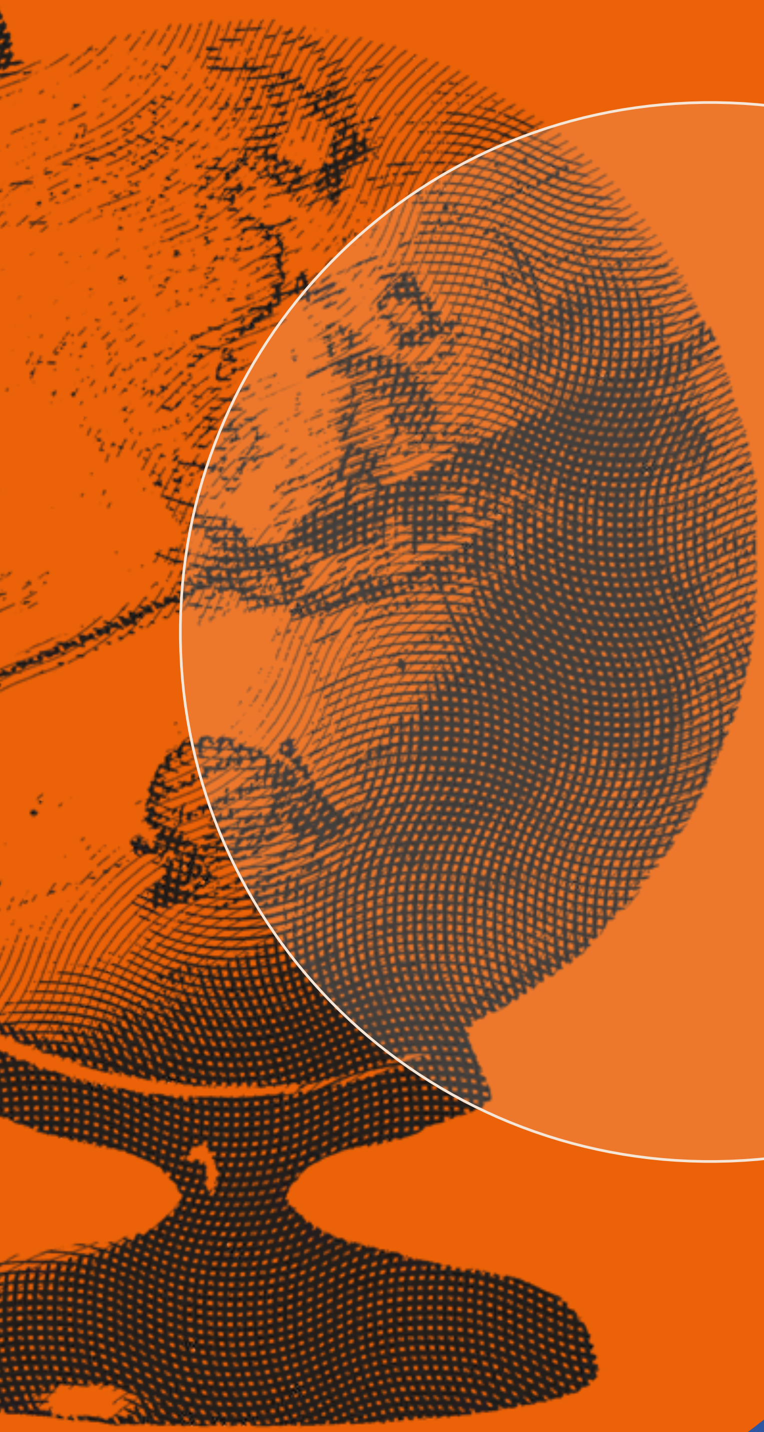
Enhancing Every Mobile Interaction



boku

Boku, Inc.
Annual Report and Accounts
for the year ended 31 December 2019

Boku is the world's leading carrier commerce company

Boku's Platform, which is linked to billing, identity and sales systems of more than 190+ mobile network operators, simplifies transacting on mobile devices. Boku's Payment products enable mobile phone users, of which there are more than five billion worldwide, to buy goods and services and charge them to their mobile phone bill or pre-pay balance. Its Identity products are used to verify user details. Companies like Apple, Google, Facebook, Microsoft, PayPal, Spotify, Square, Sony and Western Union use Boku to simplify sign-up, acquire new paying users and prevent fraud.

We maintain a corporate website containing a wide range of information of interest to investors and stakeholders at www.boku.com

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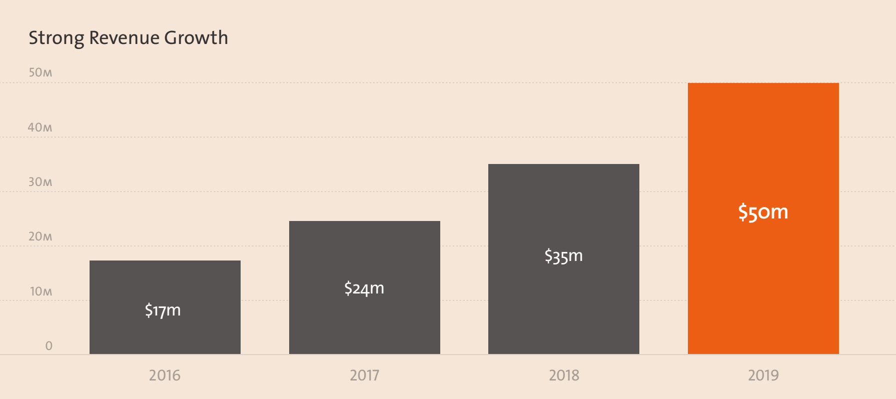
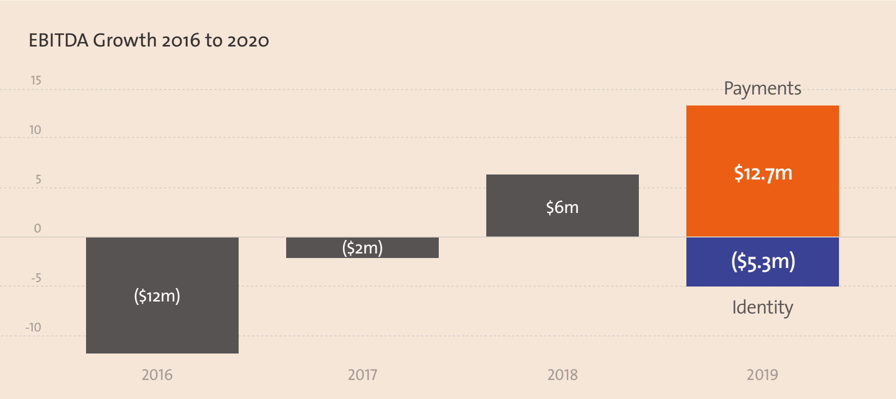
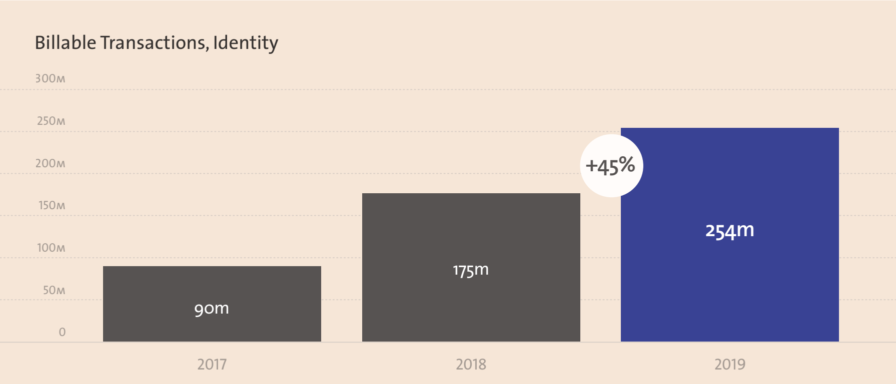
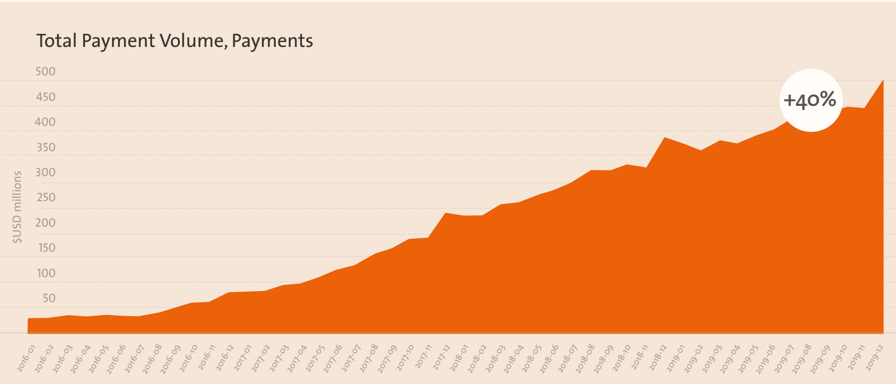
Our customers

Highlights









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Chairman's Statement

2019 has been a year of further progress for Boku.

2019 has been a year of further progress for Boku which resulted in good revenue growth in both Payments and Identity divisions leading to improved group Adjusted EBITDA.

These results have been delivered by the Boku Platform which connects many of the world's largest digital merchants to 190+ mobile network operators. The first application of the Platform was to provide a payment mechanism allowing consumers to buy things and put the charge onto their phone bill. Subsequently, the company has launched other services leveraging the Platform and its connected merchant base and carrier networks.

Payments is the heart of our business. Leading companies like Apple, Netflix, Spotify and Microsoft rely on us to help them to recruit new paying users. Driven by a record number of new carrier connections, payment volumes broke through the $5 billion barrier for the year, 40% up on 2018's figure of $3.6 billion. Monthly Active Users reached 17.8 million in December, another new record.

These figures reinforce our position as the scale player in the sector. Scale is important to platform businesses. Being the largest allows us to simultaneously carry the cost base necessary to serve the world's largest digital companies, whilst also being able to process incremental transactions at negligible cost. This leads to exceptional operating leverage: in 2019, Payments Adjusted EBITDA more than doubled to $12.7 million (excluding the effect of $3.3 million of non-recurring Payment revenue) up from $6.3 million in 2018. A reconciliation from Adjusted EBITDA* to net profit (FY18: loss) after tax is on the face of the income statement.

In January 2019, the company acquired Danal Inc. The strategic objective was to build a global Identity business leveraging Boku's global carrier network. The plan was to build out identity capability during 2019 and beyond and for revenues within the US market to fund this expansion. Unfortunately, mobile network operators in the US have constrained their supply of identity data, including one completely shutting off the service, which led to a performance below initial expectations. Nevertheless, the Identity unit turned in a creditable performance with revenues growing 25% to $6.7 million and Adjusted EBITDA losses reduced.

There have been some changes on the Board throughout the year. Stuart Neal, the CFO who took Boku public in 2017 moved within the company to take up a new position as Chief Business Officer, Identity. His role was filled by Keith Butcher who, was up until that point, a non-executive Director of Boku and Chairman of Boku's Audit Committee. Keith brings a wealth of AIM experience having been CFO for AIM listed payments businesses Datacash plc and Optimal Payments plc (Paysafe). We are very fortunate to have a new Non-Executive Director in Stewart Roberts, formerly CFO at iZettle and a senior executive at Barclaycard and at RBS Worldpay. Richard Hargreaves continues to chair the Remuneration Committee as the Senior Independent Director. I want to thank them all for their service and contribution to the company.

In 2020, the focus of the management is to drive more volume through on the payment side as well as to develop the international side of the Identity business. With exposure to the growth of mobile commerce, the growth of digital and streaming services and connections to the world's leading telecoms operators, Boku is strategically very well positioned. I look forward to another successful year.

Mark Britto
Non-Executive Chairman
25 March 2020

*Adjusted EBITDA: Earnings before interest, tax, depreciation, amortisation, non-recurring payments revenue adjustment, stock option expense, foreign exchange gains/(losses), and exceptional items.

Mobile: You Ain't Seen Nothing Yet.

There are more active SIMs on the planet than there are humans. Smartphone penetration is not far behind, with approximately 4 billion in use worldwide, ranging from the most upmarket expensive iPhones to cheap Android devices.

From its dawn with mainframes, computing moved to the PC age, which in its turn yielded to the march of the mobile device. Computing is no longer the province of governments and big companies, nor middle class families. It's available to everyone. And the computing capabilities of these devices are different to those that have preceded it.

Driven on by the remorseless logic of Moore's law, the computer in your pocket knows where you are, can see through its camera and communicate both locally and over the internet. Although the distribution phase of the mobile computing revolution is nearing completion, the usage phase, the phase in which we figure out what to do with these things, is only just getting started. The phone has already displaced the PC as the most popular way to buy things online, yet purchases from mobiles are still only a fraction of the total opportunity.

There are more active SIMs on the planet than there are humans.

One of the things holding back growth is that the tools that support online business -- in payment, in identity, in fraud management -- have not really been able to keep pace.

The World is Flat and Hedgehogs are Beating Foxes.

In about 650 B.C., the Greek philosopher and poet Archilochus wrote about the Fox and the Hedgehog. He said, "The fox knows many things; the hedgehog one big thing". The business guru, Theodore Levitt, took this analogy and applied it to business: in his account, Foxes are multinational companies operating in many countries around the world, adapting their offering to the local market conditions and working through a series of operating subsidiaries, doing many things. The Hedgehogs are global companies, as far as possible, doing the same thing all around the world, treating the planet as a single marketplace.

Levitt argued that Hedgehogs beat Foxes. National preferences turn out to be mostly illusory and catering for them just adds cost and complexity. As he was writing in 1983, people were drinking Coke, eating at McDonalds, wearing Levi jeans and sleeping on Ikea beds. Global manufacturing uses global supply chains.

As in products, more in services. The world is flat, barriers are being removed. We drink coffee in Starbucks, work in Excel and Powerpoint and use iPhone and Android phones. We communicate using WhatsApp, foregoing the global SMS infrastructure. Netflix appears to be beating the BBC and NBC.

These Hedgehog companies like Spotify, Netflix and WhatsApp win when they compete with Mobile Network Operators ("MNO"), who, in theory should have a lot of natural advantages. MNOs hold a privileged place in the mobile ecosystem. They literally own the (cryptographic) keys to the kingdom, they control the SIM. With it they can provide connectivity and securely identify the user and charge them. They have a billing relationship with all their customers, rich and poor, with more distribution than the banks. They have highly skilled sales forces who can sell hardware and service plans to the public.

> "The fox knows many things; the hedgehog one big thing"

So why have they been displaced? Why is it not the mobile company's music service, messaging or TV service that we consume?

It is because they are Foxes competing with Hedgehogs.

Even when they operate in many countries they do not do so as a global business. Their licences and spectrum are allocated by national governments, the competition law and other regulations that they must follow means that, in practice, global telecoms groups operate a portfolio of national businesses. Two operators in two different countries from the same group may share little other than a brand and the fact that their accounts are consolidated by a holding company. Their pricing, platform and systems will likely be very different.

The wheels of mobile commerce would spin more smoothly if there was a way to access the capabilities of the mobile network operators, masking the complexity and providing a single simple interface. That is the role that Boku plays.

The Boku Platform

Global companies want the efficiency of dealing with global suppliers. Mobile businesses benefit from being able to leverage the capabilities of MNOs. The Boku Platform provides that connection, allowing MNOs to earn revenue from the boom in mobile commerce.

The Boku Platform connects 190 of the world's mobile network operators with the world's largest digital merchants, companies like Apple, Google, Sony, Spotify and Netflix. These companies use our Platform to acquire new paying users that cannot be acquired through other means. Our products now allow payment or registration to take place in as little as a single tap.

But it has not always been that easy. Building the Boku Platform has been a lengthy process. In the beginning, connections were made and information exchanged through Premium SMS messages. They were an imperfect means of payment. Messages didn't get through and transactions failed. Now we have a system with capabilities broadly equivalent to regular payment methods. Connections are not only through an API – a feature known as Direct Carrier Billing or DCB – but also include features like duplicate transaction protection, the ability to offer multiple partial refunds, and daily reconciliation. The scale and quality of our DCB network is unmatched.

> More than $5 billion in value was processed through the Platform in 2019, an increase of more than 40% on 2018

Our Platform is high capacity and performant too. It has processed volumes as high as 400 transactions per second (with room to more than double). Average latency on these transactions is about a tenth of a second. Reliability is assured through an active-active configuration allowing customers to continue to process even in the event of a catastrophic failure of one data centre.

The volumes processed are also material: more than $5 billion in value was processed through the Platform in 2019, an increase of more than 40% on 2018. This value has increased nine-fold since 2016. December 2019 was our highest ever month with more than $500 million going through the system.

Size is Important

This scale is not just about bragging rights: it is because scale is important to our proposition. Despite the fact that volumes have increased so fast, operating expenses have stayed reasonably stable. The incremental cost of processing each new extra transaction is negligible. New revenue falls through to the bottom line.

> We can simultaneously have low unit costs and the cost base that allows us to serve the world's largest customers

Our scale means that we can simultaneously have low unit costs and the cost base that allows us to serve the world's largest customers.

Although our merchants are growing their businesses, helping us, in turn, to grow, most growth has been driven by connecting our merchants to more carriers in our network. We have a considerable way to go. Most of our large merchants have 20 – 30 carrier connections live. Albeit that there's a tendency to connect larger carriers early, there's still a considerable way to go. Saturation is probably somewhere around 150 carriers for each merchant. New connections mean that the carrier's subscribers have the opportunity to pay, an opportunity that gradually is adopted over a two-year period leading to predictable growth in users and processed value.

As well as organic growth from more deployments, we will continue to pursue accretive opportunities to push extra scale through our Platform. More transactions mean more revenue and more revenue means more profit.

Nevertheless, although not immediately in view, there is clearly some kind of limit to the potential revenue that can be generated from carrier billing. In many countries, DCB is limited to digital content, excluding physical goods. DCB operates at a premium to other payment types as Boku is a cheap way of acquiring new users. But our merchants are watchful to ensure that DCB does not simply recruit users who would have paid anyway. In practice, that places a ceiling on our growth at around 15%-20% share of checkout. 15%-20% of the world's digital commerce (estimated at $125 billion) is a fairly respectable Total Available Market (TAM), but the Boku Platform is capable of supporting other products which can expand this further.

Mobile First Markets – Mobile Wallets

Mobile wallets are a phenomenon that has emerged in those countries which skipped the PC age and went straight to mobile. Located mainly in Asia, in these countries it was mostly a few rich people who used payment cards for travel and entertainment. The mass of the emerging middle class didn't have an electronic payment method. As apps like WeChat and Alipay sought to monetise they were essentially compelled to develop a payment method alongside their other functionality.

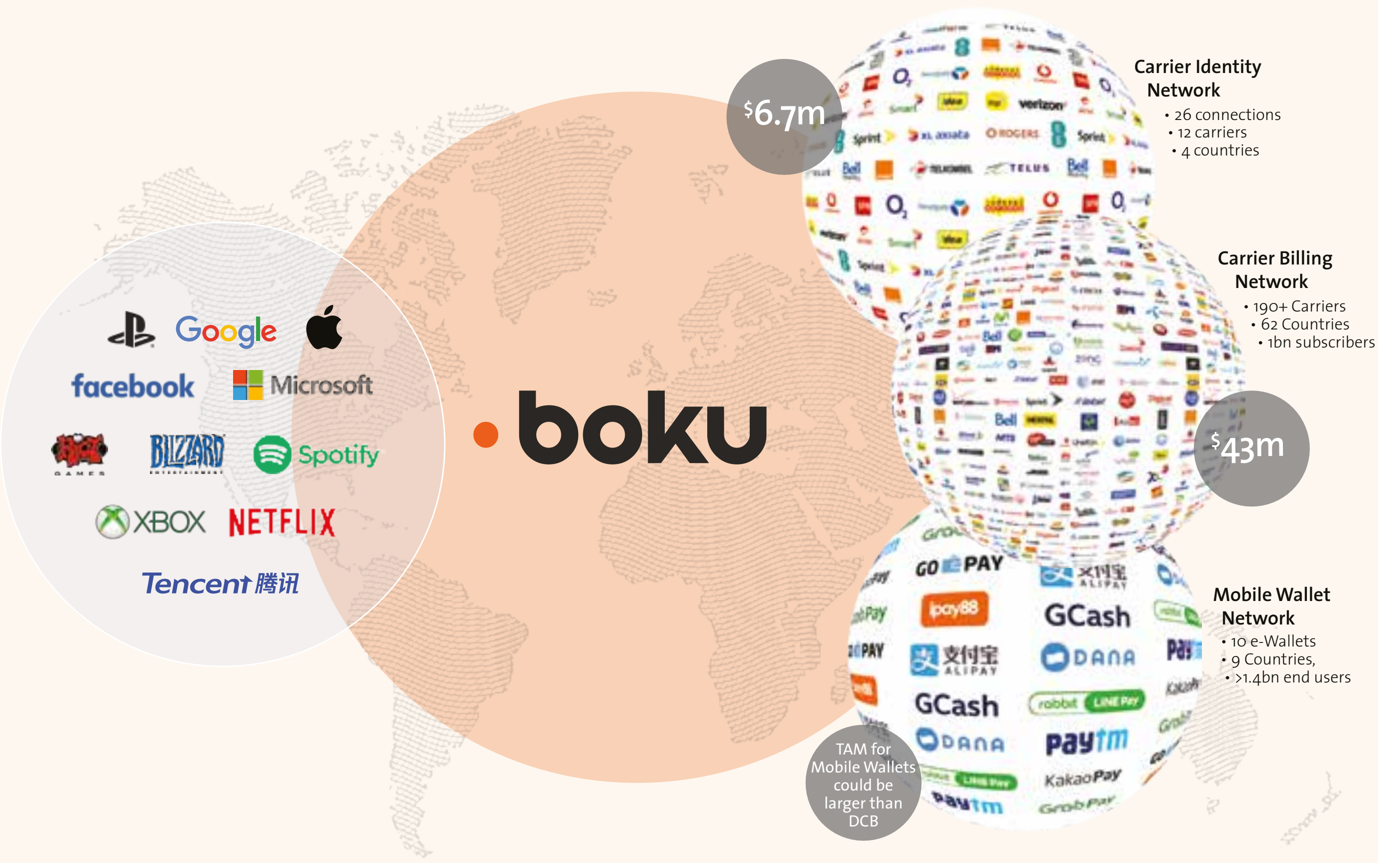
Collectively mobile wallets are now the mainstream payment method in Asia, accounting for more than 50% of electronic payments. Whether it's face-to-face using QR codes or online from within the app, most people in China and other mobile first markets turn to their mobile wallet to pay digitally.

Mobile wallets are a hybrid method of payment. They are priced competitively against cards and are not restricted to digital, being used for all merchant sectors. But they also are domestic and unstandardized and not interoperable. Money is not conveniently remitted to the merchant's home territory in the currency of their choice, but rather settled locally in wallet's local currency. They are Foxes and, like MNOs need to be aggregated for global merchants to be able to use them at scale.

The skills that Boku developed working with MNOs are easily transferable to connecting mobile wallets. And there is a considerable appetite from both wallets to access Boku's existing merchant base and from Boku's merchants to access the customers of the mobile wallets.

We have made good progress in signing up wallets and are hopeful that the extra volumes, processed at marginal extra cost will provide a new pathway for growth with a Total Addressable Market of approximately the same size as DCB.

It's early days, but our success to date in setting up a wallet network including 10 wallets in 9 countries reaching more than 1.4 billion users gives us cause for optimism. New revenues generated through this channel will drop through to Adjusted EBITDA in the same way that the existing carrier billing payment gross profit does.



Who Likes Typing SMS Passcodes?

If mobile wallets are a way for Boku to leverage its merchant network, then our Identity business is a way for us to leverage the carrier network. With new technology come new ways of committing fraud, tools developed in the PC era are not able to address the very real problems experienced by many mobile businesses.

One problem that needs solving is reliably understanding that the person attempting a transaction or to access a system is authorised to do so. The technology being used to address this problem -- as in the early days of Carrier Billing -- is the SMS message. SMS One Time Passcodes (or OTPs) are sent in their billions.

It's the technology that's used because it is the only global solution available. But there's a problem. It's unreliable (with messages sometimes not arriving), inconvenient (typing a six-digit code across is never a fun experience) and, worst of all, insecure. Victims can be induced to hand over the code, Android phones have been infected with malware and, in extreme cases, SIMs can be comprised by identity stealing fraudsters fooling the phone company.

In Payments we use the technology that allows the MNO to know your number without having to ask as a way to deliver a one tap payment, in Identity the same basic technology is used to deliver a no-tap authentication check, reassuring the company that it's in session with the right phone and that its SIM has not been compromised.

It's our vision to deliver these services globally, to global companies. The acquisition of Danal gave us a base in Identity in the US and whilst revenues there have not grown as quickly as anticipated, we've grown the network with new connections made to carriers in India, Indonesia and the UK to supplement those acquired in the USA and Canada. A global silent authentication network cannot be created overnight -- though Boku starts with advantages derived from its payment network -- but the prize for doing so is significant.

Summary

Boku's core business of Direct Carrier Billing is secure, profitable and growing. As the scale player, we will continue to expand through rollout of our existing merchants and through adding further volume to our Platform.

Having positioned ourselves at the intersection of important secular trends – the growth of mobile, the needs of global companies, the growth of digital subscriptions – we are developing our Payments business by supplementing our existing DCB network with a second mobile wallet payment network of equivalent size and in identity services by helping to secure mobile commerce.

Our Platform has the chance to enhance every mobile interaction and to play a meaningful role in the expansion of mobile commerce around the world.

Chief Executive Officer's Report

2019 has been another year of significant growth.

At the Group level, revenues increased by 42% to $50.1 million and Adjusted EBITDA was up by 17% to $7.4 million. This Adjusted EBITDA number excludes $3.3 million of non-recurring Payment revenue relating to a change in the estimate of a transaction price related to a performance obligation satisfied in a prior period. As a non-recurring item we excluded it from our EBITDA presentation to better show the underlying performance of the business. Our Payments division delivered a very solid performance with revenues growing to $43.5 million and Adjusted EBITDA growing by over 100% to $12.7 million (once again, excluding the impact of the $3.3 million non-recurring item). Within our Identity division, which we acquired on 1 January 2019, revenues grew by 26% to stand at $6.7 million and Adjusted EBITDA improved to a $5.3 million loss, down from an unaudited $6.4 million loss in the year prior to Boku acquiring the company.

We have built an incredible asset in the Boku Platform. It has taken 10 years and cost us more than $100 million, and it is very difficult for anyone else to replicate. It now connects 190+ mobile network operators around the world to most of the world's largest digital merchants in app stores, streaming music, streaming video and games. The Platform is extremely reliable and can support high volumes of transactions (volumes have peaked at more than 400 transactions per second) and is capable of supporting many more.

The primary product run through the Platform is Boku's Direct Carrier Billing (DCB) Payments business. Users of this service are many of the world's largest digital companies, including Apple, Sony, Spotify, Netflix, Facebook, Google and Microsoft who come to Boku for a simple reason — we help them to acquire new paying users. Underpinning Boku's products is a key capability that only mobile network operators possess: they know your telephone number without having to ask. With Boku Payments we convert this knowledge into one-tap-to-pay technology, or better yet, one-tap-to-register, removing friction not only from the time of the transaction, but also from the registration process.

This technology helped nearly 18 million people make their very first Boku payment transaction in 2019 — around one and a half million new paying users a month, helping to drive the growth of our customers as more people play games and watch movies on their phones and listen to music on the move.

In December 2019 alone, 17.8 million users bought a product through the Platform — 4.3 million more than in the same period last year — generating more than $500 million in transaction value. Over the course of the whole year more than $5 billion was spent through the Boku Platform, 40% up from last year's figure of $3.6 billion.

We convert this processed value into revenue for Boku by taking a percentage based fee. We operate two models: the settlement model — a full service offering where we provide technical processing services and are involved in the flow of funds, and the transaction model where we only provide the technical connectivity. The former attracts higher fees than the latter which has more volume.

This growth has mostly been driven by connecting our merchants to carriers within our network. Each new connection reaches maturity over a two-year period. Meaning that much of our growth is baked in. A big effort

this year has been to improve network quality, to get more carriers able to support Boku's one-tap-to-register offering, Boku Account. These new connections have been to transaction model merchants at lower margins — in 2020 and beyond these connections can be reused by higher margin settlement model customers.

Growth is underpinned by the growth in popularity of the services that our merchants offer as digital services displace physical products in the music, film and games industries. We also get a boost from cross selling into other divisions of our customers, for example, being used for Office 365 subscriptions by Microsoft as well as Xbox.

2019 has also been a year in which we laid a lot of groundwork for future growth with Mobile Wallets which are a second distinct payment network available to our merchants through their existing Boku connection.

Mobile Wallets have emerged as the mainstream payment mechanism in most mobile first markets. In Asia, for example, companies like Alipay, Wechatpay and Paytm account for 58% of electronic spending and have around 2.5 billion customers. For wallets which have a strong domestic presence, Boku is a valuable partner– as we are connected to an unrivalled portfolio of global digital merchants. By the same token, global merchants value the benefit of using their existing connection to the Boku Platform to provide their users with a new way to pay.

To date, Boku has contracted with 10 wallets in 9 countries reaching approximately 1.4 billion customers. We are now live with three wallets and during 2020 we will activate more, building, in effect, a second payment network connected to the Boku Platform. This can be achieved without significant extra cost. Connecting the Boku Payments Platform to wallets is similar to connecting to carriers and the cost of an incremental transaction is close to zero. Therefore any extra gross margin generated from wallets will largely flow through to Adjusted EBITDA. It's early days for wallets, and 2020 revenues are not expected to be material, but they clearly have significant potential.

While wallets are an example of growth by exploiting the Boku Platform and our existing merchant base, our efforts in Identity are a demonstration of how we can exploit our carrier network to launch new products reaching new customers.

To kick start the Identity business, we bought Danal Inc., for $25.1 million on 1 January 2019. The plan was to strengthen sales in its US domestic market and use the funds generated to help build out a global carrier identity network, building on our existing global carrier billing network.

Progress in the US can best be described as respectable rather than spectacular and certainly less than we would have liked. Volumes of billable transactions were up by 45% to 254 million and revenues increased by 26% to $6.7 million compared to 2018's unaudited figure (the year prior to Boku acquiring the company). We were affected by supply side issues in the US, in particular, the loss of a carrier.

Despite results falling below our expectations, I retain a strong conviction about the Identity business. We didn't buy Danal for it to continue be a US focused company, we have ambitions for it to be global. Building out the supply side through our international carrier network is in progress but takes time.

Our key Identity product offering uses the same core technology as Payments, the fact that the carrier knows your phone number without having to ask. In Identity this manifests as silent authentication — checking your phone number matches the one on file without the user having to do anything. To verify your phone number today, people are put through the ordeal of receiving a 6-digit code by text message. It's not a fun experience. Text messages get lost and transactions don't get completed. Worse, far from being a secure system, the SMS message itself can act as a source of fraud when the genuine user is induced by a fraudster to give away the code.

Demand for a better solution, a silent validation, is strong. Our challenge is to build the supply network internationally. While it was disappointing to make slower progress than we wanted in the US during 2019, the milestones marking progress on this business are about internationalisation, activating more carriers outside the US. In this regard, it is good to be able to report that we have activated new connections in India and Indonesia, but there is still further work for us to do.

Outlook

Boku is a business where much of the growth is built in. A lot of groundwork has been done in 2019 to set us up for success in 2020. Volumes and revenues in one year are, barring accidents, largely the result of efforts made in the previous one. Just such a shock, the Coronavirus, has cast a long shadow over many businesses. Boku however is very well placed: operations are unaffected -- our team is used to working remotely. New implementations are mostly proceeding with, at worst, minor delays. New sales and business development are more difficult without face to face contact, though opportunities are being pursued. As our services are delivered digitally, supply has not been disrupted; on the demand-side, the more people stay at home the more they play games, download apps and use streaming services. We have seen definite evidence of increased volumes in countries with social distancing measures in place.

In Payments, our existing merchants and connections will continue to perform strongly for as long as lockdown measures are in place. There is a strong pipeline of new deployments, especially from higher margin settlement model merchants to be implemented. As yet, our DCB deployment plans have not been materially affected. There is also potential material upside from mobile wallets.

On Identity, our focus in 2020 is continuing to build out our international carrier connections to create a truly global offering. Demand remains strong, including from global customers. Transaction processing on existing customers is continuing unaffected. Identity has a greater dependence on new business to hit full year expectations and so is unlikely to perform as strongly as Payments, with its larger installed base.

We remain confident that Boku is well positioned in difficult times.

Jon Prideaux
Chief Executive Officer
25 March 2020

Chief Financial Officer's Report

Strong growth in Payments Adjusted EBITDA and progress in Identity

2019 was a year of significant change for Boku following the acquisition of US based mobile Identity business Danal Inc on 1 January 2019 for $25.1 million which turned Boku into a two product global business. Danal was renamed Boku Identity and we report on the first full year of our Identity business here for the first time. The Payments division performed well with revenues increasing to $43.5 million which in turn delivered a 100% increase in Adjusted EBITDA of $12.7 million (2018: $6.3 million) demonstrating the operational leverage of our Payments Platform as additional incremental transaction revenues largely drop through to Adjusted EBITDA. The newly acquired Identity division was loss making prior to acquisition and we saw progress in 2019 as revenues grew by 26% to $6.7 million while Adjusted EBITDA losses reduced from $6.4 million to $5.3 million. These losses are expected to further reduce in 2020 and we are aiming to reach monthly breakeven in 2021.

Net Profit after Tax

The Company reported a Net Profit after tax for the year of $0.4 million (2018: $4.3 million loss) and a net loss before tax of $1.3 million (2018: $3.0 million loss).

Group Revenue and Gross Margins

Revenue for the year of $50.1 million was up by 42% on 2018 (2018: $35.3 million) as the Company saw growth in its Payments business and added Danal Inc to form its Identity division on 1 January 2019. Noting that the balance includes a non-recurring Payment revenue of $3.3 million relating to a change in the estimate of a transaction price related to a performance obligation satisfied in a prior period. Payments revenues, including the non-recurring item noted in the previous sentence, were $43.5 million (87% of total revenues) with Identity revenues of $6.7 million (13%). Gross margins on the Payments side improved from 93% to 96% as volumes from our transaction model merchants, which has 100% gross margins, increased. The newly formed Identity business had gross margins of 41% for 2019.

Group Operating Expenditure

Adjusted Operating Expenditure (Operating Expenditure adjusted for depreciation, amortisation, foreign exchange, stock option expense, exceptional items, and restructuring costs) increased to $33.9 million (2018: $26.4 million), mostly driven by the Group's acquisition of Danal Inc in January 2019 which added operating expenditure of $8.0 million in the year (2018 pro forma; $7.4 million). Payments operating expenditure fell slightly to $25.9 million (2018: $26.4 million) as we continued to expand our technology operations in lower costs locations such as India while continuing to invest in our Platform. The Boku Platform is now capable of processing up to 800 transactions per second (TPS) more than double the highest TPS the Platform has ever had to process.

From 1 January 2019 onwards, costs relating to 'Right-of-Use Assets' (operating leases) have been required to be capitalised and depreciated under IFRS 16. This had the effect of reducing the company's adjusted operating expenses and increasing its Adjusted EBITDA in 2019 by $1.9 million

(please refer to Note 2 & 10 of the Financial Statements for details).

Payments division

The Payments division comprises Boku's Direct Carrier Billing ('DCB') business which enables customers of Boku's merchants to charge payments to their phone bills. Boku's Payments division is the sole DCB provider to some of the world's largest digital merchants including Apple, Netflix, Facebook and Sony.

In 2019 revenues grew by 23% to $43.5 million (2018: $35.3 million). Growth comes from existing merchants and carrier connections but also from adding new carrier connections to new and existing merchants and this growth continued in 2019. Revenues included a one-off amount of $3.3 million relating to a change in the estimate of a transaction price related to a performance obligation satisfied in a prior period..

Boku Payments operates two revenue models both based on a percentage of the processed value: the higher margin 'settlement model' — where Boku collects funds from carriers worldwide in multiple currencies before settling to the merchant, and the lower margin 'transaction model' where we only provide the technical connectivity.

Total Payments Volume ('TPV') for the year increased to $5.0 billion in 2019 from $3.6 billion. The majority of growth came from our lower margin/higher volume transaction model merchants. As a result of this mix effect the weighted average take rate reduced to 0.8% in 2019 (2018: 1.0%). Since IPO, Boku has not reduced its rates to any of its merchants nor has it lost a material merchant.

Gross margins for the Payments division improved from 93% to 96% in the year primarily driven by the volume growth of our transaction model merchants where there is no cost of sale (100% gross margin).

Adjusted operating expenditure for the Payments division was slightly lower than 2018 at $25.9 million. Under IFRS 16, leases over one year are now required to be capitalised and depreciated. This reduced operating expenditure and increased Adjusted EBITDA by approximately $1.9 million (Note 10). Adjusted operating expenditure for Payments is expected to increase modestly in 2020.

Identity division

Boku's Identity division was formed at the start of 2019 following the acquisition of Danal Inc on 1 January 2019 for $25.1 million, including $24.1 million of equity and $1 million of cash (see footnote 27).

Identity revenues for the year increased by 25% to $6.7 million (2018 pro forma: $5.5 million). Almost all of this came from the US where the business operates. Gross margin for the year was 41.3%. Identity Cost of Sales is primarily transaction related fees paid to carriers and other data providers.

Adjusted operating expenses were $8.0 million in the year (2018 pro forma: $7.4 million) as we expanded our US salesforce and added additional non-US heads as we move to internationalise our offering.

Adjusted EBITDA for the year for the Identity division was a loss of $5.3 million (2018 pro forma: $6.4 million loss) and is expected to further reduce during 2020.

Acquisition of Danal Inc

Boku completed the acquisition of Danal Inc on 1 January 2019 for a total consideration of $25.1 million. Danal Inc is a US based mobile Identity business. As announced on 6 January 2020 no additional consideration was payable following the performance of Danal Inc during 2019.

Group Operating Results and EBITDA

Adjusted EBITDA increased by 17% to $7.4 million in 2019, from $6.3 million in 2018. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, adjusted for stock option expenses, forex gains/

- **Revenue of $50.1 million up 42%** on 2018 (2018: $35.3 million)
- **Adjusted EBITDA* 17% higher** at $7.4 million (2018: $6.3 million)
- **Reported Net Profit after tax of $0.4 million** compared with Net Loss after tax of $4.3 million for FY 2018
- **Closing cash balances as at 31 December 2019 were $35.6 million** – compared with $32.3 million at 31 December 2018
- **Monthly average cash balances in December 2019 were $22.4 million**, compared with $22.2 in June 2019 and $24.4 million in December 2018
- **Active Payments users in the month of December 2019 of 17.8 million** (up from 13.5 million users in December 2018)
- **Total Payment Volume (TPV) of $5.0 billion** in 2019 compared to $3.6 billion
- **Identity billable transactions up by 45%** to 254 million

*Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, non-recurring payment revenue adjusted for stock option expenses, Forex gains/losses and Exceptional items

Chief Financial Officer's Report

losses and exceptional items. It also excludes $3.3 million of non-recurring Payment revenue so as to show the underlying performance of the business.

Reported Operating Losses for 2019 were reduced at $0.9 million (2018: $2.4 million). This can be broken down as follows:

- Foreign Exchange movements resulted in a small gain of $0.1 million (2018: $0.3 million loss)
- Stock Option Expenses – stock option expenses were $6.8 million in 2019 compared with $4.6 million in 2018. Boku has issued either RSUs or share options to all staff annually. RSU and stock option charges are spread over three and four years respectively from date of grant based on the Black Scholes method and the increase in the 2019 charge over 2018 is as a result of 2019 having costs from both the 2018 and 2019 awards. Of the $6.8 million booked in 2019, $0.2 million was paid out cash (via employers NI), the remainder was non-cash and expensed.
- Exceptional Items were reduced at $0.4 million (2018: $1.1 million). Exceptional Items in 2019 related to the closure of our Italian entity and restructuring costs relating to our Irish entity.
- Net financing expenses were reduced to $0.5 million in 2019 (2018: $0.6 million). These costs relate to Interest on operating leases and bank loans/overdraft.

Balance Sheet and Cashflow

- Closing cash balances increased to $35.6 million (including restricted cash balances of $0.9 million) at the end of 2019 from $27.9 million at 30 June 2019 and $32.3 million at 31 December 2018.
- Monthly average cash balances, which smooth the impact of intra-month flows of both carrier and merchant payments, were $22.4 million in December 2019 from $22.2 million in June 2019. Cash generated from Operations during the year was $8.9 million (2018: $13.5 million).
- The Group's Revolving Credit Facility of £15.0 million with Silicon Valley Bank ('SVB') was terminated on 26 December 2019. It was replaced with an overdraft facility of £5.0 million with SVB. At year end $2.1 million was drawn down on this overdraft facility and this was repaid in full on 9 January 2020.
- As a result of the implementation of IFRS 16 (see note 1) resulted in $4.9 million of right of use assets and corresponding lease liabilities being recognised on 1 January, 2019, with $3.0 million and $3.1 million respectively included on the balance sheet at 31 December 2019.
- Deferred tax assets of $1.4 million were recognised at 31 December, 2019 compared to deferred tax liabilities in 2018. This reflects the expectation that operating losses will be utilized over the next two years primarily in our UK tax jurisdictions.
- From a working capital perspective, Current Assets exceeded Current Liabilities at 31 December 2019 by $7.4 million compared with $4.4 million at the 2018 year end.
- Intangible Assets increased to $46.8 million over the period, up from $22.5 million at December 2018 reflecting the acquisition of Danal Inc on 1 January 2019. This total includes $41.1 million of Goodwill emanating from the acquisition of Danal and other historical acquisitions ($ 23.6 million Goodwill from Danal acquisition – Note 27).

Keith Butcher
Chief Financial Officer
25 March 2020

Principal Risks And Uncertainties

Managing the risk in our business

Effective risk management is critical to achieving the Group's objectives. Boku operates a 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. Our risk management process is a combination of a "top down" approach (driven by the Audit Committee and the Board) and a "bottom up" process (originating from the operations). It is an evolving framework as we continuously seek to improve and enhance our risk management processes.

Responsibility

The risk champion of each department shares their most significant risks after having considered a set of external factors from the various jurisdictions Boku operates, to the internal ways of operating. All risks are then consolidated, shared and reviewed with the Senior Management and the Board who agree on the Principal Risks.

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 executive management team and other managers with key functional responsibilities.

Risk categories

The Group's principal risks can be categorized into "Strategy and Commercial", "Legal and Regulatory", "Operational" or "Financial" risks, as shown in the tables below.

Strategy and Commercial (Description and Impact)	Examples of mitigating activities include:
Loss of major merchant Loss of one or more major merchants of the Group could result in a material loss of revenue and profit for the Group. Two customers of the Group account for more than 15% of group revenues.	Concentration of revenue is a consequence of the digital markets that the Group serves, where winners take disproportionate share. The Group expends considerable resources in ensuring that its key customers are satisfied with the Group's service to them. Additionally, to reduce dependence in the medium-term further lines of business, namely, Boku Identity are being developed so as to lessen dependence on one particular sector.

Legal and Regulatory Risks (Description and Impact)	Examples of mitigating activities include:
Changes to the regulatory environment Changes in the law and regulatory framework which prohibit the provision of services by some of Group's suppliers or customers could have a material adverse effect on the Group. For example, the Group's business could also be adversely affected by: • an increase in "Know-your-customer" regulations aimed at money laundering and affecting small content providers Boku is not materially impacted by Britain's withdrawal from the EU. Our business is growing fastest in Asia and already traded in a Europe of nations pre-Brexit. An immaterial amount of revenue is derived from passporting our e-money licence.	Diversifying the range of services available to all types of customers to mitigate the impact of any single regulatory change Continuing to invest in solutions that improve the Group's ability to manage credit risk and fraud and ensure compliance with regulations. Employing and retaining experienced risk and compliance staff who can monitor any changes and ensure timely compliance. Attending industry events and associations member meetings to stay current with any significant changes relevant to our business. Apply for a Payment Institution licence in an EU country.

Financial Risks (Description and Impact)	Examples of mitigating activities include:
Movements in foreign currency exchange rates The majority of the Group's revenues are derived outside of the USA and therefore, fluctuations in currency exchange rates may adversely affect the reported financial condition of the Group.	The Group uses foreign exchange contracts to manage its exposure to adverse fluctuations in foreign exchange rates.
Failure of carriers to pay the amount due to merchants The company is reliant on third parties, including MNOs and SMS aggregators to pay significant amounts due from them in a timely manner as specified under contract. A large-scale failure to do so would have a material effect on the Group's financial condition or operating results.	Developing strong relationships with MNOs and aggregators. Effective credit control and management of receivables.

Operational Risks (Description and Impact)	Examples of mitigating activities include:
Attracting and retaining the best talent 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.	Developing the skills and capabilities of staff as part of talent management. Creating opportunities within the Group for personal development and career enhancement. Recruiting specialized, experienced staff.
Cyber Security and Data Protection 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.	Ensuring the group has the systems and experienced staff in place to defend against potential cyber security threats. Building resilience within the Platform to mitigate the impact of an attack in the event of a successful penetration Continuous education on and raising awareness of cyber threats and data theft for staff.

Board of Directors

Mark Britto
NON-EXECUTIVE CHAIRMAN

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

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

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

Jon Prideaux
CHIEF EXECUTIVE OFFICER

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

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

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

Keith Butcher
CHIEF FINANCIAL OFFICER

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

Dr Richard Lawrence Hargreaves

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

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.

Senior Management

Mike Cahill

Chief Operating Officer

Mike joined Boku from American Express where he served as VP of Mobile Engineering and where he managed both national and international engineering teams. In that role, Mike was responsible for American Express' app development and company-wide mobile application and mobile payment frameworks, as well as projects ranging from the implementation of Apple Pay to the development of several mobile applications.

Prior to American Express Mike was Boku's VP of Engineering for four years where he led multiple engineering teams in the development of Boku's industry leading mobile payment Platform. He returned to Boku as CTO in 2014 to lead Boku's engineering and technical operations across the globe. Prior to joining Boku, Mike held senior engineering roles at companies including Sepialine, Wakesoft, Autodesk, Buzzsaw.com, and Synon.

Adam Lee

Chief Product Officer

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

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

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

Stuart Neal

Chief Business Officer - Identity

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

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

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

Mark Stannard
CHIEF BUSINESS OFFICER - PAYMENTS

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

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

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

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

Corporate Governance Report

Chairman's Introduction

Dear Shareholder,

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

In September 2018, the board of directors of Boku (the "Board") decided to adopt The QCA Corporate Governance Code (the "QCA Code") as the benchmark for corporate governance of the Company. It is the Board's continuing belief that the QCA Code continues to be the most appropriate governance code for the Company.

Good corporate governance is not a static process. As a result, we have continued to develop existing structures and practices during 2019 and the following report summarises how the QCA Code has been applied.

The Board believes that the company substantially complies with the QCA Code and there are no significant areas where the Company's governance structures and practices differ from the expectations set by it. Any divergence from the QCA Code these is mentioned in this report.

My Board colleagues and I believe that good governance allows our internal processes and controls to operate efficiently and helps mitigate financial and other risks which could otherwise impact the value of the Company. This provides a platform upon which the Company's medium to long-term success can be built.

Mark Britto
Non-executive Chairman
25 March 2020

Statement of Compliance

Application of the QCA Corporate Governance Code

Deliver Growth

	Principle	Application
1	Establish a strategy and business model which promote long-term value for shareholders	At Boku we seek to develop an entrepreneurial and supportive culture across our business so that these values are integral to everything else we do. An explanation of the Company's business model and strategy, including key challenges in their execution (and how those will be addressed) is included on pages 5 to 18.
2	Seek to understand and meet shareholder needs and expectations	A description of the ways in which the Company seeks to engage with shareholders and how successful this has been is set out in the Shareholders section of the Boku Website. The Board engages with shareholders via a variety of channels and activities including the annual general meeting, updates to shareholders via reporting and the, regulatory news services and institutional presentations. In 2019, we held a well attended Capital Markets Day.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Boku's culture is very open and this includes reaching out and seeking feedback and insights from our various stakeholders. The Board has considered the key stakeholder relationships which give its competitive advantage and thereby contribute to the long-term success of the company. These key stakeholders are the skilled people employed by the company and its merchant and carrier relationships. These relationships are regularly monitored by the Board.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board is responsible for identifying the major business risks faced by the group and for determining the appropriate course of action to manage those risks. Our risk management framework and approach to risk is summarised on pages 18 and 19.

Maintain a Dynamic Management Framework

	Principle	Application
5	Maintain the board as a well-functioning, balanced team led by the chair.	The QCA Code requires that boards have an appropriate balance between executive and non-executive directors and that each board should have at least two independent directors. The Board is currently made up of two executive directors and 3 non-executive directors. • The names of the current directors and a note of those who are considered to be independent are set out on page 28. There were six Board meetings held during 2019 and each Director attended all meetings. 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.
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The current directors, their background and experience are described on pages 20 to 23. Collectively, our team has all the necessary skills and experience, to carry out the group's strategy and business model effectively. Richard Hargreaves is the senior independent director and he is available to speak with shareholders concerning the corporate governance of the Company. The Company Secretary, Deepa Kalikiri is responsible for advising the Board on governance matters and ensuring that decisions of the Board in relation to governance matters are implemented. 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.
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	This exercise is expected to be repeated by the Board in Q3 2020. Once it has been undertaken, further information will be set out in the , Corporate Governance report Low scoring or divergent scoring responses will be discussed, and gaps and actions for improvement identified.
8	Promote a corporate culture that is based on ethical values and behaviours	An outline of the corporate culture promoted by the Board is set out in the section of the Company's website headed Core Values.

Corporate Governance Report

Statement of Compliance (continued)

Maintain a Dynamic Management Framework (continued)

	Principle	Application
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Formal board meetings are held every two months to review strategy, management and performance of the group. Additional meetings between those dates are convened as necessary. We have two board committees: the Audit Committee and the Remuneration Committee. The terms of reference of both these committees have been revised to reflect the principles of the QCA Code. The terms of reference can be viewed at www.boku.com. Due to the current size of the Company a Nominations Committee is not considered to be appropriate, any decisions relating to appointments to the Board will be a matter for the consideration to the Board. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. The roles and responsibilities of the 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 pages 28. The principal responsibilities of board members are as set out below Amongst other things the Chairman is responsible for: • Promoting the highest standards of Corporate Governance and ethical leadership • Developing effective working relationships with the Executive Directors • Promoting effective relationships between all board members • Setting the agenda for board meetings and ensuring that sufficient time is devoted to the consideration of agenda items and that each director can express their views on matters • Ensuring that the Board monitors and determines the nature of the significant risks the Company embraces in the implementation of its strategy • Ensuring the Company maintains effective communications with shareholders and other stakeholders and that the Board as a whole is made aware of shareholder and stakeholder issues and concerns. The Chief Executive is responsible for the following matters amongst others: • Developing and implementing strategy following approval by the Board • Reporting on a regular basis to the Board of progress in respect of strategy, Company performance and business matters • Developing the senior management teams and create the appropriate organizational environment to deliver the strategy • Acting as the principal spokesman for the Company The Chief Financial Officer is primarily responsible for the delivery of high quality information to the Board on the financial position of the Company. The non-executive Directors are responsible for providing a challenge to the Executives where required and to make the Board aware of their views on matters before Board decisions are made. They must be able to devote sufficient time to develop their knowledge and skills to be able to make a positive contribution to the Board.

	Principle	Application
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board (continued)	The Board has a schedule of matters reserved for the Board which requires the following key matters to considered and approved by the Board • Strategy and overall management of the Group • Financial reporting and controls • Ensuring a sound system of internal controls • Approval of major capital projects and contractors • Communication with shareholders • Board membership and appointments • The Remuneration Policy • Delegated authorities • Corporate governance matters • Approval of key policies The Board and its committees receive appropriate and timely information before each meeting, a formal agenda is produced for each meeting, and Board and committee papers are distributed several days before meetings take place allowing all Board members to contribute even if they cannot attend. Any director can challenge proposals, and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all directors. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by management. Over the past year, the Board continued to receive departmental 'deep dives' during the Board meetings, which has increased Board exposure to the executive committee and other senior management

Build Trust

	Principle	Application
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Reports on the work of the Board and its committees are set out as follows: • Board: pages 38 • Audit Committee: pages 30 • Remuneration Committee: pages 32 Information about shareholder voting at the 2019 annual general meeting of the Company is set out on Boku's website. The Group's approach to investor and shareholder engagement is described under Principle 2 above. Annual Reports, Annual General Meeting notices, regulatory announcements, trading updates and other governance related materials for 2019 and retrospective years are available from the Group's website.

The Company is subject to the exclusive jurisdiction of the Delaware Courts and the Company's Certificate of Incorporation and Bylaws. As such, the rights of shareholders may differ from the rights of shareholders in a UK incorporated company.

Corporate Governance Report

The Board Composition and Responsibilities

The Board currently consists of a non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer and two non-executive Directors. There is a clear division of responsibilities between the Chairman and the executive officers and the Board considers two of the non-executive directors to be independent of management. The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision-making process.

Following Keith Butcher's change of role from Non-Executive Director to CFO and Stuart Neal's move to become Chief Business Officer, Identity on 1 October 2019, Mr Neal agreed to remain as a member of the Board until a new Non-Executive Director had been appointed. Following the appointment of Stewart Roberts as a Non-Executive Director on 1 January 2020, Mr Neal resigned as a Director. On appointment, Mr Roberts was appointed as Chairman of the Audit Committee and is a member of the Remuneration Committee.

By rotation, Directors are subject to reappointment by a shareholder vote at our Annual General Meeting. Mr Prideaux and Mr Britto are up for re-election at the meeting scheduled for 20 May 2020. 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 Executive.

Board Composition

Executive	**40%**
Non-Executive	**60%**

Board Tenure

0-3 years	40%
3-6 years	40%
Above 6 years	20%

Management Team

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

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

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

Audit committee

The audit committee is chaired by Stewart Roberts and its other members are Richard Hargreaves and Mark Britto, all of whom are non-executive directors. The audit committee meets formally at least twice a year and otherwise as required. It has the responsibility of ensuring that the financial performance of the Company is properly reported and reviewed and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal controls and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, and advising on the appointment of external auditors. A full report of the Audit committee can be found on page 30.

Remuneration committee

The remuneration committee is chaired by Richard Hargreaves and its other members are Mark Britto and Stewart Roberts, all of whom are non-executive directors. The remuneration committee meets at least twice a year and at such other times as required. It has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's chief executive, chairman, and the executive directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors will be a matter for the chairman and executive directors of the Board. No director or manager is allowed to partake in any discussions as to their own remuneration. In addition, the remuneration committee has the responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and succession planning. It also has responsibility for recommending new appointments to the Board. A full report of the Remuneration committee can be found on page 32.

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.

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 to the London Stock Exchange. At the Annual General Meeting all shareholders will have the opportunity to meet and ask questions of the Board of Directors. The next Annual General Meeting is scheduled for 20 May 2020.

The Boku Board is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood.

Audit Committee Report

Committee Chairman Introduction

Dear Shareholders,

I am pleased to introduce the audit committee report for the year ended 31 December 2019. 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 UK, who were appointed as our external auditors for the first time in 2017.

Composition of the committee

The audit committee comprises Stewart Roberts (who serves as chair), Richard Hargreaves and Mark Britto. Mr Roberts joined Boku as the chair of the audit committee on 1 January 2020 replacing Mr Butcher who moved from being a non-executive director to becoming Boku's CFO on 1 October 2019.

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

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

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

The Role and the responsibilities of the committee

The committee's principal responsibilities are to:

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

External Audit

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

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

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

Non-audit services and fees

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

We classify work that the external auditors might be permitted to perform into one of three 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; and
- Other non-audit services (such as taxation compliance support and other assurance-type work) – the scope of any such services and the fees must be pre-approved by the committee.

Internal Audit

Boku does not currently employ an internal audit function - as is typical for a company of Boku's size – however, the need for one will be reviewed by the Audit Committee on a periodic basis.

Boku has a small Risk & Compliance Team whose primary area of focus is to ensure that the company remain compliant with all relevant regulation, most notably the FSA 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.

Audit and other fees

	2019 $	2018 $
Audit services - core	**$198,500**	$171,750
Audit services - specific to FY19 year end	**$50,000**	-
Audit - related services	**$25,000**	$3,000
Sub-Total: audit and audit related fees	**$ 273,500**	$ 174,750
Other assurance services	**-**	-
Services related to taxation	**-**	-
Sub-Total: fees other assurance and services related to taxation fees	**-**	**-**
Total	**$273,500**	**$174,750**

Key activities in the year ended 31 December 2019

The committee reviewed the Group Transfer Pricing (TP) study performed by KPMG with a focus on reviewing and refreshing the existing TP arrangements and ensure that the new OECD Transfer pricing guidance is considered.

Reviewed the Purchase Price Acquisition paper done by KPMG for the acquisition of Danal.

As part of the tax compliance a "Section 382 analysis" for the Identity business (ex-Danal Inc) was also performed after the acquisition in order to assess the company's ability to utilize carried forward losses going forward following the acquisition of Danal. This work was performed by Altum Partners, which are the dedicated US tax advisors for the Group.

Reviewed the key business risk of the company (Please refer to page 18 for a more detailed review of company's principal Risk and Uncertainties.

Reviewed the IFRS paper IFRS 16 and the Impairment review paper produced by management.

Looking ahead

The company implemented a new accounting system during 2020 which will improve working practices and provide opportunities to cross-train the Finance team across multiple geographies on one set of systems and processes.

A new accounting standard, IFRS 16 Leases, has been adopted as at 1 January 2019. IFRS 16 had a material effect on Boku's reported numbers. Please refer to Note 2 (Leases) of the financial statements for details.

Stewart Roberts
AUDIT COMMITTEE CHAIRMAN
25 MARCH 2020

Remuneration Committee Report

Chairman's Introduction

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the 2019 financial year. This letter introduces the report,outlines the major decisions on Directors' remuneration during the year and explains the context in which these decisions have been taken.

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

This report sets out the remuneration policy and the detailed remuneration for both the Executive and Non-Executive Directors of the Company for the period to 31 December 2019. The information provided fulfils the requirements of AIM Rule 19. Boku, Inc, being US incorporated is not required to comply with the UK's Companies Act Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The information is unaudited.

Remuneration policy

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

The four main elements of the remuneration package are basic salary, benefits, annual performance related bonuses and long-term share incentives. The policy in each area is detailed in this report.

Performance and decisions on remuneration taken

The Company performed well in its second full financial year as an AIM listed company and continues to grow fast. However, although the financial performance was in line with market expectations, it was below the Company's more demanding targets for both revenues and Adjusted EBITDA (if we exclude the one-off provision release of $3.3 million).

Bonuses for 2019 were paid to the two executive directors as detailed on page 35. Awards were made to all employees under the company's Equity Plan in January 2019 and comprised time based restricted stock units.

During the year, the company made long term incentive awards to executives and other employees in the form of performance restricted stock units. These stock units have vesting rules which are detailed on page 33. Awards of performance stock units were made to Jon Prideaux, Keith Butcher, Stuart Neal, Adam Lee, Mark Stannard and Mike Cahill and various other key employees. These awards vest after three years subject to an Adjusted EBITDA per share performance condition.

Decisions for 2020

Annual bonuses for 2020 will operate in a very similar way to 2019, reflecting the core objectives of revenue and Adjusted EBITDA growth and personal contribution.

The Committee sees long term incentives as an important part of executive remuneration. It intends to make awards to executives during the first half of 2020.

I hope that you find the report helpful and informative.

Richard Hargreaves
REMUNERATION COMMITTEE CHAIRMAN
25 MARCH 2020

Composition of Committee

The Committee members are Richard Hargreaves (Chairman), Mark Britto and Stewart Roberts. 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 are sought in respect of awards to the other Executive Director and Executive Team members.

Remuneration policy

The Committee's overall approach is focused on ensuring the company's remuneration policy is aligned with shareholders' interests whilst also enabling the company to attract, retain and motivate high quality executive management. The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies.

Base Salary

Base salary for each Executive Director is reviewed annually by the Committee, taking account of the Director's performance, experience and responsibilities. Changes in 2020 will be effective from 1 February 2020 (2019: 1 February). The Committee takes salary levels paid by companies of a similar size and nature into account but also considers wider economic factors and the performance of the Group as a whole.

Annual bonus

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

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

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

Long term incentives

During 2019, the company made long term incentive awards to executives and other employees in the form of performance-based restricted stock units. In general, restricted stock units vest and convert into common shares on the vesting date. Details of awards currently held by directors are set out later in this report.

The Committee sees long term incentives as an important part of the remuneration of executives, to align them with shareholders and reward them for strong performance. The Committee intends to make awards to executives during the first half of 2020, and on an annual basis thereafter, and is currently considering the level of such awards. Awards to executive directors and key employees will have a minimum normal vesting period of three years and earnings per share and individual performance conditions. Executives only receive awards with performance conditions.

Pension provision

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

Benefits

The Company provides the option for employees to participate in a private healthcare plan. Mr Prideaux participated for the entire year and Mr. Butcher did not participate in 2019.

Remuneration of non-executive directors

The fees paid to the non-executive directors are determined by the Board. They receive an annual fee and additional fees for chairing board committees. Non-executive directors are not entitled to receive any bonus or other benefits. Non-executive directors are entitled to reasonable expenses incurred in the performance of their duties. They were granted RSUs in 2018 and 2019.

Remuneration Report

Service Contracts

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

Executive Directors	Date of contract	Notice period (months)
Jonathan Prideaux	1 May 2012	3
Keith Butcher (appointed 1 October 2019)[1]	1 October 2019	3
Stuart Neal (resigned 1 January 2020)[2]	25 May 2017	3
Non-executive Directors		
Mark Britto	30 August 2017	2
Richard Hargreaves	8 August 2017	2
Keith Butcher (resigned 1 October 2019)	25 July 2017	2
Stewart Roberts[3]	1 January 2020	2

1. Mr Butcher's Appointment as CFO became effective on 1 October 2019.
2. Mr Neal resigned as CFO on 1 October 2019 and as an Executive Director on 1 January 2020, but remains employed by the Group as its Chief Business Officer, Identity.
3. Mr Roberts' appointment became effective 1 January 2020.

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 at the Annual General Meeting. Mr Britto and Mr. Prideaux are up for election at the 2020 Annual General Meeting.

Annual Report on Remuneration

The following sections show how remuneration was managed during 2019.

Salaries

Salaries for Executive Directors at the year ended 31 December 2019 were as follows:

Jonathan Prideaux	Chief Executive Officer	£227,700
Stuart Neal (resigned 1 January 2020)[1]	Chief Finance Officer	£181,125
Keith Butcher (appointed 1 October 2019)	Chief Finance Officer	£175,000

1. Mr Neal resigned as CFO on 1 October 2019 and as an Executive Director on 1 January 2020, but remains employed by the Group as its Chief Business Officer, Identity.

Fees of non-executive directors

Fees for Non-Executive Directors at the year ended 31 December 2019 were as follows:

Name	Role	Committee Chairman	Base Fee	Committee Chairman Fee
Mark Britto	Chairman	Nomination	$60,000	
Richard Hargreaves	Non-Executive Director	Remuneration	£30,000	£5,000
Keith Butcher	Non-Executive Director	Resigned 1 October 2019	£30,000	£5,000

Bonus

The annual bonus targets for 2019 were based on growth in revenue, Adjusted EBITDA and personal performance. The maximum awardable to Mr Prideaux was £79,695 (35% of salary) for achieving targets, with a maximum further amount of £79,695 (35% of salary) payable for over performance.

On-target bonus was originally set at £63,394 (35% of salary) for Mr Neal, with a maximum further amount of £63,394 (35% of salary) payable for over performance.

Mr Keith Butcher joined Boku as the CFO on the 1 October 2019 and his bonus has been prorated accordingly. As a result, his maximum on-target bonus was set at £15,313 (35% of three months' salary) with a maximum further amount of £15,313 (35% of salary) payable for over performance. In 2019 revenue was below company's targets but Adjusted EBITDA once the $3.3 million non recurring item was taken into account, exceeded the company's targets for the year by 19%. At the half year on target bonuses were paid to the Executive Directors. Total bonuses in respect of 2019 will be paid to Mr Prideaux and Mr Neal and Mr Butcher of £73,417 (2018: £122,665), £57,770 (2018: £97,574) and £19,339 (2018: Nil) respectively.

Remuneration Report

Summary of Directors' Total Remuneration (audited)

Executive Directors	Salary £	Annual Bonus £	Performance Bonus £	Pension £	Benefits £	Total 2019 £	Total 2019 $	Total 2018 £	Total 2018 $
Jonathan Prideaux	227,205	52,716	20,071	-	1,768	301,780	385,399	343,352	458,588
Keith Butcher	43,750	11,626	7,713	439		63,528	81,136	-	-
Stuart Neal	180,615	41,813	15,966	1,558	1,043	240,995	307,791	274,693	366,859

Non-Executive Directors	Fees 2019 £	Fees 2019 $	Fees 2018 £	Fees 2018 $
Mark Britto	46,979	60,000	44,923	60,000
Richard Hargreaves	35,000	44,701	35,000	46,847
Keith Butcher	30,000	38,315	33,333	44,520

Equity Plan and Long-Term Incentive Plan

During 2019 the Company granted 1,909,766 performance-based restricted stock units ("PRSUs") and 3,229,379 restricted stock units ("RSUs") over common shares to Executive Directors, other executives, employees and Non-Executive Directors, under the Company's 2017 Equity Incentive Plan. An additional 276,344 RSUs were issued to ex-Danal employees in exchange for their shareholding in Danal and 1,478,967 Earn-out RSUs were issued to employees and executives of former Danal Inc.

The PRSUs granted to the executives and Executive Directors will vest over Common Shares three years from the award date, in one event, subject to the meeting of an adjusted EBITDA per share performance target for the year ending 31 December 2022.

Boku also granted RSUs to the Non-Executive Directors of the Company to support retention and align the interests of these directors with those of the Company's shareholders. The RSUs granted to the Non-Executive Directors will vest on 20 November 2020, subject to certain conditions.

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

Market value options

	Date of grant	Number	Exercise price	Initial vesting date	Final vesting date	Lapsing date
Jonathan Prideaux	28 Oct 2016	200,000	USD $0.28	12 Dec 2012	12 Dec 2016	23 Dec 2023
Jonathan Prideaux	28 Oct 2016	1,500,000	USD $0.28	23 Apr 2014	23 Apr 2018	22 Apr 2024
Jonathan Prideaux	28 Oct 2016	750,000	USD $0.28	23 Sep 2016	23 Sep 2020	27 Oct 2026
Jonathan Prideaux	13 Oct 2017	2,000,000	USD $0.37	20 Nov 2018	20 Nov 2018	12 Oct 2027
Stuart Neal	26 July 2017	500,000	USD $0.37	19 Jun 2017	19 Jun 2021	25 Jul 2027
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	1,209,697	USD $0.28	28 Jan 2010	28 Dec 2013	15 Mar 2020
Mark Britto	28 Oct 2016	842,760	USD $0.28	28 Jan 2010	28 Jan 2014	15 Mar 2020
Mark Britto	28 Oct 2016	500,000	USD $0.28	23 Sep 2016	23 Sep 2020	27 Oct 2026

Jon Prideaux is obliged to exercise a portion of his options and sell some of the resultant common shares in order to repay the promissory note of US$793,000 issued to him on 24 December 2013 in connection with the issue of 1,150,000 common shares to him prior to its expiry on 3 December 2023.

Restricted Stock Units

	Date of Issue	Number of RSUs	Initial Vesting Date	Final Vesting Date	Lapsing Date
Jonanthan Prideaux	15 Feb 2019	300,000	01 Apr 2022	01 Apr 2022	15 Feb 2024
	25 Jul 2018	350,000	01 Apr 2021	01 Apr 2021	04 Sep 2023
Mark Britto	10 Sep 2019	89,968	20 Nov 2020	20 Nov 2020	10 Sep 2024
	04 Sep 2018	51,399	20 Nov 2020	20 Nov 2020	03 Sep 2028
Stuart Neal	15 Feb 2019	250,000	01 Apr 2022	01 Apr 2022	15 Feb 2024
	25 Jul 2018	400,000	01 Apr 2021	01 Apr 2021	04 Sep 2023
Keith Butcher	04 Sep 2018	38,462	20 Nov 2020	20 Nov 2020	03 Sep 2028
	10 Sep 2019	64,814	20 Nov 2020	20 Nov 2020	10 Sep 2024
	25 Sep 2019	200,000	01 Apr 2021	01 Apr 2024	25 Sep 2024
Richard Hargreaves	04 Sep 2018	38,462	20 Nov 2020	30 Dec 2020	03 Sep 2028
	10 Sep 2019	64,814	20 Nov 2020	20 Nov 2020	10 Sep 2024

Directors' interests in shares

The interests of the Directors as at 31 December 2019 in the shares of the company were:

Name	Number of Common Shares	Percentage of share capital
Mark Britto	9,024,115	3.58%
Jonathan Prideaux	2,593,924	1.03%
Stuart Neal	353,514	0.14%
Richard Hargreaves	1,556,804	0.62%
Keith Butcher	150,474	0.06

1. Jon Prideaux's interests include 16,949 shares held by his spouse and 1,694 shares held by his family member.
2. Richard Hargreaves's interest include 213,342 shares held by his family members.
3. Stuart Neal was a director until 1 January 2020.

Directors remuneration for the year commencing 1 February 2020

Executive Director salary levels as at 1 February 2020 were as follows:

Jon Prideaux	£234,531
Keith Butcher	£175,000

The salary of the CEO, Jon Prideaux, was increased from £220,000 to £227,700 from 1 February 2019 and to £234,531 from 1 February 2020. The salary of the CFO, Keith Butcher, will increase from £175,000 on 1 October 2019 to £186,559 effective from 1 August 2020.

Non-executive director fees will remain unchanged.

Annual bonus for the year commencing 1 January 2020 will be operated within the policy disclosed in this report. Bonus is paid based on the achievement of revenue, Adjusted EBITDA and individual performance targets. 35% of salary will be paid for on-target performance with amounts above this paid for exceeding targets. Maximum bonus is capped at 70% of salary.

Directors' Report

The directors present their report and the audited financial statements for Boku Inc. for the year ended 31 December 2019.

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

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 5 to 19.

Directors

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

1. Mark Britto
2. Jon Prideaux
3. Stuart Neal (resigned 1 January 2020)
4. Richard Hargraves
5. Keith Butcher (appointed as CFO as 1 October 2019)
6. Stewart Roberts (appointed 1 January 2020)

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

The Remuneration and Audit Committee reports can be found of pages 32 and 30 respectively.

Directors' interests

Directors' share options and interests in shares can be found in the remuneration report on page 32.

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.

Dividends

The Directors do not recommend a final ordinary dividend for the period (2018: £nil).

Post Balance Sheet Events

There were no post balance sheet events.

Financial Risk management

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

Internal Control

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

Such processes, which are regularly reviewed and improved as necessary, include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, ensuring proper accounting records are maintained, the appointment of senior management and the setting of high standards for health, safety and environmental performance. The effectiveness of the internal control system and procedures is monitored regularly through a combination of review by management, the results of which are reported to and considered

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2019:

Shareholder	Percent
Build Lux Holdco Sarl (Luxembourg)	6.15%
Boku Inc Directors and Related Parties (London)	5.48%
NewView Capital (San Mateo)	5.44%
Danal Co. Ltd (Hwaseong)	5.28%
Danske Capital Mgt (Copenhagen)	5.17%
Benchmark Capital Partners VI (California)	3.79%
DAG Ventures (Palo Alto)	3.53%
River & Mercantile Asset Mgt (London)	3.50%
Swedbank Robur (Stockholm)	3.46%
Schroder Investment Mgt (London)	3.37%
Jupiter Asset Mgt (London)	3.13%

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 unauthorized 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 Directors, having made appropriate enquiries, consider that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Other Matter – COVID 19

The directors are continuing to monitor the effects of the outbreak of COVID-19 on the group and have the ability to implement plans related to maintaining effective business continuity, to ensure there is no material impact in the company's operations and working capital.

Purchase of own shares

The Group does not hold any shares in treasury.

Statement of Disclosure to the Auditors

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

Auditors appointment

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

Directors Responsibility 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, United States, which does not require the Directors to prepare financial statements for each financial year, however the group is required to do so to satisfy the requirements of the AIM Rules for Companies. When preparing the financial statements, the Directors are required to prepare the group financial statements in accordance with an appropriate set of generally accepted accounting principles or practice. The Directors have elected to use International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) ('IFRS').

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

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

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

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

By order of the Board

Jon Prideaux
Chief Executive Officer
25 March 2020

Independent Auditor's Report

to the members of Boku Inc.

Opinion

We have audited the financial statements of Boku, Inc. (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December, 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December, 2019 and of the its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board.

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 are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be $462,000 (FY18: $346,000) which represents 0.9% (FY18: 1%) of Group revenue. Revenue was determined to be the most appropriate benchmark as the basis for materiality given the growth strategy of the Company and revenue being the key performance indicator in measuring performance against that strategy.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at $346,500 (FY18: $259,500) which represents 75% (FY18: 75%) of the above materiality levels.

Component materiality was determined for individual components at amounts that ranged from $32,000 to $266,000.

Independent Auditor's Report (continued)

Revenue recognition

Key audit matter

The Group's revenue is earned primarily from services earned on mobile payment transactions, integration fees and identity verification. Details of the group's revenue streams and accounting policies applied during the period are given in note 2 on page 58.

The key audit matters related to revenue recognition are as follows:

1) The risk of material misstatement in relation to revenue recognition concerns the recognition of accrued revenue around year end, specifically related to settlement revenue for which the gross receipts from mobile network operators ('MNO's') and the associated gross payables to merchants are accrued at year end. These amounts are material and subject to a higher potential for management bias.

2) For the Identity verification ('identification') revenues, ensuring the appropriate application of IFRS 15 has been applied. This is due to this being a new revenue stream in the year following the acquisition of Danal, Inc. on 1 January, 2019.

Last year there was a Key Audit Matter in respect of recognition of revenue in line with a new accounting standard, in particular the appropriate application of principal versus agent considerations. This was not considered a Key Audit Matter this year due to it not being the year of implementation.

How the key audit matter was addressed in our audit

With regards to the risk of material misstatement related to accrued revenue around year end, we selected a sample of carriers included in accrued revenue and performed the following substantive audit procedures:

- Obtained and tested management's reconciliation of accrued revenue to the underlying transaction systems, ensuring that the amounts recorded agreed with and are supported by the existence of transactions
- Recomputed the accrued revenue based on the contractual terms with the carrier
- Obtained the post-year end carrier statement and agreed the amounts recorded to the amounts subsequently received and paid

With regards to the appropriate application of IFRS 15 to the new Identification revenues, we:

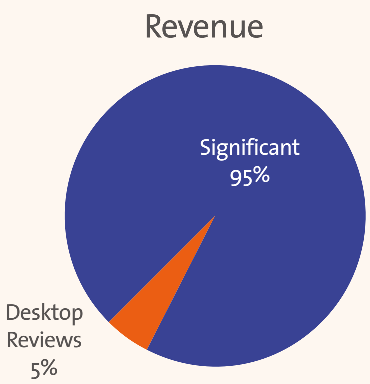
- Obtained management's evaluation of the application of IFRS 15 to ensure the analysis performed considered the nature of the arrangements with customers and that the conclusions reached were consistent with the standard
- Obtained a selection of contracts to independently evaluate the performance obligations, the transaction price and how that is allocated and recognised
- Selected a sample of amounts recorded in revenue and ensured services provided were consistent with the performance obligations in the contract and that amounts recognised had been correctly computed.

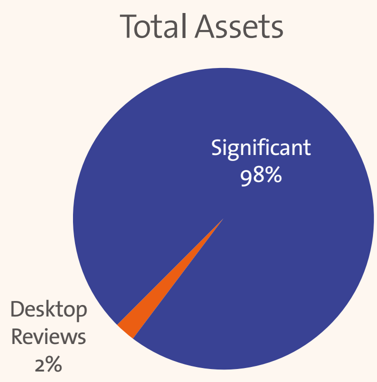
Key observations

Based on the procedures performed, we noted no material instances of management bias associated with accrued revenue. Based on the work performed we consider that revenue has been recognised appropriately and in accordance with the group's revenue recognition accounting policy.

Fair values determined in relation to the Danal, Inc. acquisition	
Key audit matter	See accounting policy in note 2, the intangibles assets note (note 11) and the business combinations note (note 27). The acquisition of Danal, Inc. (now known as Boku Identity), the details of which are provided in note 27, was completed on 1 January, 2019. There are risks present as a result of management's requirement to make significant judgements in assessing the fair values of consideration and of the assets and liabilities acquired. Management engaged external valuations expert to undertake the purchase price allocation exercise required. The inherent complexity of the judgements involved in assessing the fair values have led us to assess this as a key audit matter.
How the key audit matter was addressed in our audit	We obtained the valuation report from management's experts and performed the following substantive audit procedures: • We assessed the competency, qualifications, independence and objectivity of the experts engaged by management and reviewed the terms of their engagement to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them. • Involved valuation specialists to challenge the assumptions underpinning the significant judgements and estimates provided by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid. These assumptions included revenue and profit forecasts, discount rates, growth rates and customer attrition rates. • Tested that the valuation methodologies used for each type of asset were appropriate and consistent with market practice. • Reviewed underlying cash flow projections and compared against post-year end outturn, to ascertain the reasonableness of management process for preparing projections. • Considered the appropriateness of discount rates applied and the long term growth rates against market data. Further, we evaluated the disclosures provided in the financial statements and checked that these are consistent with the terms of the acquisition and amounts disclosed accurately reflect the value of the assets acquired. Key observations Based on the procedures performed, we noted no instances of material misstatements in the fair values determined in relation to the acquisition of Danal, Inc.

Independent Auditor's Report (continued)





We agreed with the audit committee that we would report to them individual audit differences identified during our audit above $23,100 (FY18:17,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results of the Group's subsidiaries. We determined the significant components to be those located in Germany, U.K and U.S.

The significant components in the UK and the US were audited by the group audit team, as the group's finance team and information for these territories are based within the UK. However, we instructed our network member firm in Germany to perform a full scope audit of financial information of the significant component accounted for in this territory, and determined appropriately scoped risks and agreed responses to those risks with this component audit team. We took an active part in reviewing the work, this was performed remotely but with the component auditor in attendance. This, together with the additional procedures performed at Group level over the consolidation process gave us the evidence we needed for our opinion on the financial statements as a whole.

For components of the group not considered to be significant components we performed limited audit procedures.

Under this approach full scope audit procedures covered 95% of group revenue and 98 % of group assets.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our Report

This report is made solely to the Parent Company's members, as a body, in accordance the terms of our engagement letter dated 29 October, 2019. 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.

Iain Henderson
For and on behalf of BDO LLP,
Chartered Accountants
London, United Kingdom
25 March 2020

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

Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 December 2019 $'000**	Year ended 31 December 2018 $'000
Revenue*	4	**50,148**	35,275
Cost of sales		**(5,563)**	(2,512)
Gross profit		**44,585**	32,763
Administrative expenses	5	**(45,469)**	(35,179)
Operating loss analysed as:			
Adjusted EBITDA**		**7,403**	6,324
Payments Revenue adjustment (non-recurring)	4	**3,255**	-
Depreciation and amortisation		**(4,461)**	(2,794)
Stock Option expense	20	**(6,771)**	(4,593)
Foreign exchange gains/(losses)		**107**	(279)
Exceptional items (included in administrative expenses)	5	**(417)**	(1,074)
Operating loss		**(884)**	(2,416)
Finance income	7	**56**	53
Finance expense	7	**(468)**	(631)
Loss before tax		**(1,296)**	(2,994)
Tax credit /(expense)	8	**1,651**	(1,339)
Net profit/(loss) for the period attributable to equity holders of the parent company		**355**	(4,333)
Other comprehensive income/(losses) net of tax			
Items that will or may be reclassified to profit or loss			
Foreign currency translation (loss)/gain		**(160)**	(938)
Net increase/(decrease) in fair value of cash flow hedge derivatives	15	**(3)**	27
Total comprehensive (loss) for the period		**(163)**	(911)
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent company		**192**	(5,244)
Profit/(Loss) per share attributable to the owners of the parent during the year			
Basic and fully diluted ($)	9	**0.001**	(0.02)

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

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

Consolidated Statement of Financial Position

	Note	31 December 2019 $'000	31 December 2018 $'000
Non-current assets			
Property, plant and equipment	10	**3,512**	286
Intangible assets	11	**46,819**	22,466
Deferred income tax assets	8	**1,826**	254
Total non-current assets		**52,157**	23,006
Current assets			
Trade and other receivables	13	**53,592**	51,658
Derivative financial instrument	15	**-**	3
Cash and cash equivalents	14	**34,747**	31,073
Restricted cash	14	**876**	1,251
Total current assets		**89,215**	83,985
Total assets		**141,372**	106,991
Current liabilities			
Trade and other payables	16	**77,995**	77,374
Bank loans and overdrafts	17	**2,098**	2,193
Lease liabilities	17	**1,723**	-
Total current liabilities		**81,816**	79,567
Non-current liabilities			
Other payables	16	**791**	107
Deferred tax liabilities	8	**449**	671
Lease liabilities	17	**1,358**	-
Total non-current liabilities		**2,598**	778
Total liabilities		**84,414**	80,345
Net assets		**56,958**	26,646
Equity attributable to equity holders of the company			
Share capital	18	**25**	22
Share premium		**208,196**	178,079
Cash flow hedging reserve	15	**-**	3
Foreign exchange reserve		**(2,027)**	(1,867)
Retained losses		**(149,236)**	(149,591)
Total equity		**56,958**	26,646

The financial statements were approved by the Board for issue on 25 March 2020

Jon Prideaux
Chief Executive Officer

Keith Butcher
Chief Financial Officer

Consolidated Statement of Changes In Equity

	Share capital $'000	Share premium $'000	Cash flow hedging reserve $'000	Foreign exchange reserve $'000	Retained losses $'000	Total $'000
Equity as at 1 January 2018	21	174,220	(24)	(928)	(145,258)	28,031
Loss for the year	-	-	-	-	(4,333)	(4,333)
Other comprehensive income/(losses)	-	-	27	(939)	-	(912)
Issue of share capital upon exercise of 9,710,341 stock options	1	510	-	-	-	511
Share-based payment[1]	-	3,349	-	-	-	3,349
Equity as at 31 December 2018	22	178,079	3	(1,867)	(149,591)	26,646
Profit for the year	-	-	-	-	355	355
Other comprehensive income/(losses)	-	-	(3)	(160)	-	(163)
Issue of share capital upon exercise of 4,750,898 stock options and RSUs		571	-	-	-	571
Share-based payment1	-	5,472	-	-	-	5,472
Shares issued to Danal Inc shareholders	3	21,532	-	-	-	21,535
Other Reserves[2]		2,542	-	-	-	2,542
Equity as at 31 December 2019	**25**	**208,196**	**-**	**(2,027)**	**(149,236)**	**56,958**

1 Share based expense has been credited against share premium in accordance with the local company law and practice in US.
Employer taxes paid on the exercise of shares as well as the accrual for employer taxes has been recorded in the retained losses reserve.

2 Other reserves includes the warrants and held-back shares related to the acquisition of Danal, Inc. (see note 27).

Consolidated Statement of Cash Flows

	Note	**Year ended 31 December 2019 $'000**	Year ended 31 December 2018 $'000
Cash generated from operations	22	**9,051**	13,742
Income taxes paid		**(131)**	(248)
Net cash from operating activities		**8,920**	13,494
Investing activities			
Purchase of property, plant and equipment		**(477)**	(91)
Purchase of internally developed software		**(1,575)**	(238)
Restricted cash		**375**	188
Investment in subsidiary, net of cash acquired	27	**(742)**	(164)
Interest received		**56**	53
Net cash used in investing activities		**(2,363)**	(252)
Financing activities			
Payment of principal to lease creditors		**(1,868)**	(82)
Payment of interest to lease creditors		**(288)**	-
Issue of common stock		**571**	510
Interest paid - borrowings		**(180)**	(631)
Proceeds from bank overdraft		**2,098**	-
Repayment of line of credit		**(2,150)**	(250)
Net cash used in financing activities		**(1,817)**	(453)
Net increase in cash and cash equivalents		**4,740**	12,789
Effect of foreign currency translation on cash and cash equivalent		**(1,066)**	(457)
Cash and cash equivalents at beginning of period		**31,073**	18,741
Cash and cash equivalents at end of period		**34,747**	31,073

Notes to the Consolidated Financial Statements

1. Corporate Information

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

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

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

2. Accounting policies

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

Basis of preparation

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

The Consolidated financial statements have been prepared on a going concern basis under the historical cost convention. 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 II, "Critical accounting estimates, assumptions and judgements".

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

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

Going concern

The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of approval of these financial statements.

The forecast contains certain assumptions about the performance of the business including growth in future revenue, the cost model and margins, and importantly the level of cash recovery from trading. Boku has been operationally cash generative during 2018 and 2019, which provided further working capital to cover all operating activities.

The Directors are aware of the risks and uncertainties facing the business, but the assumptions used are the Directors' best estimate of the future development of the business.

After considering the forecasts and the risks, 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 in preparing the financial information.

Basis of consolidation

Where the Group company has control over an investee, it is classified as a subsidiary. The Group 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 Group company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

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

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the 12 months ended 31 December 2019, with the exception of the following standards, amendments to, or interpretations of published standards that are now effective and have been adopted during the period:

- **IFRS 16 Leases**

Policy applicable from 1 January 2019

The Group elected to implement IFRS 16 using the modified retrospective method when the standard was first adopted in its financial statements for the year ended 31 December 2019. Therefore, there is no impact on any comparative accounting periods up to and including 31 December 2018, with any leases recognised on balance sheet on the date of initial application of IFRS 16 (1 January 2019). In applying the modified retrospective approach, the Group has further decided to measure the right of use assets by reference to the amount at which lease liabilities are measured on 1 January 2019.

The modified retrospective approach, recognises the right-of-use asset at the date of initial application (1 January 2019) at an amount equal to the lease liability, using the applicable incremental borrowing rate.

The lease liability is calculated based on the remaining payments, and then sets the right-of-use asset as an amount equal to that figure (adjusted for any accrued or prepaid amounts recognised under IAS 17). Therefore, there is no impact on equity at the date of initial application.

The discount rate under the modified retrospective approach is always the incremental borrowing rate as at the date of initial application even if the rate implicit in the lease is readily determinable.

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Right-of-use assets recognition and measurement

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use: and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where the decision about how and for what purpose the assets is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Lease liability recognition and measurement

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The Group used its incremental borrowing rate as the discount rate.

The lease payment included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or are ate, initially measured using the index or rate as at the commencement date (if any);
- amount expected to be payable under a residual value guarantee (if any); and
- the exercise price under a purchase option that the Group is reasonably certain to exercise (if any),
- lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option (if any),
- and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or, is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

Practical expedients

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:
- a single discount rate (incremental borrowing rate) has been applied to portfolios of leases with reasonably similar characteristics.
- leases with a remaining term of twelve months or less from the date of application and a leases of low-value assets, including IT equipment (less than $5,000 USD) have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than twelve months.
- for the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

Incremental borrowing rate

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

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

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

The analysis showed that the incremental borrowing rate as at 1 January 2019 was 8.5% which was used as discount rate for all leases in all subsidiaries.

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 amortized 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.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Policy applicable before 1 January 2019

Operating leases: lessee

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the term of the lease and is calculated on an effective interest rate basis. The capital part reduces the amounts payable to the lessor.

Effect of IFRS 16 on the Consolidated Statement of Financial Position

The "Property, plant and equipment" fixed asset class comprise of owned and leased assets that do not meet the definition of investment property. The summary information is presented below:

Property, Plant and Equipment	2019 $'000 (USD)
Property, plant and equipment owned	**529**
Right-of-use assets, except for investment property	**2,983**
Total Property, Plant and Equipment (note 10)	**3,512**

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 (USD)	IT Equipment $'000 (USD)	Total $'000 (USD)
Balance as at 1 January 2019	3,881	1,111	4,992
Depreciation charge for the year	(1,578)	(431)	(2,009)
NBV balance as at 31 December 2019	**2,303**	**680**	**2,983**

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

The following is a reconciliation of lease commitments to lease liability as at 1 January, 2019:

	Total $'000 (USD)
Operating lease commitments as at 1 January 2019	**4,308**
Impact of discounting	**(207)**
Acquired leases	**617**
Existing finance lease liabilities	**78**
Other leases and adjustments to lease term	**196**
Lease liabilities at 1 January 2019	**4,992**

The maturity analysis for lease liabilities is presented below:

Lease liabilities – Maturity analysis (contractual undiscounted cash flows)	2019 $'000 (USD)
Less than one year	**1,914**
One to five years	**1,483**
More than five years	**-**
Total undiscounted lease liabilities as at 31 December 2019	**3,396**

Lease liabilities included in the statement of financial position at 31 December 2019 - $'000 (USD)	**3,081**
Current	1,723
Non-current	1,358

Effect of IFRS 16 on the Consolidated Statement of Comprehensive Income

The amounts recognised in the Consolidated Statement of Comprehensive Income for the twelve-month period ending 31 December 2019 is presented below:

Amounts recognised in profit or loss	2019 $'000 (USD)
Interest on lease liabilities (note 7)	**288**
Variable lease payments not included in the measurement of lease payments	**-**
Expenses related to short-term leases	**129**
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	**17**
Depreciation - right-of-use assets (note 10)	**2,009**

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Effect of IFRS 16 on the Consolidated Statement Cash Flows

The amounts recognised in the Consolidated Statement of Cash Flows for the twelve-month period ending 31 December 2019 is presented below

Amounts recognised in the statement of cash flows	**2019 $'000 (USD)**
Cash outflow for lease liabilities	**1,868**
Interest paid to lease creditors	**288**

• IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRIC 23 had no impact on retained earnings or on corporate tax liabilities.

(b) New, amended standards, interpretations not yet effective

New standards, interpretations and amendments 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 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

Foreign currency translation

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

Foreign currency transactions and balances

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

Consolidation of foreign entities

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

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

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

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Revenue

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

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

1. Payments Segment revenue

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

(i) Settlement Model: when it acts as an agent between a merchant and mobile network operators (MNOs) or an aggregator (a middleman between the Group and the MNO). Management has determined that it is acting as an agent under IFRS 15 because it does not have the primary responsibility for providing the services to the customer. Therefore, there has been no change in the classification as an agent from the previous assessment that there was no exposure to the risks and rewards.

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

Under both the transactional and settlement model (see point (i) and (ii) above), the Group's contracts with customers include one performance obligation only. This relates to an obligation to facilitate the payment for the transaction between the merchant and their end users. Under IFRS 15 revenues for this service is recognised under this contract at a point in time as the obligation is fulfilled at time when transaction happens. There has been no change on the adoption of IFRS 15, as the point of delivery of the performance obligation is the same as when the risks and rewards have been transferred. Payments are due once the Group receives the monthly statement of information from the Aggregator or the MNO.

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

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

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

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

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

2. Identity Segment Revenue

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

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

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

Cost of sales

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

Operating Segments

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

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

Exceptional Items

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

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

Notes to the Consolidated Financial Statements

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

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

Share-based payments

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

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

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

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

Intangible assets

i. **Goodwill**

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

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

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

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

Goodwill is allocated to appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The major assumptions are disclosed in note 11.

ii. Intangible assets acquired as part of a business combination

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

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

iii. Research and development

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

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

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

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

iv. Amortisation rates

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

Intangible asset	Useful economic life
Tradenames	Indefinite life – not amortized
Merchant relationships	5 years
Developed technologies	1 - 7 years
Domain names	5 years
Internally developed software	3 - 6.75 years

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

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Property, plant and equipment

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

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

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

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

Cash and cash equivalents

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

Restricted cash

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

Financial assets

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

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

Financial liabilities

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

At initial recognition,

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

Leases

IFRS 16 "Leases"' supersedes IAS 17 'Leases', IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group has applied IFRS 16 'Leases' from 1 January 2019.

Right-of-use assets

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

Lease liabilities

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

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

1. Earnings before interest, tax, depreciation, amortisation, stock option expense, foreign exchange gains/(losses), and exceptional items. Management has assessed this performance measure as relevant for the user of the accounts.

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Share Capital

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

Taxation

Current tax

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

Deferred tax

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

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

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

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

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

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

Business combinations

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

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

Critical accounting estimates and judgements

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

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

(b) Share-based payments

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

(c) Taxation

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

(d) Revenue Recognition

The key areas of judgement in respect of recognising revenue are the timing of recognition and how the different elements of contracts are identified, for example between transactional and maintenance revenues. Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the use of management judgements and estimates to produce financial information. IFRS 15 also introduces management judgement in relation to the timing of recognition of certain categories of cost. The most significant accounting judgements in applying IFRS 15 are disclosed below.

Revenue recognition requires significant judgement in identifying each distinct performance obligation requiring separate recognition in a multi-element contract. This judgement impacts the timing of revenue recognition, as certain performance obligations are recognised at a point in time and others are recognised over the life of the contract, and therefore the quantum of revenue and profit recognised in each period.

Notes to the Consolidated Financial Statements

3. Financial instruments – Risk Management

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

The Group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

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

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

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 December 2019 and 31 December 2018.

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

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

Financial instruments by category

Financial assets

	31 December 2019 $'000	31 December 2018 $'000
Cash and cash equivalents	**34,747**	31,073
Restricted cash	**876**	1,251
Total Cash	**35,623**	32,324
Accounts receivable (net)	**50,165**	48,979
Other receivables	**373**	300
Note receivable from shareholder	**793**	793
Total other financial assets	**51,331**	50,072
Cash, and other financial assets	**86,954**	82,397
Derivative financial assets designated as hedging instrument	**-**	3

Financial liabilities

	31 December 2019 $'000	31 December 2018 $'000
Trade payables	**68,128**	69,064
Accruals	**7,799**	6,402
Total other financial liabilities	**75,927**	75,466
Bank loans (secured)	**2,098**	2,150
Lease liabilities	**1,723**	43
Loans and borrowings	**3,821**	2,193
Financial liabilities at amortised cost	**79,748**	77,659

The management of risk is a fundamental concern of the Group's management. This note summarises the key 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).

Notes to the Consolidated Financial Statements

3. Financial instruments – Risk Management (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk from bank borrowings at variable rates. The Group's bank borrowings and other borrowings are disclosed in note 17. The Group's exposure to interest rate risk on the finance leases is considered low as the outstanding balance at year-end is not significant. The Group manages the interest rate risk centrally.

The following table demonstrates the sensitivity to a 1 percent change (lower/higher) to the interest rates of the following borrowings at 31 December 2019 to the profit before tax and net assets for the period:

	31 December 2019 Increase/(decrease) of loss before tax and net assets $'000	31 December 2018 Increase/(decrease) of loss before tax and net assets $'000
Bank loans	**+/-20**	+/-22

Foreign exchange risk

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

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

At December 31, 2019, the Company had no (2018: 1) foreign currency forward contracts totaling a notional amount of $Nil (2018: $141,783). These instruments were used to hedge the variable cash flows predominantly associated with monthly Aggregator payments.

The Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

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

31 December 2019	**GBP $'000**	**Euro $'000**	**Other $'000**	**Total $'000**
Trade and other receivables	**14,856**	**19,180**	**15,198**	**49,234**
Cash and cash equivalents and restricted cash	**13,307**	**8,445**	**10,308**	**32,060**
Trade and other payables	**(22,113)**	**(24,684)**	**(22,646)**	**(69,443)**
Financial assets	**6,050**	**2,941**	**2,859**	**11,851**
10% impact - +/-	**672**	**327**	**318**	**1,317**

31 December 2018	**GBP $'000**	**Euro $'000**	**Other $'000**	**Total $'000**
Trade and other receivables	12,818	20,808	16,120	49,746
Cash and cash equivalents and restricted cash	11,052	9,402	8,102	28,556
Trade and other payables	(22,906)	(26,118)	(19,760)	(68,784)
Financial assets	965	4,092	4,462	9,518
10% impact - +/-	107	455	496	1,058

The impact of 10% movement in foreign exchange rate of USD will result in an increase/decrease of total comprehensive loss after tax and financial assets/(liabilities) of $1,317 for December 2019 (2018: 1,058).

b) Credit risk

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

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

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

At the reporting date, the largest exposure was represented by the carrying value of trade and other receivables, against which $2,001 is provided at 31 December 2019 (2018: $1,956). The provision represents an estimate of potential bad debt in respect of the year-end trade receivables, a review having been undertaken of each such year-end receivable. The Group's customers are spread across a broad range of sectors and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

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

The Group's provision matrix is as follows:

31-Dec-19	**< 60 days**	**61–120 days**	**121–150 days**	**> 150 days**	**Total**
Expected credit loss % range	0%	0%	0%	98%-100%	
Gross debtors ($'000)	49,265	173	611	2,117	52,166
Expected credit loss rate ($'000)	-	-	-	(2,001)	(2,001)
					50,165

At 31 December 2018 Group had a specific provision as well as the provision made in accordance with the credit loss matrix above. This provision was for two thousand dollars - which was considered to be 100% irrecoverable due to potential business closure. The total provision for trade and accrued receivable as at 31 December 2018 was $1,958k.

31-Dec-18	**< 60 days**	**61–120 days**	**121–150 days**	**> 150 days**	**Total**
Expected credit loss % range	0%	0%	0%	98%-100%	
Gross debtors ($'000)	47,625	829	494	1,987	50,935
Expected credit loss rate ($'000)	-	-	-	(1,956)	(1,956)
					48,979

Notes to the Consolidated Financial Statements

3. Financial instruments – Risk Management (continued)

At 31 December 2018 the Group had a provision for $1,958 of which $101 was fully written off during 2019. The total provision of trade and accrued receivables as at 31 December 2019 was $2,001.

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

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

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 and all amounts disclosed in the table are the undiscounted contractual cash flows:

31 December 2019	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Trade and other payables	**77,995**	**791**	-	-
Bank loans and overdrafts (secured)	**2,098**	-	-	-
Leases liabilities	**1,723**	**1,358**	-	-
Total	**81,816**	**2,149**	-	-

31 December 2018	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Trade and other payables	77,374	107	-	-
Bank loans and overdrafts (secured)	2,150	-	-	-
Finance leases	43	-	-	-
Total	79,567	107	-	-

Capital Management

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

The Group's objectives when maintaining capital are:

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

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

4. Segmental analysis

(a) Operating Segments – primary basis

Prior to 1 Jan 2019, the Group considered that for executive management purposes, the Group had one reportable segment - provision of a payment platform for processing payments for virtual goods and digital goods purchases. Following the acquisition of Danal Inc (Note 27) the Group revised its activities into two operating segments as disclosed below. The segments are based on the Group's main revenue generating activities. For each of the segments, the Group CEO and CFO reviews the management reports monthly before sending the results to the Board.

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

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

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

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

	2019			2018
Boku Income Statement by segment for 12 months to 31 December 2019	**Payments $'000**	**Identity $'000**	**Total $'000**	**Payments $'000**
Fee Revenue	43,473	6,675	50,148	35,275
Cost of sales	(1,641)	(3,922)	(5,563)	(2,512)
Gross Profit	**41,832**	**2,753**	**44,585**	**32,764**
Administrative Expenses	(36,053)	(9,416)	(45,469)	(35,179)
Operating Profit/(loss) analysed as:				
Adjusted EBITDA*	**12,687**	**(5,284)**	**7,403**	**6,324**
Payments Revenue adjustment (non-recurring)	3,255	-	3,255	-
Depreciation and amortisation	(3,968)	(493)	(4,461)	(2,794)
Stock Option expense	(6,013)	(758)	(6,771)	(4,593)
Foreign exchange gains/(losses)	112	(5)	107	(279)
Exceptional items (included in administrative expenses)	(294)	(123)	(417)	(1,074)
Operating Profit/(loss)	5,779	(6,663)	(884)	(2,415)
Finance income	56	0	56	53
Finance expense	(432)	(36)	(468)	(631)
Profit/(loss) before tax	5,403	(6,699)	(1,296)	(2,993)
Tax (expense)/credit	1,653	(2)	1,651	(1,339)
Net Profit/(loss) for the period attributable to equity holders of the parent company	7,056	(6,701)	355	(4,332)

In 2019 two customers represented more than 10% each of group revenues. In 2018 four customers represented more than 15% each of group revenues.

Notes to the Consolidated Financial Statements

4. Segmental analysis (continued)

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

	2019			2018
Consolidated Statement of Financial Position by segment	**Payments $'000**	**Identity $'000**	**Consolidated $'000**	**Payments $'000**
Non-current assets				
Property, plant, and equipment	3,213	299	**3,512**	286
Intangible assets	46,819	-	**46,819**	22,466
Deferred tax assets	1,826	-	**1,826**	254
Total non-current assets	51,858	299	**52,157**	23,007
Current Assets				
Trade and other receivables	51,793	1,799	**53,592**	51,658
Derivative financial instrument	-	-	**-**	3
Cash and cash equivalents	34,409	338	**34,747**	31,073
Restricted cash	876	-	**876**	1,251
Total current assets	87,078	2,137	**89,215**	83,985
Total assets	**138,936**	**2,436**	**141,372**	**106,992**
Current liabilities				
Trade and other payables	75,506	2,489	**77,995**	77,374
Loans and borrowings	3,530	291	**3,821**	2,193
Total current liabilities	79,036	2,780	**81,816**	79,567
Non-current liabilities				
Trade and other payables	1,240	-	**1,240**	107
Loans and borrowings	1,353	5	**1,358**	671
Total non- current liabilities	2,593	5	**2,598**	778
Total liabilities	**81,629**	**2,785**	**84,414**	**80,345**
Net assets/(liabilities)	**57,307**	**(349)**	**56,958**	**26,646**

(c) Geographic segment – secondary basis

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

Group Revenue by Region and Segment	**Payments $'000**		**Identity $'000**		**Total $'000**		**Total (Payments only) $'000**	
' 000 USD	**Dec-19 YTD**	%	**Dec-19 YTD**	%	**Dec-19 YTD**	**%**	**Dec-18 YTD**	%
Americas	5,573	12.8%	6,460	96.8%	**12,033**	**24.0%**	2,655	7.5%
APAC	19,290	44.4%	-	-	**19,290**	**38.5%**	14,021	39.7%
EMEA	18,610	42.8%	215	3.2%	**18,825**	**37.5%**	18,599	52.7%
Grand Total	**43,473**	**100.0%**	**6,675**	**100.0%**	**50,148**	**100.0%**	**35,275**	**100.0%**

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

	2019 $'000	**2018 $'000**
United States of America	**48,841**	22,133
Germany	**432**	557
Other European countries (including UK)	**94**	6
Rest of the World	**963**	56
Total	**50,330**	22,752

Notes to the Consolidated Financial Statements

5. Administrative expenses (including exceptional items)

	2019 $'000	2018 $'000
Audit fees[1]	**274**	277
Taxation services	**318**	516
Accounting services	**157**	108
Consultancy and compliance services	**730**	898
Staff costs (excluding stock option expense – note 6)	**25,434**	18,117
Travel & entertainment	**1,859**	1,072
Rent and occupancy costs	**928**	2,030
Total IT, development and hosting	**1,917**	1,777
Total banking costs	**240**	254
Legal fees	**1,120**	688
Other costs including marketing, support & testing and other administration expenses	**950**	599
Operating Expenses, excluding items in Adjusted EBITDA	**33,927**	26,438
Depreciation of property, plant and equipment	**2,176**	213
Amortisation of intangible assets	**2,285**	2,581
Loss on disposal of property, plant and equipment	**-**	1
Foreign exchange gains/(losses)	**(107)**	279
Exceptional items – impairment of investments	**13**	164
Exceptional items – restructuring costs	**404**	910
Share – based expenses	**6,771**	4,593
Total administrative expenses	**45,469**	**35,179**

1. A breakdown of auditor's fee can be found on page 31 (Audit Committee Report)

6. Staff costs

	2019 $'000	2018 $'000
Wages and salaries	**20,664**	14,730
Short-term benefits	**1,350**	774
Social security costs	**1,858**	1,398
Pension costs	**397**	164
Other staff costs	**1,166**	1,051
Total staff costs	**25,434**	18,117
Share-based costs	**6,771**	4,593
Total	**32,205**	22,710

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

Key management personnel compensation was made up as follows:

	2019 $'000	2018 $'000
Salaries	**2,075**	1,849
Short-term benefits	**44**	39
Social security costs	**298**	160
Pension costs	**35**	6
Total	**2,452**	2,054

Directors' remuneration included in staff costs:

	2019 $'000	2018 $'000
Salaries including bonuses	**917**	989
Short-term benefits	**4**	4
Total	**921**	993

Notes to the Consolidated Financial Statements

6. Staff costs (continued)

Information regarding the highest paid director is as follows:

	2019 $'000	2018 $'000
Total remuneration paid	**385**	459

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

	2019	2018
Management	**6**	4
Operations & administration	**208**	148
Total	**214**	152

7. Finance income and expenses

	2019 $'000	2018 $'000
Finance income		
Interest income from bank deposits	**56**	53
Total	**56**	53
Finance expenses		
Interest on bank loans & overdrafts	**150**	234
Interest on finance leases and hire purchase contracts	**-**	9
Other interest payable (including interest paid for factoring)	**30**	380
Interest on lease liabilities	**288**	-
Total	**468**	631
Net finance expenses	**412**	**578**

8. Income tax

	2019 $'000	2018 $'000
Current tax		
US tax	**2**	4
Foreign tax	**135**	349
Total current tax	**137**	353
Deferred tax (credit)/expense	**(1,866)**	1,064
Origination and reversal of temporary differences	**78**	(78)
Total tax (credit)/expense	**(1,651)**	1,339

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:

	2019 $'000	2018 $'000
Loss before tax	**(1,296)**	(2,994)
Tax rate	**21%**	21%
Loss before tax multiplied by the applicable rate of tax:	**(272)**	(629)
US state tax	**1**	4
Losses recognised/(not recognised)	**(1,498)**	1,129
Expenses not deductible for tax purposes	**54**	326
Withholding taxes	**69**	150
Tax losses	**(27)**	336
Others	**22**	23
Total tax (credit)/expense	**(1,651)**	1,339

Deferred Tax

	2019 $'000	2018 $'000
Net opening position	**(417)**	714
Arising from business combinations	**-**	310
Recognition/(de-recognition) in the year	**1,808**	(1,296)
Foreign exchange revaluation	**(14)**	(145)
Net closing position	**1,377**	(417)

Notes to the Consolidated Financial Statements

8. Income tax (continued)

The net closing position is made up of:

- A deferred tax liability of $448,860 (2018: 671,473): This constitutes tax positions connected with the Group's German subsidiary in relation to available losses and the deferred tax liability associated with intangible assets acquired as part of the legacy business combination with the group's now German business. The difference is the amount of $222,613 used in 2019.
- The deferred asset of $1,826,570. This relates to losses primarily in UK tax jurisdictions which management expects will be realised.

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

	2019 $'000	2018 $'000
Non-deductible Reserves	**229**	103
Accrued Compensation	**60**	68
Stock Based Compensation	**1,637**	1,144
Other temporary and deductible differences	**829**	852
Accelerated Capital Allowances	**(401)**	(22)
Acquired Intangibles	**(334)**	-
Unused tax credits	**189**	189
Unused tax losses	**30,448**	24,497
Total deferred tax assets	**32,657**	**26,831**

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 carryforwards 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. Utilization of net operating loss or tax credit carryforwards may be subject to annual limitations if an ownership change had occurred pursuant to the section 382 Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of net operating loss and tax credit carryforwards before utilization. As the timing and extent of taxable profits are uncertain, the deferred tax asset arising on these losses and accelerated timing differences below has not been recognised in the financial statements.

	2019 $'000	2018 $'000
US losses and tax credit – federal and states	**177,843**	134,947
Non-US losses (includes US entities deemed to be under non-US tax jurisdictions)	**10,602**	2,867
Total	**188,445**	**137,814**

The unused tax losses must be utilised by various dates. German tax losses of $1,498,665 must be used before 2022. U.S. tax losses of $107,068,585 expire in various dates through 2027. Other unused losses of $1,368,012 do not expire.

9. Profit / Loss per share

	2019	2018
Profit/(loss) attributable to shareholders of the Company ($'000)	**355**	(4,333)
Weighted average number of common shares	**246,752,100**	217,069,055
Basic profit/ (loss) per share	**0.001**	(0.02)

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

Due to the small profit during the reporting period, the effect of the share options is small and hence diluted loss per share is the same as the basic loss per share in 2019. In 2018, due to the loss reporting period the effect of the share options was considered anti-dilutive and hence diluted loss per share was the same as basic loss per share.

Notes to the Consolidated Financial Statements

10. Property, plant and equipment

	Right of use assets	Computer equipment & software	Office equipment and fixtures and fittings	Leasehold improvement	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
COST					
At 1 January 2018	-	777	605	95	1,477
Additions	-	84	2	5	91
Disposals	-	(2)	(61)	-	(63)
Exchange adjustment	-	(17)	(12)	(2)	(31)
At 31 December 2018	**-**	**842**	**534**	**98**	**1,474**
Additions	4,327	383	39	55	4,804
Acquisitions	621	-	1,041	36	1,698
Disposals	-	(10)	(7)	(5)	(22)
Reclassification	78	-	(78)	-	-
Exchange Adjustment	(34)	(2)	(4)	-	(40)
As at December 2019	**4,992**	**1,213**	**1,525**	**184**	**7,914**
DEPRECIATION					
At 1 January 2018	-	617	394	56	1,067
Charge for the year	-	104	93	16	213
Disposals	-	(1)	(61)	-	(62)
Reclassification	74	(17)	(57)	-	-
Exchange adjustment	-	(13)	(15)	(2)	(30)
At 31 December 2018	**-**	**707**	**411**	**70**	**1,188**
Acquisitions	-	-	1,029	29	1,058
Charge for the year	1,948	110	100	18	2,176
Disposals	-	(10)	(7)	(5)	(22)
Reclassification	57	-	(57)	-	-
Exchange adjustment	4	(7)	(3)	8	2
At 31 December 2019	**2,009**	**800**	**1,473**	**120**	**4,402**
NET BOOK VALUE					
At 1 January 2018		160	211	39	410
At 31 December 2018		135	123	28	286
At 31 December 2019	**2,983**	**413**	**52**	**64**	**3,512**

The net book value of Right of use assets as at 31 December, 2019, includes Property ($2,282) and IT Equipment ($680).

11. Intangible assets

	Domain name $'000	Developed technology $'000	Merchant relationships $'000	Trade marks $'000	Goodwill $'000	Internally developed software $'000	Total $'000
COST							
At 1 January 2018	140	1,869	9,605	110	18,615	5,203	35,542
Additions	-	-	-	-	-	238	238
Exchange adjustment	-	(13)	(417)	-	(762)	(53)	(1,245)
At 31 December 2018	140	1,856	9,188	110	17,853	5,388	34,535
Additions from acquisitions	-	1,918	-	-	23,559	-	24,477
Additions	-	-	-	-	-	1,575	1,575
Exchange adjustment	-	-	(178)	-	(327)	(24)	(529)
At 31 December 2019	**140**	**3,774**	**9,010**	**110**	**41,085**	**6.939**	**61,058**
AMORTISATION							
At 1 January 2018	140	1,869	4,569	-	-	3,165	9,743
Charge for period	-	30	1,280	-	-	1,271	2,581
Exchange adjustment	-	(43)	(194)	-	-	(18)	(255)
At 31 December 2018	140	1,856	5,655	-	-	4,418	12,069
Charge for the period	-	384	1,193	-	-	708	2,285
Exchange adjustment	-	-	(105)	-	1	(10)	(115)
At 31 December 2019	**140**	**2,240**	**6,743**	**-**	**1**	**5,116**	**14,239**
NET BOOK VALUE							
At 1 January 2018	-	-	5,036	110	18,615	2,038	25,799
At 31 December 2018	-	-	3,533	110	17,853	970	22,466
At 31 December 2019	**-**	**1,534**	**2,267**	**110**	**41,085**	**1,823**	**46,819**

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

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

Notes to the Consolidated Financial Statements

11. Intangible assets (continued)

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

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

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 units (CGUs). The recoverable amount of the cash generating unit is based on value-in-use calculations. These calculations use cash flow projections covering a three-year period based on financial budgets and a calculation of the terminal value, for the period following these formal projections.

The key assumptions used for value-in-use calculations are those regarding projected cash flows, growth rates, increases in costs and discount rates. The discount rate used was the Weighted Average Cost of Capital. The discount rate is reviewed annually to take into account the current market assessment of the time value of money and the risks specific to the cash generating units and rates used by comparable companies. The discount rate has been calculated as the weighted average cost of capital. The pre-tax discount rate used for both CGU's to calculate value-in-use is 21% (2018: 27%). Growth rates for forecasts take into account historic experience and current market trends. Costs are reviewed and increased for inflation and other cost pressures. The terminal value calculation for 2019 was based on growth rate of post-tax free cashflow of 2% (2018:2%) for each CGU.

The impairment test resulted in a decision not to impair the intangible assets at 31 December 2019 for either CGUs, or at 2018 year-end.

Sensitivity to changes in assumptions

For the Payments CGU, an excess fair value over carrying value of $34.1 million was determined. Management has identified two key assumptions for which if any of the following changes were made to these key assumptions individually, this would cause the carrying amount to equal to the recoverable amount of the goodwill for the year ended 31 December 2019:

	2019	**2018**
Projected post tax free cashflow used for terminal value reduced by	**68%**	92%
Terminal growth rate reduced from	**2% to 0%**	2% to 0%

For the Identity CGU, an excess fair value over carrying value of $7.4 million was determined. Management has identified the same key assumptions for which if any of the following changes were made to these key assumptions individually, this would cause the carrying amount to equal to the recoverable amount of the goodwill for the year ended 31 December 2019:

	2019	**2018**
Projected post tax free cashflow used for terminal value reduced by	**25%**	-
Terminal growth rate reduced from	**2% to -7.8%**	-

12. Subsidiaries

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

The proportion of share capital directly held by the parent company in each subsidiary is 100%.

Name	Principal activity	Parent	Location
Boku Payments Inc.	Holding Company	Boku Inc.	USA
Boku Network Services Inc.	Holding Company	Boku Inc.	Delaware, USA
Boku Account Services Inc.	Holding Company	Boku Inc.	Virginia, USA
Boku Account Services UK, Ltd.	Mobile payment solutions	Boku Account Services Inc. (Virginia)	UK
Paymo Brazil Servicios de Pagamentos Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Brazil
Boku Network Services AG	Holding Company	Boku Inc.	Germany
Boku Network Services UK, Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	UK
Boku Network Services AU Pty Ltd	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Australia
Boku Network Services IN Privates Limited	Mobile payment solutions	Boku Network Services Inc. (Delaware)	India
Boku Network Services SG PTE. LTD	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Singapore
Boku Network Services HK LTD	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Hong Kong
Boku Network Services Taiwan Branch Office	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Taiwan
Boku Network Services Japan Branch Office	Mobile payment solutions	Boku Network Services Inc. (Delaware)	Japan
Mopay AG Beijing Representative Branch	Mobile payment solutions	Boku Network Services AG (Germany)	China
Boku Identity Inc.	Identity solutions	Boku Inc.	California, USA
Boku Mobile Solutions Ireland	Identity solutions	Boku Identity Inc.	California, USA
Mobileview Italia S.r.l	Mobile payment solutions	Boku Network Services AG (Germany)	Italy

Notes to the Consolidated Financial Statements

13. Trade and other receivables

	31 December 2019 $'000	31 December 2018 $'000
Trade receivables - gross	**17,623**	17,612
Accrued income	**34,544**	33,325
Accounts receivable - gross	**52,167**	50,937
Less: provision for impairment	**(2,001)**	(1,958)
Accounts receivable - net	**50,166**	48,979
Other receivables	**57**	45
Deposits held	**316**	255
Sales taxes receivable	**1,042**	972
Deferred cost of sales	**270**	-
Note receivable from a shareholder	**793**	793
Total financial assets classified as loans and receivables	**52,644**	51,044
Prepayments	**948**	614
Total	**53,592**	51,658

Provision for impairment

	31 December 2019 $'000	31 December 2018 $'000
Opening balance	**1,958**	1,410
Utilised during the period	**(101)**	(34)
Increase during the period	**170**	619
Foreign exchange movement	**(26)**	(37)
Closing balance	**2,001**	**1,958**

In adopting IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account and forecast credit conditions as opposed to relaying on past default rates. In adopting IFRS 9, the Group has applied the Simplified Approach, applying a provision matrix based on the number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions.

14. Cash and cash equivalents and restricted cash

	31 December 2019 $'000	31 December 2018 $'000
Cash and cash equivalents	**34,747**	31,073
Restricted cash	**876**	1,251

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

15. Derivative financial instruments

	31 December 2019 $'000	31 December 2018 $'000
Derivative financial assets (liabilities)		
Derivatives designated as hedging instruments		
Forward foreign exchange swaps	**-**	3

The notional principal amounts of outstanding forward foreign exchange rate swaps at 31 December 2019 were $Nil (2018: $141,783). Their fair value in 2019 was $Nil (2018: $2,646 asset).

The hedged transactions denominated in various foreign currencies were expected to occur at various dates within the next 12 months. The change in net un-realised gains and losses on the fair value of these forward foreign exchange swaps are recognised in the hedging reserve in equity at year ended December 2019 of $3,000 gain (2018: loss $27,000).

16. Trade and other payables

Current	31 December 2019 $'000	31 December 2018 $'000
Trade payables	**68,128**	69,064
Accruals	**7,799**	6,402
Total financial liabilities classified as financial liabilities measured at amortised cost	**75,927**	75,466
Other taxes and social security costs	**327**	350
Accrued tax on issued stock options	**1,252**	811
Deferred revenue	**489**	747
Total	**77,995**	77,374
Non-current		
Deferred rent	**-**	86
Accrued taxes on issued stock options	**791**	21
Total	**791**	107

Contract liabilities are included within 'trade payables' and 'accruals' depending if the merchant payable is just accrued or already invoiced. The carrying values of trade and other payables approximate to fair values.

Notes to the Consolidated Financial Statements

17. Loans and borrowings

	31 December 2019 $'000	31 December 2018 $'000
Current		
Bank loans and overdrafts (secured)	**2,098**	2,150
Lease liabilities (2018: finance leases)	**1,723**	43
Total	**3,821**	2,193
Non-current		
Lease liabilities	**1,358**	-
Total	**1,358**	-

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

In December 26, 2019, the Group repaid in full ($2,000,000) the existing Loan and Security Agreement (the Agreement) and entered into an overdraft agreement for £5,000,000 for 3 years. At 31 December 2019 the Group had drawn £1,600,000 ($2,098,000 USD) under the agreement. The agreement has been repaid in full on the 9 January 2020 and has not been used since. As such, during the year there was a net cash outflow of $150,000.

Reconciliation of liabilities arising from financing activities

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

	2017 $'000	Cash flows $'000	Non-cash changes			2019 $'000
			Converted to shares $'000	Foreign Exchange Movement $'000	Lease Liabilities (IFRS 16) $'000	
Short-term borrowings	2,400	(250)	-	-	-	**2,150**
Short-term lease liabilities	125	82	-	-	-	**43**
Total liabilities from financial activities	**2,525**	**(332)**	**-**	**-**	**-**	**2,193**

18. Share capital

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

	31 December 2019		31 December 2018	
	Number of shares issued and fully paid 'ooo	$'ooo	Number of shares issued and fully paid 'ooo	$'ooo
Common stock of $0.0001 each				
Opening balance	223,885	**22**	213,582	21
Shares issued for warrants	-	**-**	544	-
Shares issued to Danal Shareholders	23,699	**3**	-	-
Exercised stock options	4,751	**-**	9,759	1
Closing balance	252,335	**25**	223,885	22

Common Stock

At December 31, 2019, the Company had 252,335,207 (2018: 223,775,735) common shares issued and outstanding, of which 1,150,000 (2018: 1,150,000) where unpaid.

19. Reserves

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

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

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

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

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

Notes to the Consolidated Financial Statements

20. Share-based payment

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

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

Options under the 2017 Plan

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

RSUs under the 2017 Plan

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

Performance-based Restricted stock units (RSU)

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

Share-based expense for RSUs is based on the fair value of the shares underlying the awards on the grant date and reflects the estimated probability that the performance and service conditions will be met. The share-based expense is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions until the vesting date. Performance-based RSUs vest after three years of issue, in one event, only if the performance conditions are met.

Restricted stock awards (RSA)

RSAs are subject to repurchase based upon the terms of the individual restricted stock purchase agreements. These repurchase rights lapse over the vesting term of the individual award, generally over three to four years.

Options under the 2009 Plan and 2009 UK plan

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

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

2009 non-plan options

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

BNS plan options

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

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

	Available All Plans	2009 Plan (exc RSUs)		2009 Plan (only RSUs)	Non Plan Options		BNS Plan Options		Total
	Number of options	Number of options	WAEP[1]	Number of RSUs	Number of options	WAEP[1]	Number of options	WAEP[1]	**Number of options**
	‘000	‘000		‘000	‘000		‘000		**‘000**
At 1 January 2018	**10,000**	**20,609**	**$0.470**	**9,539**	**50**	**$0.022**	**37**	**$0.203**	**30,235**
Exercised	-	(2,130)	$0.247	(7,580)	(50)	$0.022	(2)	-	**(9,762)**
Cancelled	**(10,000)**	(728)	$0.269	-	-	-	-	$0.35	**(728)**
At 31 December 2018	**-**	**17,751**	**$0.444**	**1,959**	**-**	**-**	**35**	**$0.202**	**19,745**
Exercised	-	(1,894)	$0.269	(1,801)	-	-	(3)	-0.35	**(3,698)**
Cancelled	-	(164)	$0.258	-	-	-	(32)	-	**(196)**
At 31 December 2019	**-**	**15,786**	**$0.268**	**157**	**-**	**-**	**-**	**$0.35**	**15,943**

1WAEP – weighted average exercise price
*RSUs are always granted at zero exercise price

Notes to the Consolidated Financial Statements

20. Share-based payment (continued)

2009 Plan	December 2019 $'000	December 2018 $'000
Outstanding options at reporting end date:		
- total number of options (including RSA & RSU)	**15,943**	19,745
- weighted average remaining contractual life (all except 2017 Plan) (years) (excluding RSU and RSA)	**5.05**	4.46
- weighted average remaining contractual life – RSU (years)	**0.25**	5.58
Vested and exercisable:	**15,679**	15,106
- weighted average exercise price	**$0.357**	$0.369
- weighted average remaining contractual life – all plans (excluding RSU and RSA)	**4.91**	5.71
Weighted average share price exercised during the period (excluding RSA and RSA)	**$0.360**	$0.324
Weighted average fair value of each option granted during the period (excluding RSA and RSU)	**-**	-
Vested and exercisable – RSU and RSA	**157**	7,154
Share-based expense for the period	**$242**	$1,233

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

2009 Plan	December 2017
Option pricing model used	Black-Scholes
Weighted average share price at grant date (dollar)	$0.370
Exercise price (options only)	$0.370
Weighted average contractual life (years)1	5.82(E*+ NE*)
Weighted expected volatility 2	45% (E*+ NE*)
Expected dividend growth rate	0%
Weighted average Risk-free interest rate3	1.9% (E*+ NE*)

1. Weighted 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.
2. Expected volatility is based on historical volatilities of public companies operating in the Company's industry.
3. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

* E – employees NE – non-employees

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

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

	Options available ‘000	Options ‘000	WAEP1	RSUs ‘000	WAEP1	Total ‘000
At 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Authorised	10,000	-	-	-	-	-
Granted	(5,758)	1,459	$1.205	4,299	$2.24	5,758
Exercised			-	-	-	-
Cancelled	190	(73)	$1.205	(117)	$2.24	(190)
At 31 December 2018	4.432	1,386	$1.205	(4,182)	$2.24	5,568
Authorised	**19,766**					
Granted	**(6,894)**	-	-	6,894	-	6,894
Exercised		(40)	$1,205	(1,012)	-	(1,052)
Cancelled	**2,241**	(65)	$1.205	(2,176)	-	(2,241)
At 31 December 2019	**19,545**	1,281	$1.205	7,888	-	9,169

2017 Plan	**December 2019 $’000**	**December 2018 $’000**
Outstanding options at reporting end date:		
- total number of options (excluding RSUs)	**1,281**	1,386
- weighted average remaining contractual life (excluding RSUs) (years)	**8.01**	9.05
- weighted average remaining contractual life – RSUs (years)	**6.07**	6.06
Vested and exercisable:		
- weighted average exercise price	**$1.205**	$1.205
- weighted average remaining contractual life (excluding RSU) (years)	**8.01**	8.92
Weighted average share price exercised during the period (excluding RSUs)	**-**	-
Weighted average fair value of options granted during the period (excluding RSU)	**$0.44**	$0.44
Vested and exercisable – RSUs	**1,012**	-
Share-based expense for the period	**$5,299**	$2,103

Notes to the Consolidated Financial Statements

20. Share-based payment (continued)

The following information is relevant in the determination of the fair value of options (excluding RSU's) granted during the period under the equity- settled share-based remuneration schemes operated by the Group. Only RSUs were granted in 2019.

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%**

1 Weighted 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.

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

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

Warrants for ordinary shares

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

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

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

Additional earn-out warrants to purchase an additional number of Boku shares (calculated as follows) at an exercise price of $1.8352 were also part of the purchase consideration on the acquisition of Danal.

a. If Revenue is between $10 million and $14 million, the number of warrants is (Revenue-$10 million) ÷ $4 million x $0.5 million ÷GBP1.45= $0.5 million (in shares at £1.45/$1.8352)
b. If Revenue is greater than $14 million and less than or equal to $16 million, the number of shares is [(Revenue-$14 million) ÷ $2 million x $0.5 million + $0.5 million] ÷GBP1.45= $1.0 million (in shares at £1.45/$1.8352)
c. If Revenue is greater than $16 million and less than or equal to $18 million, the number of shares is [(Revenue-$16 million) ÷ $2 million x $0.5 million + $1.0 million] ÷GBP1.45= $1.5 million (in shares at £1.45/$1.8352)
d. If Revenue is greater than $18 million, the number of shares is [(Revenue-$18 million) ÷ $2 million x $0.5 million + $1.5 million] ÷GBP1.45= $2.0 million (in shares at £1.45/$1.8352)

The earn-out warrants were valued at $108 USD. The warrants have been valued in two steps: the first step was using the Monte Carlo simulation in order to determine the number of shares that can be purchased under the warrants using a price per share of $1.8482 equivalent with £1.45 at a USD/GBP exchange rate of 1.2746 determined in accordance with the Merger Agreement using Capital IQ rather than the Financial Times (the difference between the two sources was expected). The first step is determined using the following inputs:

a. Term 1 year
b. FY 2018 revenue $5,249,873,
c. expected annual volatility: used 5-year comparable companies revenue volatilities from Capital IQ (27.3%);
d. Forecasted Revenue Growth: One-year US risk free rate (2.63%)

Using the results from the first step, a warrant valuation was performed using a binomial lattice model using the following inputs:

a. Term: 5 years
b. Starting Stock price: we determine the 1 year forward stock price.
c. Expected annual volatility: used 5-year comparable companies equity volatilities from Capital IQ (26.6%)
d. Risk free rate: 1 year forward risk-free rate (2.63%)
e. Strike price: $1.8352

As the earnout revenue condition was not satisfied the value of this warrant was expensed to the P&L.

Reconciliation of share-based payment expense

	December 2019 $000's	**December 2018** $000's
2009 Plan		
Options	**90**	564
RSU's	**152**	683
2017 Plan		
Options	**152**	310
RSU's	**5,077**	1,792
Total share-based expense (excluding national insurance)	**5,471**	3,349
National insurance (see Note 2)	**1,067**	1,244
Total share-based payment charge	**6,771**	4,593

Notes to the Consolidated Financial Statements

21. Dividends

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

22. Cash generated from operations

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Profit /(loss) after tax	**355**	(4,333)
Add back:		
Tax (credit) /expense	**(1651)**	1,339
Amortisation of intangible assets	**2,285**	2,581
Depreciation of property, plant and equipment	**2,176**	213
Change in hedge liability	**(3)**	-
Loss on disposal of property, plant and equipment	**-**	1
Finance income	**(56)**	(53)
Finance expense (includes interest on lease liabilities)	**468**	631
Exchange loss	**64**	2,376
Employer taxes on stock option accrual	**1,067**	260
Adjustment for previous year cash items	**(4,048)**	-
Impairment of intangible assets	**-**	164
Share based payment expense	**5,471**	3,350
Cash from operations before working capital changes	**6,131**	6,529
Decrease in trade and other receivables	**11,047**	4,336
(Increase)/Decrease in trade and other payables	**(8,127)**	2,877
Cash generated from operations	**9,051**	13,742

23. Related party transactions

In 2019, the Company has been remitted $151,336,427 (2018: $168,713,114 from 3 suppliers) in net payments from 4 suppliers who are shareholders of the Company. At December 31, 2019, the Company had receivables of $20,459,254 (2017: $22,699,237) due from these companies.

A director issued a full recourse promissory note in the amount of $793,000 for the purchase of 1,150,000 common shares at $0.69 per share in Dec 2013. This is disclosed as 'note receivable from a shareholder' in note 13 - trade and other receivables in 31 December 2019 and 2018.

24. Ultimate controlling party

There is no ultimate controlling party of the Company.

25. Post balance sheet events

There have been no material post balance sheet events.

26. 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 2019 and 2018.

27. Business acquisition

On 1 January 2019 the Group acquired a 100% interest in the Danal Inc. Group from Danal Korea and other shareholders.

Headquartered in San Jose, California, Danal Inc is a provider of mobile identity and authentication solutions through real-time connections to mobile operator networks and data. It has employees in the US and Ireland. In Europe it operates through a subsidiary Danal Mobile Solutions Ireland Ltd (renamed to Boku Mobile Solutions Ireland Ltd). Subsequent to the completion of the acquisition, Danal Inc was renamed Boku Identity Inc.

The purchase consideration included the following: 26.7 million Boku shares (10.7% of the total Boku Inc shares) valued at 1 Jan 2019 share price, $1.0 million in cash and a five year warrant exercisable at $1.8352 share price. Included in the 26.7 million shares are 5 million shares that were held back until certain conditions in the purchase agreement were met.

Details of the purchase consideration of Danal Inc., the net assets acquired, and goodwill are as follows:

	$'000
Cash consideration	**1,000**
Equity consideration	**24,077**
Total purchase price	**25,077**
Trade and other receivables*	**9,299**
Cash and cash equivalents	**258**
Prepaid expenses and other assets	**444**
Property, plant and equipment **	**641**
Deposits held	**71**
Trade and other payables***	**(11,112)**
Developed Technology	**1,918**
Goodwill	**23,558**
Fair value of net assets acquired	**25,077**

*The trade and other receivable include $8.5 million receivable from Danal Korea, which was received in June 2019
** The property, plant and equipment include $620,909 right-of-use assets.
*** Trade and other payables include $8.5 million bank loan, which was repaid in June 2019 and $620,909 lease liabilities.

Deferred tax liabilities arising as a result of the acquisition are fully offset by deferred tax assets, resulting in a net deferred tax asset. The net deferred tax asset has not been recognised as it is not considered to be currently recoverable within a reasonable period of time.

The equity consideration included an earn-out warrant and earn-out payment valued at $25k.

The transaction will help the company to widen its addressable target market, beyond digitally downloaded content and into broader m-commerce.

Revenue upside will be delivered through accelerated global roll out to carriers with whom Boku already has a relationship and cross sell opportunities into Boku's existing merchant base as well as through a material Identity sales pipeline.

The cost of acquisition has been expensed during 2018 and have been included in exceptional costs in the statement of comprehensive income for the twelve-month ending 31 December 2018.

Boku, Inc.
Stock Code: BOKU