.

b) Financial assets at fair value through profit and loss

The holdback receivable asset outstanding at year end from the sale of the Identity business is held at fair value through profit and loss.

(ii) Financial liabilities

The Group classifies its financial liabilities into two categories, depending on the purpose for which the liability was acquired.

Fair value through profit and loss ("FVTPL"):

The warrant liability is classified as a financial liability at FVTPL and valued using a combination of the Black-Scholes Model and Monte Carlo simulation. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement (due to changes in the fair value of the warrant) recognised in profit or loss.

Financial liabilities at amortised cost:

The Group includes in this category loans and trade and other payables and leases.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument.

Trade and other payables (excluding other taxes and social security costs and deferred income) and other short-term monetary liabilities, are initially 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 and other interest bearing liabilities 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.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

The gain or loss for fair value changes should be classified based on the classification of the underlying instruments. As the fair value changes of the Amazon warrant liability are highly dependent on the share price of Boku Inc, rather than the business performance in the reporting year these gains and losses have been classified as exceptional items and this policy will be applied consistently going forward.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provision for employer taxes on future employee share instruments are not discounted.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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. 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 (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 Statements

4. Accounting policies (continued)

Incremental borrowing rate

IFRS 16 Leases requires that all the components of the lease liability 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

Ordinary shares are classified as equity and are stated at the proceeds received net of direct issue costs.

Share buyback

On 7 July 2022 the Group announced the share buyback programme to repurchase common stock in the capital of the Company (Boku Inc.) up to a maximum aggregate consideration of £8 million and up to a maximum of five million Common Stock.

The purpose of the Buyback programme is to hold the Common Stock in treasury for the purpose of satisfying future obligations in relation to the staff equity remuneration programme.

The Buyback Programme will operate within certain pre-set parameters, including that the maximum price paid per Common Stock shall be 105 per cent of the trailing 5 day average mid-market price, and in accordance with the authority granted by the Company's Board.

The Buyback Programme will be effective from 7 July 2022 and will expire on 30 June 2023, or earlier, if either the maximum aggregate number of Common Stock have been purchased or the maximum aggregate consideration has been reached.

Due to the limited liquidity in the issued Common Stock, a buy-back of Common Stock pursuant to the Authority on any trading day may represent a significant proportion of the daily trading volume in the Common Stock on AIM and may exceed 25 per cent of the average daily trading volume. Accordingly, the Company will not benefit from the exemption contained in Article 5(1) of the UK version of the Market Abuse Regulation (Regulation (EU) No 596/2014) (as in force in the UK and as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019 and the Financial Services Act 2021).

The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve") and recorded in equity. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to share premium.

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 or RSUs 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.

Where options are cancelled within the vesting period, the remaining cost of the options is accelerated and charged to the Statement of Comprehensive Income in the year. When the employee leaves the Group, unvested grants are forfeited and the cumulative share based payment expense is reversed on the leaving date. The unvested RSUs are forfeited on leaving the Group for any reason including as part of discontinued operations.

The Group's scheme, which awards shares in the parent entity, includes recipients who are employees in the parent company and subsidiaries. In the consolidated Financial Statements, the transaction is treated as an equity-settled share-based payment, as the subsidiary has received services in consideration for Boku Inc's equity instruments. An expense is recognised in the consolidated statement of comprehensive income for the fair value of share-based payment over the vesting year, with a credit recognised in equity. In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity or intercompany accounts. The credit is treated as a capital contribution, as the parent company is compensating the subsidiaries' employees with no cost to the subsidiaries where there is no expectation to recharge the cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity or intercompany, if the recharge is intended. There are no cash settled share-based payments allowed under the scheme, but if they were they will be recognised as an expense in the income statement with a corresponding credit to liabilities.

RSUs 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 the Company is obliged to issue the replacement awards and that they compensate for service that has been provided pre-combination. To the extent awards are voluntary or that they relate to the provision of future services they are treated as a post-combination expense.

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

Notes to the Consolidated Financial Statements

4. Accounting policies (continued)

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxes are calculated according to local tax rules, using tax rates enacted or substantially enacted at the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

The amount of the deferred asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting 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.

Presentational currency and balances

The presentational currency for the group is US dollars, as the company is incorporated in the USA which is the currency of its primary economic environment in line with IAS 21. Boku Group has its main contracts, assets, intellectual property and employees in the USA. The functional currency for subsidiaries is the local currency of the entity's country of incorporation. Items included in the financial statement of each of the Group's entities are measured in the functional currency of each entity.

Foreign currency

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. Revenue is translated using the average monthly rates.
- ii) Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.
- iii) Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.
- iv) Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
- v) 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.
- vi) 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 of the Group 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 ; and
- iii) All resulting exchange differences are recognised in the other comprehensive income and as a separate component of equity (foreign exchange reserve).

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

Notes to the Consolidated Financial Statements

5. 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 (Interest rate risk & Foreign Exchange 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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The Group has classified the warrant liabilities in this category.

Financial instruments by category

	31 December 2022	31 December 2021
	\$'000	\$'000
Financial assets – amortised cost		
Cash and cash equivalents	99,551	56,651
Restricted cash	16,962	5,789
Total Cash	116,513	62,440
Other financial assets at amortised cost		
Accounts receivable (net)	86,210	78,606
Other receivables	526	484
Total other financial assets	86,736	79,090
Cash and other financial assets at amortised cost	203,249	141,530
Financial assets at FV through profit and loss		
Holdback receivable asset	5,600	–
Total financial assets at FV through profit and loss	5,600	–
	31 December 2022	31 December 2021
	\$'000	\$'000
Financial liabilities – amortised cost		
Trade payables	119,051	94,152
Accruals	35,550	23,375
Total other financial liabilities	154,601	117,527
Bank loans (secured)	–	7,813
Lease liabilities	3,549	4,833
Loans and borrowings	3,549	12,646
Financial liabilities – amortised cost	158,150	130,173
Financial liabilities at Fair Value through profit and loss		
Derivative financial liability (Amazon warrant liability) Level 3	5,206	–
Total financial liabilities at Fair Value through profit and loss	5,206	–

Notes to the Consolidated Financial Statements

5. Financial instruments – Risk Management (continued)

(a) Amazon warrants

The fair value of the warrant obligations was \$5,206,111 as at 31 December 2022 and \$1,755,640 at the inception of the warrants on 16 September 2022. The warrants are classified as Level 3 derivative liabilities as there is no current market for the warrants, such that the determination of fair value requires significant judgment or estimation. The Group values the warrants using a combination of Monte Carlo Simulation and Black-Scholes Model valuation methods. Significant unobservable inputs as at the inception of the warrant agreement on 16 September 2022 included volatility of the Company's common stock of 40%, revenue volatility of 30%, a risk free rate of 3.39%, and forecasted revenue from Amazon over the seven year vesting period.

A significant increase in volatility in isolation would result in a significant change in fair value. A significant change to the timing and value of forecast Amazon revenue would change the vesting dates and the number of warrants that vest and significantly change fair value as a result. If equity volatility and revenue volatility were both to decrease by 5% to 35% and 25% respectively, the total fair value of warrants would decrease to \$4,960,154, representing a decrease in fair value of \$245,958. If equity volatility and revenue volatility were both to increase by 5% to 45% and 35% respectively, the total fair value of warrants would increase to \$5,467,687, representing an increase in fair value of \$261,576.

Movement of the contract asset for Amazon and warrant liabilities as at 16 September 2022 (inception) and 31 December 2022

Warrant Contract Asset

	\$USD
Initial recognition of warrant contract asset (16 September 2022)	1,755,640
Change in number of warrants expected to vest	(19,862)
Amortisation to revenue	(24,824)
Closing balances (31 December 2022)	1,710,954

Financial Liability

	\$ USD
Initial recognition of contract liability (16 September 2022)	(1,755,640)
Change in number of warrants expected to vest	19,862
Change in fair value of warrants	(3,470,333)
Warrants exercised	–
Closing balances (31 December 2022)	(5,206,111)

The management of risk is a fundamental concern of the Group's management. 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. 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. However the group had no bank loans as at 31 December 2022. The Group has a \$10 million revolving facility, which can be used if needed. Interest rates for the current Boku revolving facility loan were based on LIBOR, however LIBOR was phased out by the end of 2021. The Group manages the interest rate risk centrally. The term loan taken out to part fund the acquisition of Fortumo in 2020 was repaid in full on 28 February 2022 following the disposal of the Identity division to Twilio. As at 31 December 2022 the Group has no loans. The Group's bank borrowings and other borrowings are disclosed in note 21.

The following table demonstrates the sensitivity to a one percent change (higher only due to the fixed lower floor) to the interest rates of the following borrowings at 31 December 2022 to the profit before tax and net assets for the period:

	31 December 2022 Increase/(decrease) of loss before tax and net assets \$'000	31 December 2021 Increase/(decrease) of loss before tax and net assets \$'000
Bank loans	–	+81

During the last quarter of 2022 interest rates increased in many jurisdictions as governments tried to control inflation. As the Group has cash balances in many jurisdictions, the increase in interest rates had a positive effect on the Group cash position. The bank interest earned during 2022 was \$189 thousand (2021: \$18 thousand).

Foreign currency risk

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business.

The Group serves many of our U.S. based clients with global operations using the Group subsidiaries in Singapore, Ireland, UK, Japan and Hong Kong. Although contracts with these clients are typically priced in U.S. dollars a substantial portion of client funds receivable and related costs and revenues are denominated in the local currency of the country where services are provided, resulting in foreign currency exposure which have an impact on our results of operations.

Our primary foreign currency exposures are in Japanese Yen, EURO, GBP, Turkish lira, Thai Baht, Korean Won, Taiwanese dollar and Philippines Peso. There can be no assurance that we can take actions to mitigate such exposure in the future, and if taken, that such actions will be successful or that future changes in currency exchange rates will not have a material adverse impact on our future operating results. A significant change in the value of the U.S. Dollar against the currency of any one or more of these currencies mentioned above may have a material adverse effect on our financial condition and results of operations.

Foreign currency exchange risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. As such, management believe that the Group is exposed to the following foreign currency exchange risks:

a) Transaction foreign currency risk is the exchange risk associated with the time delay between entering into a contract and settling it. Greater time differences exacerbate transaction foreign currency risk, as there is more time for the two exchange rates to fluctuate. The Group manages this risk in various ways:

- by implementing procedures to receive funds faster (daily where possible) and settle the funds to merchants daily by shortening the settlement times.
- by implementing a mark-up fee to cover the FX fluctuations when the settlement currency is different from the transaction currency
- by contractual agreement to convert the funds at the foreign exchange rate received from the aggregators or other suppliers.
- by using timely foreign exchange contracts to the extent that any remaining impact on profit after tax is not material.

As a result of implementing these strategies the Group has not incurred material realised foreign exchange losses in the year.

Notes to the Consolidated Financial Statements

5. Financial instruments – Risk Management (continued)

b) Translation foreign currency risk is the risk that the Group's non-U.S. Dollar assets and liabilities, revenues and costs will change in value as a result of exchange rate changes on converting them to US Dollars, which is the reporting currency of the group. Monetary assets and liabilities are valued and translated into U.S. Dollars at the applicable exchange rate prevailing at the applicable date. Any adverse valuation moves due to exchange rate changes at such time are charged directly and could impact our financial position and results of operations.

For the purposes of preparing the consolidated financial statements, the Group convert subsidiaries' financial statements as follows:

Statements of financial position are translated into U.S. Dollars from local currencies at the period-end exchange rate, shareholders' equity is translated at historical exchange rates prevailing on the transaction date and income and cash flow statements are translated at average exchange rates for the period. The Group manages all treasury activities centrally, with the exception of the acquired Fortumo entities where treasury processes are in the process of being aligned with group treasury policies and procedures.

As of 31 December 2022, the Group's gross exposure to foreign exchange risk was as follows:

	Euro	GBP	Other	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2022				
Trade and other receivables	23,113	12,242	46,900	82,255
Cash and cash equivalents and restricted cash	21,284	8,521	32,225	62,030
Trade and other payables	(49,100)	(16,877)	(68,917)	(134,894)
Financial assets/(liabilities)	(4,703)	3,886	10,208	9,391
10% impact – +/-	(523)	432	1,135	1,044
	Euro	GBP	Other	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2021				
Trade and other receivables	28,352	12,399	34,500	75,251
Cash and cash equivalents and restricted cash	14,268	9,849	23,511	47,628
Trade and other payables	(47,757)	(18,934)	(45,006)	(111,697)
Financial assets/(liabilities)	(5,137)	3,314	13,005	11,182
10% impact – +/-	(571)	368	1,445	1,242

The group operates in 48 currencies (2021: 37 currencies). We have separated Euro and GBP as the main affected currencies by fluctuations in exchange rates for 2022. In 2021 the main currencies were GBP and EUR. Other currencies are included in the 'Other' column. The impact of 10% movement in foreign exchange rate of US\$ will result in an increase/decrease of total comprehensive profit/loss after tax and financial assets/(liabilities) of \$1,044 thousand for December 2022 (2021: \$1,242 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 is exposed to credit risk in respect of these balances such that, if one or more the aggregators, MNOs or wallet providers encounters financial difficulties, this could affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers and MNOs prior to entering into contracts, by entering contracts with customers with agreed credit terms and also by limiting its liability contractually to its customers in the event of non-payment from wallet providers, MNOs and aggregators.

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 receivables amount from carriers/aggregators less the value of corresponding outstanding amount payable to merchants, which equals the revenue amount recorded in the financial statements in respect of the uncollected funds.

At the reporting date, the exposure was represented by the carrying value of trade and other receivables, against which \$138 thousand was provided at 31 December 2022 (2021: \$149 thousand). The provision amounts represent an estimate of potential bad debt in respect of the year-end Group trade receivables. 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 being greater than 150 days to measure expected credit losses and after taking into account customer sectors with different credit risk profiles, history of collections and current and forecast trading conditions.

The Group's provision matrix is as follows:

31-Dec-2022	< 60 days	61-90 days	91-150 days	> 150 days	Total
Expected credit loss % range	0%	0%	0%	95%-100%	
Gross carrier receipts (\$'000)	84,792	1,384	34	1,238	87,448
Expected credit loss rate (\$'000)	-	-	-	(138)	(138)
31-Dec-2021	< 60 days	61-120 days	121-150 days	> 150 days	Total
Expected credit loss % range	0%	0%	0%	95%-100%	
Gross carrier receipts (\$'000)	77,775	491	340	756	79,362
Expected credit loss rate (\$'000)	-	-	-	(149)	(149)

Notes to the Consolidated Financial Statements

5. Financial instruments – Risk Management (continued)

At 31 December 2022 the Group had a provision for \$138 thousand (31 December 2021: \$149 thousand) as \$11 thousand was reversed in the year – see Note 17 for full details of the movement in the year. As Company revenue is recorded as the net between the amounts received from carriers and aggregators less the amounts payable to merchants, the provision of \$149 thousand has been created in the year against receivables. This represents management's best estimate of the potential revenue loss for the Group if the \$1,238 thousand (2021: \$756 thousand) old receivables were not received from carriers. The acquisition of Fortumo and the alignment of our Payment divisions policies and procedures has resulted in an enhanced contractual position in the event of carrier non-payment, which has increased protection from the possible downside risk and related credit loss and as a result the expected credit risk loss in 2021 and 2022 is lower than in prior years. The methodology used to assess the expected credit loss ranges has not been used consistently for 2022 and 2021.

Other receivables are considered to be low risk. 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 (A+). The maximum exposure is the amount of cash held with at the bank (cash and cash equivalents). To date, the Group has not experienced any losses on its cash and cash equivalent deposits.

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 2022	Within 1 year \$'000	2–5 years \$'000	More than 5 years \$'000
Trade and other payables	154,379	–	–
Financial liability (Amazon warrant liability)	–	–	5,206
Leases liabilities	1,427	2,407	–
Total	155,806	2,407	5,206

31 December 2021	Within 1 year \$'000	2–5 years \$'000	More than 5 years \$'000
Trade and other payables ¹	117,527	–	–
Bank loans and overdrafts (secured)	1,250	6,875	–
Leases liabilities	1,477	3,868	–
Total	120,254	10,743	–

¹ Trade and other payables for the year ended 31 December 2021 have been restated due to incorrect inclusion of statutory obligations.

The Board receives financial reports on a monthly basis as well as information regarding cash balances and investments. The liquidity risk of each group entity is managed by the Group treasury team at the entity level. Where facilities of group entities need to be increased, approval must be sought by the entity's CFO. Where the amount of the facility is above a certain level, agreement of the Group CFO and the board is needed.

Capital Management

The Group's capital is made up of share capital, share premium, treasury shares, 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.

The Group manages its capital structure and makes the necessary adjustments in the light of changes of economic circumstances, the risk characteristics of underlying assets and the projected cash needs of the current and prospective operational / financing / investment activities. The adequacy of the Group's capital structure will depend on many factors, including capital expenditures, market developments and any future acquisition.

Notes to the Consolidated Financial Statements

6. Discontinued operations

On 28 February 2022, the Group sold its entire Identity business (Boku Identity Inc and its 100% subsidiary Boku Mobile Solutions Ireland Ltd) to Twilio for a maximum consideration of \$32.5 million (including \$6.5 million of holdback receivable of which \$5.6 million was outstanding at 31 December 2022). Management committed to a plan to sell this business early in 2022, following a strategic decision to focus on its core Payments business. The Identity business was not classified as held-for-sale or as a discontinued operation at 31 December 2021 as it did not meet the required criteria at that time.

As required, at 31 December 2022, discontinued operations are excluded from the results of continuing operations and are presented as a single entry in the Income Statement as 'Profit from discontinued operations' in the income statement. The comparative "Consolidated Statement of Comprehensive Income" has been re-presented to show the discontinued operation separately from continuing operations.

The financial results related to the discontinued operations for the period to the date of disposal (28 February 2022) are presented below:

Discontinued operations	2022 (12 months)	2021 (12 months)
	\$'000	\$'000
Fee Revenue	1,153	7,083
Cost of sales	(719)	(4,162)
Gross Profit	434	2,921
Administrative Expenses	(1,541)	(8,426)
Operating loss analysed as:		
Adjusted EBITDA	(652)	(2,894)
Depreciation and amortisation	(238)	(1,236)
Share based payments expense	(163)	(977)
Foreign exchange losses	(54)	(249)
Exceptional items (included in administrative expenses)	–	(149)
Operating profit/(loss)	(1,107)	(5,505)
Profit on disposal	26,614	–
Disposal costs	(1,408)	–
Share based payments expense reversed	506	–
Total Profit/(Loss) before tax on disposal of Identity business	24,605	(5,505)
Tax	–	–
Net profit/(loss) for the period attributable to equity holders of the parent company	24,605	(5,505)

The net cashflows used in the Identity business disposed in the period are as follows:

	Period ended 31–Dec 2022 \$'000	Period ended 31–Dec 2021 \$'000
Net cash used in operating activities	(1,106)	(567)
Net cash used in investing activities	(178)	(2,818)
Net cash from financing activities	570	4,223
Net cash (used in)/from discontinued operations	(714)	838

Reconciliation of consideration received with the total profit and loss from discontinued operations:

	31 Dec 2022 \$'000
Total consideration received in the year	26,761
Financial asset through profit and loss – holdback receivable	5,600
Working capital adjustment	156
Total consideration	32,517

Assets and liabilities disposed of:

Assets

Goodwill	2,784
Intangible assets	2,278
Cash	371
Trade and other receivables	1,547
Total Assets disposed of	6,980

Liabilities

Trade payables	780
Other payables	297
Total liabilities disposed of	1,077

Net assets and liabilities disposed of	5,903
Taxation	–
Gain on disposal of discontinued operation after tax	26,614
Disposal costs in the year	(1,408)
Loss from discontinued operations in the year	(601)
	(2,009)
Total Profit from discontinued operations	24,605

Notes to the Consolidated Financial Statements

6. Discontinued operations (continued)

The working capital adjustment was an agreed adjustment made three months after the disposal date of 28 February 2022 based on Boku Mobile Solutions Ireland Ltd on an updated statement of assets and liabilities at that time.

The total consideration received in the consolidated statement of cashflows (\$26,545,448) represents the total amount received net of the cash disposed. However, the outstanding bank loan of \$8,125,000 was paid directly by the buyer. The net consideration received on 28 February 2022 was therefore \$17,665,539. On 22 July Boku received a further \$155,972 from Twilio as part of the agreed three month working capital adjustment. A further \$600,000 was received on 8 December 2022 as payment in full for the specific indemnity holdback.

At 31 December 2022, the Sale and Purchase agreement with Twilio included a final indemnity holdback of \$5.6 million against possible future claims for 18 months from the transaction date which expires at the end of August 2023. Management believes the likelihood of any claims under this indemnity to be extremely low and therefore that it is virtually certain that the full amount will be received. As a result, the full amount has been included in the profit from discontinued operations in the Income Statement. This has been classified as a financial asset through profit and loss and is included within current assets in the Consolidated Statement of Financial Position.

7. Revenue from contracts with customers

The Group's revenue is principally its service fees earned from its merchants. All revenue is earned at the time the transaction is processed and as a result, all revenue is recognised at one point in time. Therefore, 31 December 2021 and 31 December 2022, the Group does not have deferred revenue in the consolidated statement of financial position.

Fees are calculated as a percentage of the value of transaction. An additional fee is also earned when a merchant requires settlement in a different currency than the currency received, or before the funds are received from the aggregator, MNO or wallet, at contractual agreed rates, in line with IFRS 15.

	2022 \$'000	2021 \$'000
Revenue Fee	63,764	62,082

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

Group Revenue by Region '\$ 000 USD	Continuing Operations Payments	
	Dec-22 YTD	%
Americas	628	1.0%
APAC	36,167	56.7%
EMEA	26,969	42.3%
Grand Total	63,764	100.0%

Group Revenue by Region ' \$000 USD	Continuing Operations Payments	
	Dec-21 YTD	%
Americas	3,018	4.9%
APAC	33,444	53.9%
EMEA	25,620	41.2%
Grand Total	62,082	100.0%

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

	2022 \$'000	2021 \$'000
United States of America (continuing operations)	49,123	47,322
United States of America (discontinued operations)	–	4,340
Europe	12,724	16,551
Rest of the World	452	574
Total	62,299	68,787

In 2022 there was one customer, with revenue amounting to more than 10% of the payments segment revenue (2021: 2 customers).

On 28 February 2022, the Group sold the entire Identity business segment. As a result, from 1 March 2022, the Group reported its financial statements on a single segment basis : “Payments segment”. The Identity segment results for the two months of 2022 are presented below under ‘discontinued operations’. The Group operated with two operating segments through financial year 2021, namely, the Payments Segment and the Identity Segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer. The Group CEO and CFO review the monthly management reports for both segments before sending the results to the Board.

Notes to the Consolidated Financial Statements

7. Revenue from contracts with customers (continued)

Amazon warrants

On 16 September 2022, the Group entered into a stock warrant agreement with a subsidiary of Amazon Inc, Amazon.com NV Investment Holdings LLC ('Amazon') in conjunction with a commercial service level agreement for the Group to provide payment processing services to Amazon.

Under the agreement, the Group issued warrants to Amazon allowing them to purchase common stock that will vest incrementally, based on the amount of revenue earned by the Group from Amazon via Boku payment processing methods. The warrant agreement grants Amazon the right to acquire up to 11,215,142 shares of common stock in the Group (equivalent to 3.75% of the Group's total common stock as at the inception of the warrant agreement). 747,676 shares of common stock vested immediately on the signing of the warrant agreement on 16 September 2022. 209,350 additional shares of common stock will vest for every \$1m of revenue generated by the Group under its service level agreement with Amazon over a 7-year vesting period ending 15 September 2029. No further warrants will vest if \$50 million of revenue is generated under the service level agreement, which results in a final vesting increment of 209,316 shares of common stock. The exercise price of vested warrants is 81.20p per share, based on the 30-day volume weighted average trading price as at 16 September 2022.

The Group has determined that the 747,676 warrants of common stock that vest immediately on signing of the warrants are equity instruments under IAS 32, as they represent a fixed number of shares that will be exercised at a fixed price. The warrants will therefore not be accounted for until they are exercised and paid, at which point share capital and share premium will be recorded.

The Group has determined that the remaining warrants linked to revenue under the service level agreement are within the scope and revenue recognition and financial instruments accounting standards. The warrants represent a derivative financial instrument classified as a financial liability in accordance with IAS 32 and IFRS 9, remeasured to fair value with gains and losses recorded in profit or loss.

At inception of the warrant, an equal and opposite derivative financial liability and corresponding warrant contract asset are recorded at fair value, based on the total number of warrants expected to vest (linked to forecasted Amazon revenues under the service level agreement) and the fair value a single warrant.

The warrant contract asset, which effectively represents volume rebate, is amortised to revenue based on Amazon revenues to date as a proportion of total expected Amazon revenues over the seven year vesting period.

The warrant contract asset represent non-cash consideration payable to a customer under IFRS 15, which is recorded as a reduction to revenue and measured at fair value, but not subsequently remeasured.

The derivative financial liability is remeasured to fair value at each reporting date. The fair value movement attributable to the change in the number of shares expected to vest due to a change in estimated Amazon revenues over the seven year vesting period is recorded as an equal and opposite increase to the financial liability and warrant contract asset, based on the fair value of the warrant at inception. The fair value movement attributable to the change in the fair value of the underlying warrants is recorded as gains or losses in profit or loss.

The initial fair value of the warrants at inception was \$1,755,640, based on a fair value of one warrant of \$0.348 and a total number of warrants expected to vest over the seven year vesting period of 5,049,288. As at 31 December 2022, the total number of warrants expected to vest decreased to 4,992,086 resulting in an decrease to the warrant contract asset and financial liability of \$19,862, and the fair value of 1 warrant increased to \$1.043, resulting in a loss in profit or loss of \$3,470,333. The fair value of the warrants was determined using a combination of Monte Carlo Simulation and Black-Scholes Model valuation methods and are classified within Level 3 of the fair value hierarchy.

8. Administrative expenses (including exceptional items)

	2022 \$'000	Restated ¹ 2021 \$'000
Audit fees – fees payable to group company's auditors for the audit of the consolidated financial statements and UK subsidiaries – BDO LLP	394	359
Audit fees of the financial statements of the company's subsidiaries – BDO firms	129	138
Audit fees – non-BDO – subsidiaries audits	31	–
Fees payable to companies group auditors for other audit related assurance services – BDO LLP half year review	64	27
Fees payable to companies auditors for other audit related assurance services BDO Singapore	12	–
Total audit fees and audit related assurance services	630	524
Taxation services (not performed by auditor)	287	142
Professional services not performed by auditor	146	113
Consultancy and compliance services	872	1,238
Staff costs (excluding share based payments expense – note 10)	30,945	28,687
Travel & entertainment	1,157	355
Property occupancy costs	1,239	1,160
IT, development and hosting	4,290	3,211
Banking costs	469	495
Legal fees	856	864
Other costs including marketing, support & testing and other administration expenses	638	789
Operating Expenses, excluding items in Adjusted EBITDA	41,529	37,578
Depreciation of property, plant and equipment	2,032	2,242
Amortisation of intangible assets	3,631	4,009
Foreign exchange loss	796	(115)
Exceptional items	3,795	823
Exceptional Items – Impairment of Fortumo domain name	1,264	–
Share – based expenses (note 24)	5,165	6,414
Total administrative expenses	58,212	50,951

¹Restated to exclude discontinued operations

Notes to the Consolidated Financial Statements

8. Administrative expenses (including exceptional items) (continued)

Exceptional items include the following:

	2022 \$'000	2021 \$'000
Impairment of Fortumo domain name	1,264	–
Professional costs	8	812
Charitable contributions	317	11
Fair value adjustment – Amazon warrant	3,470	–
Total	5,059	823

The impairment of the Fortumo domain name of \$1,264 thousand (2021: Nil) is a one off charge, non cash full impairment as the group stopped using the Fortumo name and domain name during the year.

In 2022, professional costs of \$7 thousand (2021: \$812 thousand) included in exceptional costs represent the contracted costs for exploring disposal options for the Identity business.

Charitable contributions of \$317 thousand (2021: \$11 thousand) were classed as exceptional due to their exceptional large amount, which was donated to charities helping during the Ukraine war.

Fair value adjustment of \$3,470 thousand (2021: Nil) relates to the non-cash change in the valuation of the Amazon warrant liability at 31 December 2022, which was mainly caused by an increase in the share price of the entity between inception in September 2022 and year end.

9. Non-GAAP Financial measures

Management regularly uses adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods.

Management present non-GAAP financial measures because they believe that these and other similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. These measures are also used internally to establish forecasts, budgets and operational goals to manage and monitor our business, as well as evaluate our underlying historical performance, as we believe that these non-GAAP financial measures depict the true performance of the business by encompassing only relevant and controllable events, enabling us to evaluate and plan more effectively for the future.

The primary adjusted financial measures are EBITDA, Adjusted EBITDA Adjusted Operating expenses and Constant currency measures (Revenue only), which management considers are relevant in understanding the Group's financial performance. Management uses the adjusted financial measures by excluding certain one-off items from the actual results. The determination of whether one-off items should form part of the adjusted results, is a matter of judgement and it's based on whether the inclusion/exclusion from the results represent more closely the consistent trading performance of the business.

We define **"EBITDA"** as net income / (loss) for the year, less discontinued operations gains, net of tax, before finance expenses (including finance costs related to lease liabilities), depreciation and amortisation (including depreciation of right-of-use assets), and income tax expense / (benefit).

We define “**Adjusted EBITDA**” as EBITDA before the effect of the following items: foreign exchange losses share based payments expense, non recurring income and exceptional costs (see note 8). We use Adjusted EBITDA internally to establish forecasts, budgets and operational goals to manage and monitor our business, as well as evaluate our underlying historical performance. We believe that Adjusted EBITDA is a meaningful indicator of the health of our business as it reflects our ability to generate cash that can be used to fund recurring capital expenditures and growth. Adjusted EBITDA from continuing operations also disregards non-cash or non-recurring charges (exceptional costs) that we believe are not reflective of our long-term performance. We also believe that Adjusted EBITDA is widely used by investors, securities analysts and other interested parties as a supplemental measure of performance and liquidity.

We defined “**Adjusted Operating expenses**” as Gross profit less Adjusted EBITDA (as defined above).

Constant currency measures (Revenue only)

Constant currency revenues are calculated by applying the monthly average foreign exchange rates for each month of 2021 to the actual 2022 monthly results.

10. Key management personnel costs

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the parent company.

Key management personnel compensation was made up as follows:

	2022	Restated ¹
	\$'000	2021
		\$'000
Salaries	3,847	2,810
Short-term employee benefits (health insurance)	95	33
Social security costs	497	1,109
Share based payments expense	2,952	1,746
Long term employee benefits (pension)	16	7
Total	7,407	5,705

¹Restated due to discontinued operations

Notes to the Consolidated Financial Statements

11. Finance income and expenses

	2022 \$'000	2021 \$'000
Finance income		
Interest income from bank deposits	(201)	(22)
Total	(201)	(22)
Finance expenses		
Interest on bank loans & overdrafts	121	385
Other interest payable	6	25
Interest on lease liabilities	235	235
Amortisation of debt costs	313	125
Total	675	770
Net finance expenses	474	748

12. Income tax

	2022 \$'000	2021 \$'000
Current tax		
US tax	239	–
Foreign tax	257	513
Total current tax	496	513
Deferred tax credit	(733)	(2,395)
Total tax credit	(237)	(1,882)

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:

	2022 \$'000	2021 \$'000
Profit before tax	4,060	4,387
Tax rate	21%	21%
Profit before tax multiplied by the applicable rate of tax:	853	921
Expenses not deductible for tax purposes	1,117	2
US state taxes/Withholding taxes	1,800	78
Utilisation of tax losses	(4,110)	(2,646)
Other– difference in tax rates and adjustments in respect of prior years	103	(237)
Total tax (credit)/expense	(237)	(1,882)

Deferred Tax

	2022 \$'000	2021 \$'000
Net opening position	2,649	253
Net recognition in the year	733	2,359
Foreign exchange revaluation	1	37
Net closing position	3,383	2,649

The net closing position is made up of:

- A deferred tax liability at 31 December 2022 is Nil (2021: \$456,097). The prior year deferred tax liability which related to tax positions connected with the Boku Inc UK fixed temporary differences.
- The deferred asset of \$3,383,489 (2021: \$3,105,382) relates primarily to the recognition of the US and UK available losses which management believe that can be utilised within the next two years. Each year the management assess the usability of the deferred assets.

Notes to the Consolidated Financial Statements

11. Finance income and expenses (continued)

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

	2022 \$'000	2021 \$'000
Non-deductible Reserves	60	39
Accrued Compensation	56	84
Stock Based Compensation	1,939	1,819
Other temporary and deductible differences	321	527
Unused tax credits	189	189
Unused tax losses	11,082	27,952
Total deferred tax assets	13,647	30,610

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.

The unused tax losses must be utilised by various dates. U.S. federal tax losses expire in various dates through 2027.

13. Earnings per share

The calculation of basic earnings per share (EPS) has been based on the following profit/(loss) attributable to the shareholders and weighted average number of ordinary shares outstanding.

Earnings per share – Total	2022	2021
EPS attributable to shareholders of the Company (\$'000)	28,904	6,269
Basic EPS	0.09690	0.02133
Diluted EPS	0.09338	0.02057
EPS attributable to shareholders of the Company (\$'000)	4,299	11,774
Basic EPS (\$)	0.01441	0.04005
Diluted EPS (\$)	0.01388	0.03863
Earnings per share – from discontinued operations	2022	2021
EPS attributable to shareholders of the Company (\$'000)	24,605	(5,505)
Basic earnings/(loss) per share (\$)	0.08249	(0.01873)
Diluted earnings/(loss) per share (\$)	0.07949	(0.01806)
	2022	2021
Denominator – basic		
Weighted average number of equity shares	298,275,521	293,975,346
Denominator – diluted		
Weighted average number of equity shares	298,275,521	293,975,346
Weighted average number of equity options, RSUs & warrants	11,254,745	8,891,611
Weighted average number of shares	309,530,266	302,866,957

The calculation of the weighted average number of ordinary shares outstanding excludes the shares held in treasury. As at 31 December 2022 there are 1,500,000 share held in treasury (2021: Nil).

Diluted earnings per share was calculated using the treasury method.

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

Notes to the Consolidated Financial Statements

14. Property, plant and equipment

	Right of use assets \$'000	Computer equipment and software \$'000	Office equipment and fixtures and fittings \$'000	Leasehold improvement \$'000	Total \$'000
COST					
At 1 January 2021	7,222	1,436	1,645	363	10,666
Additions	3,973	337	19	–	4,329
Disposals	(4,307)	(545)	(1,372)	(105)	(6,329)
Exchange adjustment	(99)	(14)	(16)	(3)	(132)
At 31 December 2021	6,789	1,214	276	255	8,534
Additions	444	422	48	–	914
Disposals	(144)	(41)	(16)	–	(201)
Exchange adjustment	(291)	(49)	(22)	(27)	(389)
At 31 December 2022	6,798	1,546	286	228	8,858
DEPRECIATION					
At 1 January 2021	4,154	1,028	1,543	170	6,895
Acquisitions					
Charge for the year	1,879	270	53	53	2,255
Disposals	(4,187)	(545)	(1,370)	(105)	(6,207)
Exchange adjustment	(58)	(9)	(10)	(2)	(79)
At 31 December 2021	1,788	744	216	116	2,864
Charge for the year	1,637	313	41	41	2,032
Disposals	(144)	(34)	(16)	–	(194)
Exchange adjustment	(145)	(31)	(14)	(12)	(202)
At 31 December 2022	3,136	992	227	145	4,500
NET BOOK VALUE					
At 1 January 2021	3,068	408	102	193	3,771
At 31 December 2021	5,001	470	60	139	5,670
At 31 December 2022	3,662	554	59	83	4,358

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 2021	2,778	290	3,068
Additions	3,543	430	3,973
Disposals	(120)	–	(120)
Exchange adjustment	(41)	–	(41)
Depreciation charge for the year	(1,499)	(380)	(1,879)
NBV balance as at 31 December 2021	4,661	340	5,001
Additions	129	315	444
Exchange adjustment	(146)	–	(146)
Depreciation charge for the year	(1,411)	(226)	(1,637)
NBV balance as at 31 December 2022	3,233	429	3,662

The additions related to the 1 year renewal of the office lease for Ireland and Singapore and new AWS leases for additional servers (IT equipment).

Impairment of Property and Equipment

The carrying amounts of the Group's assets including right-of-use assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to the profit and loss in other operating expenses. During the years ended 31 December 2022 and 2021, no impairments have been recorded.

Notes to the Consolidated Financial Statements

15. Intangible assets

	Domain name	Developed technology	Merchant relationships	Trade marks	Goodwill	Internally developed software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COST							
At 1 January 2021	1,974	8,397	16,976	110	46,620	9,694	83,771
Additions	–	–	–	–	–	5,022	5,022
Exchange Adjustment	(138)	(396)	(1,226)	–	(1,241)	(95)	(3,096)
At 31 December 2021	1,836	8,001	15,750	110	45,379	14,621	85,697
Additions	–	–	–	–	–	4,866	4,866
Disposals	(1,562)	(19)	–	–	–	(3)	(1,584)
Disposals (discontinued operations)	–	(1,918)	–	–	(2,784)	(2,996)	(7,698)
Exchange adjustment	(134)	(271)	(851)	–	(862)	(87)	(2,205)
At 31 December 2022	140	5,793	14,899	110	41,733	16,401	79,076
AMORTISATION							
At 1 January 2021	232	2,818	8,987	–	–	6,175	18,212
Charge for the period	177	873	1,832	–	–	2,350	5,232
Exchange adjustment	(14)	(91)	(708)	–	–	(51)	(864)
At 31 December 2021	395	3,600	10,111	–	–	8,474	22,580
Charge for the period	81	494	616	–	–	2,677	3,868
Impairment (domain name)	1,264	–	–	–	–	–	1,264
Disposal (domain name)	(1,562)	–	–	–	–	–	(1,562)
Disposals (discontinued operations)	–	(1,217)	–	–	–	(1,419)	(2,636)
Exchange adjustment	(38)	(60)	(523)	–	–	(47)	(668)
At 31 December 2022	140	2,817	10,204	–	–	9,685	22,846
NET BOOK VALUE							
At 1 January 2021	1,742	5,579	7,989	110	46,620	3,519	65,559
At 31 December 2021	1,441	4,401	5,639	110	45,379	6,147	63,117
At 31 December 2022	–	2,976	4,695	110	41,733	6,716	56,230

Management has reviewed goodwill and intangible assets at 31 December 2022 which mainly consist of the assets from the acquisition of Mopay AG ("Mopay") in October 2014 and Fortumo Holdings Inc. on 1 July 2020.

Boku Inc. acquired payments company Mopay in October 2014 for a total value of \$24.2 million in cash and shares. After the merger in 2014, the Mopay business was reorganised and incorporated into the Boku Payments business. The carrying value of goodwill from the Mopay acquisition and other intangibles are therefore assessed in total as part of the Boku Payments Segment (Payments CGU).

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).

Impairment and write off – Fortumo domain name

During the year management decided to discontinue the Fortumo domain name and to rebrand all the Fortumo products and rename the acquired entities of Fortumo group to Boku's name. As a result, the Fortumo domain which was separately valued as part of the PPA work at the time of the acquisition of Fortumo in July 2020 and included in intangibles, was impaired in full by \$1.26 million (\$1.44 million at 31 December 2021 less amortisation \$0.18 million) as the Fortumo domain name is no longer being used internally or externally. It was then written off.

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 cash generating unit ("CGU"). 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 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 ("WACC"). 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 to calculate value-in-use is the weighted average cost of capital of 15.5% (2021: 14.6%). 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 2021 was based on growth rate of post-tax free cashflow of 2% (2021: 2%) for each CGU.

The 2023 budget was prepared at the consolidated level. Revenue, Adjusted operational expenses and Adjusted EBITDA were also projected from fiscal year 2023 through to 2027. In 2022 Group revenue growth was 3% (2021: 23%) while Adj. EBITDA fell by 11% to \$20.5 million (2021: 31% increase).

A forecast for 2023–2027 was prepared and used to calculate the net present value. The 5 year forecast includes the following growth assumptions (see also the table below):

- Group revenues will grow by 15.4% in 2023, 18.7% in 2024 and 21% in 2025 and 2026 and by 23.8% in 2027
- A constant take rate of 0.7% for 2023–2025 and a take rate of 0.8% for 2026 and 2027 (Take rate = Revenue divided by Total Payments volume)
- Gross profit of 97% for 2023–2024, 98% for 2025 & 2026 and 99% for 2027.

The payments business is a mature, established business in multinational markets.

Notes to the Consolidated Financial Statements

15. Intangible assets (continued)

From a sensitivity perspective, the model also shows that the Net Present Value of cashflows would have to be reduced by a factor of 6 in order for the carrying amount of goodwill to equal the value in use of the Payments CGU (the only CGU) on the statement of financial position the end of 2022 and by a factor of 3.4 in order for the carrying amount of all intangibles to equal the value in use of the CGU at the end of 2022.

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a three year period from 2022 to 2027. The first year of the projections is based on detailed budgets prepared by management as part of the Group's performance and control procedures. Subsequent years are based on extrapolations using the key assumptions listed below which are management approved projections. The discount rate applied to cash flow projections beyond three-years is extrapolated using a terminal growth rate which represents the expected long-term growth rate.

The following rates and inputs were used for the Group forecast for the years ended 31 December 2022–2027:

Year	Revenue growth rate	Gross Margin	Discount Rate (WACC)	Terminal Growth Rate
2023	15.4%	97%	15.5%	2%
2024	18.7%	97%	15.5%	2%
2025	21.0%	98%	15.5%	2%
2026	21.4%	98%	15.5%	2%
2027	23.8%	99%	15.5%	2%

The calculation of value in use for the business operations is most sensitive to changes in the following assumptions:

Revenue growth

Revenue growth assumptions have been derived from projections prepared by management. Management is of the view that these assumptions are reasonable considering current market conditions. An impairment in the carrying value of goodwill and intangible would not arise if the 2023–2027 average revenue growth rate declined to nil and all costs remain the same.

Cost of sales and gross margin

Cost of sales has been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies include cost minimisation mechanisms such as offshore migration of labour, centralisation of support activities and increasing efficiency of service delivery, resulting in improved gross margins over the forecasted period.

Discount rate

The management uses WACC as the discount rate which is calculated after taking into account the prevailing risk-free rate, industry risk and business risk. An impairment in the carrying value of goodwill would not arise, all other assumptions being the same until the weighted average cost of capital were to increase to 46.4%.

Terminal growth rate

Terminal growth rate was intentionally kept low and constant at 2% after 2027 and was the same as the terminal growth rate used in previous years. Sensitivity analysis shows that the terminal value has to reduce by 102% in order for the post tax cash free cashflow to be equal to the carrying value of all intangible assets.

Climate change

We considered climate change when reviewing cashflows and impairment however as stated in the ESG section of this report, Boku is an online payments company and as such its climate change impact is low as its business is all online and its merchants' business is the sale of digital goods such as streaming services. Therefore any potential impact was not considered material when looking at cashflows and intangibles.

Notes to the Consolidated Financial Statements

16. Subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are presented below. Boku Identity Inc and Boku Mobile Solutions Ireland were sold on 28 February 2022 and, as required, at 31 December 2022, they are presented as discontinued operations.

Name (% owned by Parent)	Parent	Principal activity	Location
Boku Payments Inc. (100%)	Boku Inc.	Holding Company	USA
Boku Network Services Inc. (100%)	Boku Inc.	Holding Company	Delaware, USA
Boku Account Services Inc. (100%)	Boku Inc.	Holding Company	Virginia, USA
Boku Account Services UK Ltd. (100%)	Boku Account Services Inc. (Virginia)	Mobile payment solutions	UK
Paymo Brazil Servicos de Pagamentos Ltd (99.9%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Brazil
Boku Network Services GmbH (100%)	Boku Inc.	Holding Company	Germany
Boku Network Services UK, Ltd (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	UK
Boku Network Services AU Pty Ltd (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Australia
Boku Network Services IN Private Limited (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	India
Boku Network Services SG PTE. LTD (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Singapore
Boku Network Services HK LTD (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Hong Kong
Boku Network Services Taiwan Branch Office (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Taiwan
Boku Network Services Japan Branch Office (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Japan
Mopay AG Beijing Representative Branch (100%)	Boku Network Services AG (Germany)	Mobile payment solutions	China
Boku Identity Inc.(100%) – Disposed of on 28 February 2022	Boku Inc.	Identity solutions	California, USA
Boku Mobile Solutions Ireland (100%) – Disposed of on 28 February 2022	Boku Identity Inc.	Identity solutions	Ireland
Boku Network Services IE Limited (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Ireland
Boku Network Services Malaysia (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Malaysia

Name (% owned by Parent)	Parent	Principal activity	Location
Boku Network Services EE Holdings, Inc (100%)	Boku Network Services Inc. (Delaware)	Holding Company	USA
Boku Network Services TH Co Ltd. (49.9%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Thailand
Boku Network Services PH, Inc. (100%)	Boku Network Services Inc. (Delaware)	Mobile payment solutions	Philippines
Boku Network Services MX S. DE R.L. DE C.V 50% BNS Inc., 50% Boku Inc.)	Boku Network Services Inc. (Delaware)	Dormant	Mexico
Boku Network Services Estonia OU (previously Fortumo OU) (100%)	Fortumo Holdings Inc	Mobile payment solutions	Estonia
Boku Network Services ES S.L (100%)	Fortumo OU	Mobile payment solutions	Spain
Fortumo Mobile Services Private Pvt. Ltd (100%)	Fortumo OU	Mobile payment solutions	India
Fortumo Singapore Pte. Ltd (100%)	Fortumo OU	Mobile payment solutions	Singapore
Boku Network Services PE S.A.C. (100%)	Boku Network Services Inc. (Delaware)	Dormant	Peru
Boku Network Services CO S.A.S. (100%)	Boku Network Services Inc. (Delaware)	Dormant	Columbia
Boku Network Services UY S.A.	Boku Network Services Inc. (Delaware)	Dormant	Uruguay
Boku Network Services CL S.P.A. (100%)	Boku Network Services Inc. (Delaware)	Dormant	Chile
Boku Network Services ZA (Pty) Ltd (100%)	Boku Network Services Inc. (Delaware)	Dormant	South Africa
Boku Network Services KE Limited (100%)	Boku Network Services Inc. (Delaware)	Dormant	Kenya
Boku Network Services TZ Limited (99.999% BNS Inc., 0.001% Boku Inc)	Boku Network Services Inc. (Delaware)	Dormant	Tanzania
Boku Network Services AR S.R.L. (95% BNS Inc., 5% Boku Inc.)	Boku Network Services Inc. (Delaware)	Dormant	Argentina
Boku Network Services UG Limited (99.95% BNS Inc., 0.05% Boku Inc.)	Boku Network Services Inc. (Delaware)	Dormant	Uganda

Notes to the Consolidated Financial Statements

17. Trade and other receivables

	31 December 2022 \$'000	31 December 2021 \$'000
Trade receivables – gross	27,898	28,072
Accrued income	59,550	51,290
Accounts receivable – gross	87,448	79,362
Less: provision for impairment	(1,238)	(756)
Accounts receivable – net	86,210	78,606
Other receivables	100	30
Deposits held	426	454
Sales taxes receivable	938	1,268
Prepayments	2,406	2,199
Total trade and other receivables	90,080	82,557
Financial asset at fair value through profit and loss	5,600	–

Provision for receivables impairment, net

	31 December 2022 \$'000	31 December 2021 \$'000
Opening balance	149	1,322
Utilised during the period	(19)	(36)
Increase/(decrease) during the period	8	(1,137)
Closing balance	138	149

In accordance with IFRS9, the Group 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. 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.

18. Cash and cash equivalents and restricted cash

	31 December 2022 \$'000	31 December 2021 \$'000
Cash and cash equivalents – unrestricted cash	99,551	56,651
Cash and cash equivalents – restricted cash	16,962	5,789
	116,513	62,440

The restricted cash primarily includes segregated client funds and other client money received but not yet paid to merchants (in transit) for Boku's licenced entities, cash held in the form of letter of credit to secure a lease agreement for the Company's San Francisco office and a certificate of deposit held at a financial institution to collateralise Company credit cards.

19. Lease liabilities

The table below shows a reconciliation for discounted lease liabilities (balance sheet amounts):

Lease liabilities	Property (office leases)	IT Equipment	Total
1 Jan 2021	2,914	264	3,178
Additions	3,423	430	3,853
Interest expense	227	8	235
Payments to lease creditors	(1,227)	(702)	(1,929)
Exchange adjustment	(504)	–	(504)
Lease liabilities as at 31 Dec 2021	4,833	–	4,833
Additions	129	315	444
Interest expense	235	–	235
Payments to lease creditors	(1,476)	(315)	(1,791)
Exchange adjustment	(172)	–	(172)
Lease liabilities as at 31 Dec 2022	3,549	–	3,549

The maturity analysis for lease liabilities is presented below:

Lease liabilities – Maturity analysis (contractual undiscounted cash flows) – \$'000 (USD)	2022	2021
Less than one year	1,427	1,477
One to five years	2,407	3,868
More than five years	–	–
Total undiscounted lease liabilities as at 31 December	3,834	5,345

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

Notes to the Consolidated Financial Statements

19. Lease liabilities (continued)

Lease liabilities included in the statement of financial position at 31 December – \$'000 (USD)	2022	2021
Current	1,277	1,335
Non-current	2,272	3,498
Amounts recognised in profit or loss – \$'000 (USD)	2022	2021
Interest on lease liabilities	235	235
Variable lease payment not included in the measurement of lease payments	–	–
Expenses related to short term leases	238	26
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	–	14
Depreciation of right-of-use assets (Note 14)	1,637	1,879

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

Amounts recognised in the statement of cashflows – \$'000 (USD)	2022	2021
Payment of principal	1,556	1,694
Payment of interest	235	235
Total cash outflows	1,791	1,929

20. Trade and other payables

	31 December 2022 \$'000	31 December 2021 \$'000
Current		
Trade payables	118,829	94,152
Accruals	35,550	23,375
Total financial liabilities classified as financial liabilities measured at amortised cost	154,379	117,527
Other taxes and social security costs	1,024	788
Accrued tax on issued stock options	860	1,022
Deferred revenue	–	304
Total	156,263	119,641
Non-current		
Accrued taxes on issued stock options	1,194	1,700
Total	1,194	1,700

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

21. Loans and borrowings

	31 December 2022 \$'000	31 December 2021 \$'000
Current		
Bank loans and overdrafts (secured)	–	1,125
Lease liabilities	1,277	1,335
Total	1,277	2,460
Non-current		
Bank loans	–	6,688
Lease liabilities	2,272	3,498
Total	2,272	10,186

Notes to the Consolidated Financial Statements

21. Loans and borrowings (continued)

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

On 26 June 2020 the Group entered into a loan agreement with its bankers for \$20.0 million to part finance the acquisition of Fortumo Holdings Inc, and its subsidiaries on 1 July 2020. The loan was structured as a \$10.0 million term loan repayable in 4 years and \$10.0 million revolving facility. Borrowing costs of \$500,000 were incurred and are amortised over the life of the loan.

The Identity division was sold to Twilio on 28 February 2022. The outstanding term loan with Citibank of \$8.125 million was repaid in full from the deal consideration, as part of the closing conditions, on 28 February 2022. As at 31 December 2022 the Group has no bank loans, however, the Group retains the \$10,000,000 revolving credit facility (RCF) which is currently not drawn upon. This revolving credit facility expires on 1 July 2024.

The balance of current lease liabilities at period end was \$1,276,728 (31 December 2021: \$1,334,725) and non-current liabilities \$2,272,065 (31 December 2021: \$3,498,493) and relate to server leases and office leases.

Reconciliation of liabilities arising from financing activities

	2021	Cash flows	Non-cash changes (\$'000)			2022
			Borrowing costs expensed in the year	Foreign Exchange Movement	Lease Liabilities (IFRS 16) ¹	
	\$'000	\$'000				\$'000
Short-term borrowings	1,125	(1,125)	–			–
Long-term borrowings	6,688	(7,000)	312			–
Short-term lease liabilities	1,335	(1,791)	–	(129)	1,862	1,277
Long-term lease liabilities	3,498		–	(43)	(1,183)	2,272
Total liabilities from financial activities	12,646	(9,916)	312	(172)	679	3,549

¹Includes interest and new leases

Reconciliation of liabilities arising from financing activities

	2020	Cash flows	Non-cash changes (\$'000)			2021
			Borrowing costs expensed in the year	Foreign Exchange Movement	Lease Liabilities (IFRS 16) ¹	
	\$'000	\$'000				\$'000
Short-term borrowings	1,438	(313)	–			1,125
Long-term borrowings	10,813	(4,250)	125			6,688
Short-term lease liabilities	1,436	(1,929)	–	(10)	1,838	1,335
Long-term lease liabilities	1,742	–	–	(40)	1,796	3,498
Total liabilities from financial activities	15,429	(6,492)	125	(50)	3,634	12,646

¹Includes interest and new leases

22. Share capital

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

	31 December 2022		31 December 2021	
	Number of shares issued and fully paid		Number of shares issued and fully paid	
	'000	\$'000	'000	\$'000
Common shares of \$0.0001 each				
Opening balance	295,876	29	287,566	29
Exercise of options and RSUs	3,394	–	6,751	–
Shares issued to Fortumo Shareholders	–	–	1,559	–
Closing balance	299,270	29	295,876	29

Common Shares

At December 31, 2022, the Company had 299,270,021 (2021: 295,876,395) common shares issued and fully paid. The Company has only one class of shares with par value of \$0.0001 each. The authorised share capital is 500,000,000 shares. The company holds 1,500,000 shares in treasury purchased for \$1,835 thousands.

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

23. 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. It includes all stock options expenses reserves.

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.

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to equity.

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

Notes to the Consolidated Financial Statements

24. Share-based payment

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

- 2009 equity incentive plan (2009 Plan) for the granting of stock options, restricted stock awards (RSA) and restricted stock units (RSU). No options were available to be issued under this plan as at 31 December 2022 or 2021. There are 3,771 options vested but not exercised under this plan as at 31 December 2022.
- 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 reserved an initial 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 as explained below. There are 837 options (2021: 969) and 10,069 (2021: 10,454) RSUs outstanding as at 31 December 2022.

2009 Equity Incentive Plan

The options activity under the 2009 Plan (including RSUs) are as follows:

	Available 2009 Plan	2009 Plan (Options)		2009 Plan (RSUs)	Total
	Number of options '000	Number of options '000	WAEP ¹	Number of RSUs '000	Number of options '000
At 1 January 2021	–	8,306	\$0.327	–	8,306
Exercised	–	(3,509)	\$0.341	–	(3,509)
Cancelled	–	(61)	\$0.283	–	(61)
At 31 December 2021	–	4,736	\$0.340	–	4,736
Exercised	–	(965)	\$0.342	–	(965)
Cancelled	–	–	–	–	–
At 31 December 2022	–	3,771	\$0.340	–	3,771

¹WAEP – weighted average exercise price

*RSUs are always granted at zero exercise price

A summary of other information related to the options granted under this plan is presented in the table below:

2009 Plan	December 2022	December 2021
Outstanding options at reporting end date:		
– total number of options	3,771	4,846
– weighted average remaining contractual life (years)	2.49	3.75
Vested and exercisable ('000):	3,771	4,846
– weighted average exercise price	\$0.44	\$0.416
Weighted average share price exercised during the period (excluding RSUs)	\$0.34	\$0.34
Share-based payment expense for the period ('000)	–	\$2

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 behaviour.

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 (excluding RSUs) 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).

2017 Equity Incentive Plan

Options were granted under the 2017 Equity Incentive Plan only in January 2018. Since then, only RSUs have been granted under the plan. The options granted under this plan vest over 3 years and contain a one-year cliff. Therefore, 25% of the options vest at the end of year one and from year two a graded quarterly vesting takes place, where each instalment of vesting is treated as a separate stock option grant.

RSUs under the 2017 Plan may be outstanding for periods of up to three years following the grant date. Outstanding RSU grants generally vest over three years in three equal portions or one third after two years and two thirds in the third year anniversary from the grant date. Options under the 2017 Plan may be outstanding for periods of up to ten years from the grant date.

Performance-based restricted stock units (RSUs)

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

Share based payments 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; specifically, where the restricted stock units are nil-cost awards with a non-market performance condition, so they are valued at the share price as at the day of grant. The share based payments 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 vesting 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.

Notes to the Consolidated Financial Statements

24. Share-based payment (continued)

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

	Available '000	Options '000	WAEP ¹	RSUs '000	WAEP ¹	Total '000
At 1 January 2021	27,717	1,112	\$1.205	8,961	–	10,073
Authorised	12,312	–	–	–	–	–
Granted	(5,739)	–	–	5,739	–	5,739
Exercised	–	(107)	\$1.205	(3,135)	–	(3,242)
Cancelled	938	(36)	\$1.205	(902)	–	(938)
At 31 December 2021	35,228	969	\$1.205	10,663	–	11,632
Authorised	12,565	–	–	–	–	–
Granted	(3,914)	–	–	3,914	–	3,914
Exercised	–	(132)	\$1.205	(2,292)	–	(2,424)
Cancelled	2,216	–	\$1.205	(2,216)	–	(2,216)
At 31 December 2022	46,095	837	\$1.205	10,069	–	10,906

¹RSUs are issued with a zero exercise price and therefore the WAEP is Nil.

A summary of other information related to the options and RSUs granted under this plan is presented in the table below:

2017 Plan	December 2022	December 2021
Outstanding options at reporting end date:		
– total number of options (excluding RSUs) ('000)	837	969
– weighted average remaining contractual life (years)	5.0	6.0
– total number of RSUs	10,069	10,454
Vested and exercisable ('000):		
– weighted average exercise price	\$1.205	\$1.205
– weighted average remaining contractual life	5.0	6.0
Weighted average fair value of options granted during the period (excluding RSU)	\$0.44	\$0.44
Vested and exercisable – Options	837	924
Share-based payment expense for the period ('000)	\$5,165	\$6,412

The following information is relevant in the determination of the fair value of options (excluding RSU's) granted during the period. Only RSUs were granted in 2021 and 2022.

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 behaviour.

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.

Reconciliation of share-based payment expense

	December 2022 \$'000	December 2021 \$'000
2009 Plan		
Options	–	2
2017 Plan		
Options	–	25
RSU's	5,553	5,048
Total share-based expense (excluding national insurance)	5,553	5,075
National insurance (reversal)/accrued	(639)	1,117
National insurance paid in the year (see Note 4)	251	222
Total share-based payment charge	5,165	6,414

*Restated due to discontinued operations

In 2021, a board resolution was passed to amend the 2018, 2019 and 2020 GMC LTIP RSU Grants. The vesting condition target has changed to be measured as an average Adjusted EBITDA over 3 years (previously a performance target of an Adjusted EBITDA per share amount). No further changes to the vesting condition targets were made in 2022 and the target Adjusted EBITDA for 2022 has been met.

Notes to the Consolidated Financial Statements

25. Warrants for ordinary shares

Danal Inc warrants

A five 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: 5-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 the share premium account.

Amazon warrants

As part of the commercial agreement entered into by Boku and Amazon on 16 September 2022, Boku issued Warrants allowing Amazon to subscribe for up to a total of 11,215,142 shares of Boku's common stock, representing up to 3.75% of Boku's existing issued share capital. The vesting conditions are as follows:

- 0.25% of the maximum 3.75% of Boku's existing share capital (i.e. 747,676 shares) vested on signing of the agreement on 16 September 2022; and
- Up to 3.5% of the maximum 3.75% of Boku's existing share capital may vest over a 7-year period in increments of 0.07%, for each \$1 million of Amazon expenditure ("Qualifying Revenue") up to a total of \$50m, whereby all Warrants will have vested, in respect of payment processing services.

The exercise term is 10 years from 16 September 2022 to 15 September 2032 (the "Expiry Date"). The Warrants have an exercise price of 81.20p per share, which was the 30-trading day volume-weighted average price of Boku's common stock immediately prior to issuing the initial Warrants.

The Warrants may be exercised in whole or in part at any time up to the Expiry Date.

Amazon is permitted to transfer the vested Warrants to any person except to Boku's competitors. The exercise consideration may be in the form of either:

- Cash exercise (i.e., exercise price payable in cash); or
- Cashless exercise (i.e., reduction in the number of Warrants obtainable, either in full, or partially alongside a partial cash exercise).

These warrants were valued using a combination of Black-Scholes Model and Binomial Model. The Monte Carlo simulation was used to simulate the qualifying revenue which is used to determine the possible timing of a vesting event and the amount of warrants vested and to simulate the share price. The Black-Scholes model was used to determine the fair value for the warrants (payoff of the warrant).

The summary of the valuation results and inputs on 16 September 2022 (issue date) and at 31 December 2022 is presented below.

Valuation results and inputs

Valuation date	16 September 2022	31 December 2022
Warrants expiry date	16 September 2032	16 September 2032
Number of years to expiry	10	<10
Time step	Monthly	Monthly
Spot price (£)	0.7700	1.395
Exercise price (£)	0.8120	0.8120
Risk-free rate (NACC)	3.39%	3.81%
WACC	15%	15.5%
Dividend yield	0%	0%
Revenue volatility	30%	30%
Equity volatility	40%	40%
Fair value of the warrants (£)	1,526,709	4,317,487
Fair value of the warrants (\$)	1,755,640	5,206,112
Fair value per warrant (£)	0.302	0.865
Fair value per warrant (\$)	0.347	1.043

The following inputs and assumptions have been used in the valuation:

i) Dividend yield

For both models a nil dividend yield was assumed. In the event of dividends being paid, the warrant agreement states that Amazon should be made whole and compensated via a mechanism that adjusts the number of shares per warrant.

ii) Time-step

The vesting condition is based on the accumulated qualifying revenue as part of the commercial agreement. As such, possible scenarios were modelled for qualifying revenue using monthly time steps. This in line with the expectation that management accounts and reporting pack is prepared on a monthly basis. The share price simulation also follows a monthly time step for consistency.

iii) Share price

The quoted closing price of Boku's shares as at the valuation date (£0.77 as at 16 September 2022 and £1.395 as at 31 December 2022) was used as an input into the valuation.

iv) Risk free rate

The US Government bond yield has been used as a proxy for the risk-free rate. The spot yields as at the valuation date for all tenors up to a 10-year period expiry date were converted to Nominal Annual Compounded Continuously ("NACC") spot rates as required by the Black-Scholes model ("BSM") and Binomial model ("BM"). A set of forward rates were also calculated as inputs for the BSM payoff calculations which are forward-starting options, based on the spot NACC risk free rates.

Notes to the Consolidated Financial Statements

25. Warrants for ordinary shares (continued)

v) Exercise period and price

As per the Warrant Agreement, the exercise term is 10 years from 16 September 2022. The Warrants are exercisable at £0.8120, which was the 30-trading day volume-weighted average price of Boku's Common Stock immediately prior to issuing the Warrants.

vi) Simulated share price and simulated revenue

As the payoff of the warrant depends on two random variables, share price and initial estimated revenue. Both have been estimated using the Binomial method and the risk free growth rate used was the WACC rate. This is so that the resulting simulation can be used to derive a meaningful number of warrants vesting in each period, in line with the agreed terms. The WACC analysis takes into consideration historical company information as well as market observable data and was calculated to be 15% as at 16 September 2022.

vii) Equity volatility and revenue volatility

The annualised equity volatility of 40% was estimated by using Boku's historical volatility given its observable trading history. The annualised revenue volatility of 30% was estimated using Boku's historical revenue from Q3 2016 to Q3 2022.

The warrants were valued at 31 December 2022 using the same methodology.

A sensitivity analysis was performed using the low and high ranges for revenue volatility and equity volatility and it was determined that these are not materially different from the mid-points used and presented in the table below.

Valuation Results

Indicative FV	Mid-point	Low	High
Valuation date	31/12/2022	31/12/2022	31/12/2022
Warrant expiry date	16/09/2032	16/09/2032	16/09/2032
No. of years to expiry	9.71	9.71	9.71
Spot Price (£)	1.395	1.395	1.395
Exercise price (£)	0.812	0.812	0.812
Risk-free rate (NAOC)	3.81%	3.81%	3.81%
Dividend yield	0%	0%	0%
Revenue Volatility	30%	25%	35%
Equity Volatility	40%	35%	45%
FV of the Warrants, £	4,317,487	4,113,511	4,534,414
FV of the Warrants, \$	5,206,112	4,960,154	5,467,687
FV per Warrant, £	0.865	0.824	0.909
FV per Warrant, \$	1.043	0.994	1.096

A significant increase in volatility in isolation would result in a significant change in fair value. A significant change to the timing and value of forecast Amazon revenue would change the vesting dates and the number of warrants that vest and significantly change fair value as a result. If equity volatility and revenue volatility were both to decrease by 5% to 35% and 25% respectively, the total fair value of warrants would decrease to \$4,960,154, representing a decrease in fair value of \$245,958. If equity volatility and revenue volatility were both to increase by 5% to 45% and 35% respectively, the total fair value of warrants would increase to \$5,467,687, representing an increase in fair value of \$261,576.

26. Dividends

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

27. Cash generated from operations

	Year ended 31 December 2022	Year ended 31 December 2021
	\$'000	\$'000
Profit after tax	28,904	6,269
Add back:		
Tax credit	(237)	(1,882)
Amortisation of intangible assets	3,868	5,232
Depreciation of property, plant and equipment	2,032	2,255
Gain on discontinued operations after tax	(26,614)	–
Loss on disposal of property, plant and equipment	6	5
Loss on disposal of intangible assets	22	–
Finance income	(201)	(22)
Finance expense (includes interest on lease liabilities)	675	770
Foreign exchange loss (unrealised)	4,407	743
Employer taxes on stock option and restricted stock units (accrual) charge	(639)	423
Fair value adjustment on warrants valuation	3,470	–
Amortisation of warrant asset	25	–
Impairment of intangible asset	1,264	–
Share based payment expense	5,045	5,684
Cash from operations before working capital changes	22,027	19,477
(Increase)/Decrease in trade and other receivables	(12,328)	8,748
Increase /(Decrease) in trade and other payables	40,267	(15,863)
Cash generated from operations	49,966	12,362

Notes to the Consolidated Financial Statements

27. Cash generated from operations (continued)

The share based payment expense has been split between the charge using the Black Scholes method for the period (\$5,553 thousand) and the change in the accrual for employer taxes on stock option and restricted stock units (-\$639 thousand). The total share based payment expense in the Consolidated Statement of Comprehensive Income includes \$251 thousand employer taxes paid via payroll to tax authorities.

The impairment of intangible assets relates to the full impairment of the Fortumo domain name which was discontinued in the period.

The increase in receivables includes a \$5,600,000 contingent financial asset receivable in 2023 being the balance due on the disposal of the group's Identity business.

The foreign exchange loss relates to the unrealised foreign exchange only.

28. Related party transactions

In 2022, the Group was remitted \$132,800,653 in net payments from 3 suppliers who are shareholders of the Company (2021: \$123,776,087 – from five suppliers). At 31 December 2022, the Company had receivables of \$13,594,020 (2021: \$15,767,393) due from these companies.

29. Ultimate controlling party

There is no ultimate controlling party of the Company.

30. 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 2022 and 2021.

31. Post balance sheet events

Between 1 January 2023 and the date of this report, the Company purchased a further 1,687,581 Common Stock of Boku Inc on the open market at an aggregate cost (exclusive of broker commission) of £2,504,564.03 and an average cost of £1.48 per share.

As at the date of this report, the Company has purchased a total of 3,187,581 Common Stock of Boku Inc on the open market at an aggregate cost (exclusive of broker commission) of £4,061,314.03 and an average cost of £1.27 per share.

On 10 March 2023 the US arm of one of Boku's banking partners Silicon Valley Bank ("SVB") was placed under receivership with the Federal Deposit Insurance Corp ("FDIC") in the US and there were concerns over the financial stability of the separate UK operations, SVB UK. Ultimately SVB's deposits were maintained following government support in the US and the acquisition of SVB UK by HSBC in the UK. SVB was not a material banking partner of Boku and no merchant funds were held with SVB. At the time of the receivership, total deposits with SVB across the Group were less than \$2 million which was less than 2% of the Group's \$116.5 million cash balances as at 31 December 2022. The funds held with SVB were all Boku's own cash. Boku has no bank debt and the events had no impact on the Group's ordinary operations.

• **boku**

Boku, Inc.
Stock Code: BOKU

