



Interim Report
and Accounts
for the half year
ended 30 June 2019

Boku is the world's largest independent Carrier Commerce company.

Boku technology connects 190 carriers in 59 countries. It is capable of processing more than 600 transactions per second. We support payment, bundling and identity solutions.

Merchants like Apple, Western Union, Spotify, PayPal, Microsoft, Google, Facebook and MoneyGram use Boku to recruit, validate and retain users.



With more than 5 billion mobile phones in the world, Boku can reach more customers than Facebook or Visa.

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

Our Customers

facebook



Google

NETFLIX

Tencent 腾讯

Microsoft



WESTERN UNION

ByteDance

Square

PayPal

Spotify

Uber

RIOT GAMES

XBOX

Highlights

Financial Highlights

- Revenues increased 39% to \$23.5 million (H1 2018: \$16.9 million)
- Adjusted EBITDA* for the Period of \$4.3 million (compared with \$2.5 million in H1 2018)

Operational Highlights

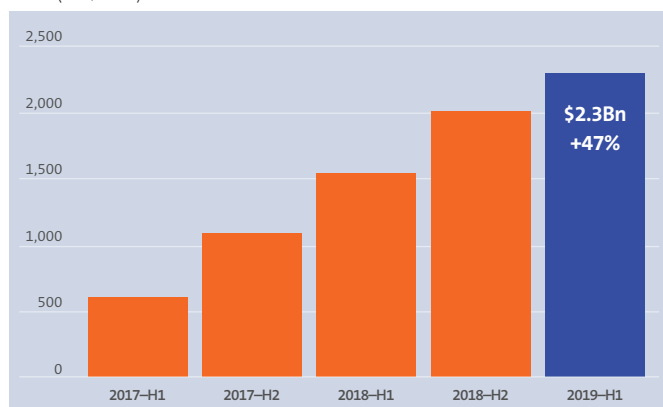
- Total Payment Volume (“TPV”) grew 47% reaching \$2.3 billion (H1 2018: \$1.5 billion)
- Increase in Monthly Active Users (“MAUs”) to 15.3 million (H1 2018: 10.3million), an increase of 48% vs H1 2018.
- Billable Identity Transactions grew 100% to 141 million (H1 2018: 70.6 million)

*Adjusted EBITDA is defined on page 6.

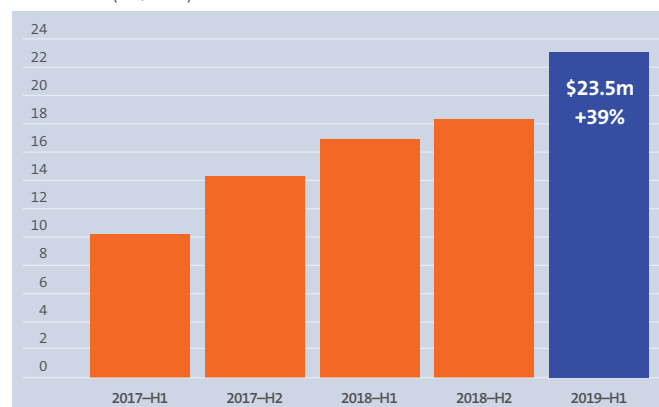
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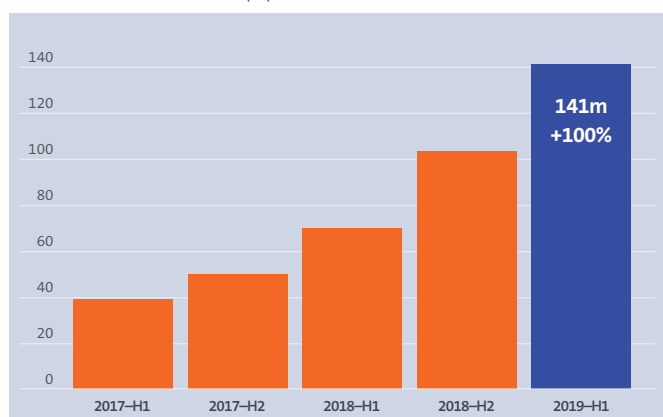
TPV (Bn \$ USD)



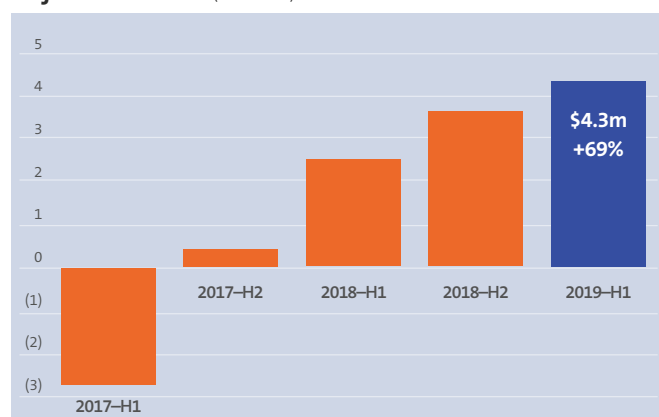
Revenue (m \$ USD)



Billable Transactions (m)



Adjusted EBITDA (m \$ USD)



Chief Executive Officer's Report

Strategy

It was twelve years ago that Steve Jobs strode onto the stage at Macworld and announced the iPhone. According to the World Bank, the job of distributing smartphones to the world's population is nearing its completion: there is a mobile broadband connection for just under seven in every ten humans on earth.

Mobile is a new computing paradigm; it is not just a PC with a smaller screen. A smartphone is always in your pocket, always connected, can be endlessly customised with apps, has a microphone, speaker and a camera; it knows where it is. It's also pretty inconvenient to enter large amounts of text due to the touch interface, putting a premium on simplicity.

This combination of capabilities means that when the smartphone touches a new industry, it disrupts it. It's changed the way that we listen to music, board planes, navigate around a city and a whole host of other applications – but it's still in its infancy.

Whilst nearly 70% of the world's population has mobile broadband, less than 5% of global commerce takes place on a smartphone. If you think that people use their phones a lot, "you ain't seen nothing yet".

One thing holding back usage is the tools used by service providers. We still use the email address as the index of identity and the IP address as a proxy for location, tools from the PC era that have not been reinvented for the age of mobile.

One type of company has the key to unlock this potential: the Mobile Network Operator ("MNO"). They have a secure SIM in every phone. Through this, with bank grade security, they can identify your phone number, check your name and address against their files and extract certain characteristics of the account, such as whether it's prepaid or postpaid. All this can be done seamlessly, automatically, in the background, without the need for the user to do anything. It's a great framework for providing payment, identity and fraud management services.

So why haven't carriers' capabilities been widely adopted? In a word, fragmentation. There are more than 150 MNOs around the world with more than 10 million customers. Whilst there are standards governing the making of phone calls or sending of text messages, billing and identity capabilities are not standardised. They need to be integrated one by one, a task that is uneconomic for any single company, including the world's largest.

The Boku Platform has solved this fragmentation problem. Since 2009, when we launched, Boku has built the world's most sophisticated carrier network. It now spans 190 carriers in 59 countries. The degree of sophistication of



those connections is unparalleled. Although the capabilities of different carriers vary, amongst other things, we can automatically verify phone numbers and debit from or credit to phone bills or prepaid balances. The network can receive daily files from carriers and automatically reconcile the details. It has the capacity to process more than 600 payment transactions per second, with idempotency. Deployed over multiple data centres and in the cloud, the Platform is reliable with no unscheduled outages in the period and an average response time of one tenth of a second.

The Boku Platform is the strategic asset that sits at the centre of our value proposition. It is on this platform that we build our products.

The first application was Payment. Although, when measured against conventional payment characteristics, like cost or speed of settlement, charging services to your phone bill did not compare well, it does a great job at helping to acquire new users. The ability to tap-once-to-pay or, better yet, tap-once-to-register, has meant that companies like Apple, Sony, Spotify, Netflix, Facebook and Microsoft acquired millions of new paying users through Boku. Not only can we remove friction from the payment, thus reducing Customer Acquisition Cost ("CAC"), but also we can deliver longer LifeTime Value ("LTV") to

our merchants; unlike cards, phone numbers don't expire and can be used to prompt users to fix problems when transactions fail.

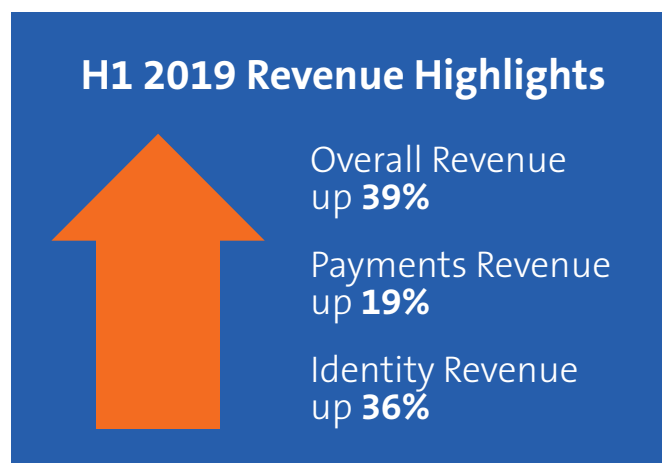
In a speech in 1859, Abraham Lincoln referred to the fable of the Eastern Monarch who asked his wise men to come up with a sentence that was true at all times and in all situations. They presented him with the words "And this too, shall pass away".

As in politics, so in business. The corporate graveyard is littered with the hulks of companies who thought that the path to future success was simply continuing with the thing that had made them successful. To thrive is to change. Boku cannot carry on growing indefinitely by doing the same thing. Eventually all merchants will be connected to all carriers and growth will attenuate. We need to devise new ways of growing. Our platform gives us the ability to double down on the merchant side of our business, by finding ways to increase the share of checkout that we process and, simultaneously, to double down on the carrier connections that we've built by launching new products across those same connections to serve new merchant segments.

Our mobile wallets initiative, exemplified by the announcement of our partnership with Grabpay, is a good example of how we aim to inject new growth into Payments. With more than 68 million mobile app downloads across eight South East Asian countries, Grabpay users are really attractive to our merchants.

The acquisition of Danal Inc. ("Danal"), now Boku Identity, allows us to simplify sign up and address fraud for the financial services sector without moving money. When acquired, Danal had customers such as PayPal, Western Union and Uber, but relatively limited coverage outside the US. As Boku Identity, we have invested heavily in more sales and in increasing the carrier coverage, especially exploiting the latent capability in our existing Payments network. Progress has been acceptable, rather than extraordinary. On a pro forma basis, non-financial indicators have shown real growth, with a doubling in billable transactions. This translated into growth in revenues of 36%, as growth was concentrated in lower value phone number verifications. Progress on contracting with new carriers has been slower than our most ambitious plans. With a restructured organisation, we will be more focused on international coverage and specific high demand products.

Within Payments, TPV grew 47% to \$2.3 billion. Revenue



growth was 19%, as more of the value was processed at higher bands on volume-based tariffs – a problem of success, sharing the benefits of scale with our merchants, who comprise most of the Western World's digital entertainment companies and a growing portion of the Chinese internet ecosystem too.

These results were achieved despite battling some headwinds from the games release schedule – in the first half of last year the Fortnite

craze was at its peak, making for a tough comparable. The weakness of both the Euro and Pound against the US Dollar (in which we report) has also taken some of the shine of the figures. 19% revenue growth needs to be seen in this context.

Boku is now starting to evolve from being a play on the growth of digital entertainment, towards a broader exposure to the growth in the mobile ecosystem.

Our immediate strategy is simple: to get more merchants using more services across more connections. Our ultimate aim is to touch every mobile interaction and extract value from it.

Current trading and outlook

Our overall guidance for the year was for \$52m of revenue, gross margins of 93% in Payments and 40% in Identity leading to adjusted EBITDA growth of between 45% and 50%. Overall H1 2019 revenue at \$23.5m and adjusted EBITDA of \$4.3m represent 45% and 47% respectively of our full year targets. There's no question that we need a good second half in order to deliver; we anticipate one thus leave our guidance unchanged. Gross margins in both segments are ahead of target. Within Payments we expect a stronger second half driven by the game release schedule, the traditional Christmas peak and a spate of new connections. We now have a pipeline of more than 250 deployments - moderated by some extended promotional periods by some customers. In Identity, we expect the investment that we have made in sales resource to start to pay off and also to start generating more non-US revenue as international connections become activated.

Looking ahead to 2020, the strong pipeline in both Identity and Payments give me confidence in the long-term health of the business.

Jon Prideaux
Chief Executive Officer
9 September 2019

Chief Financial Officer's Report

In a period during which Boku became a multi-product organisation following the acquisition of Danal in January 2019, we are pleased to report steady growth in Payments and encouraging early progress on Identity.

It's my pleasure to report the following unaudited financials for the first half of 2019:

- Adjusted EBITDA* for the period of \$4.3 million (compared with \$2.5 million in H1 2018)
- Revenues increased 39% to \$23.5 million (2018: \$16.9 million)
- Gross Profit Margin at Group level of 87.5%, with Payments Gross Margins up to 95% from 93% (average for 2018)
- Net Loss for H1 2019 \$2.6 million vs \$0.7 million for H1 2018
- Total debt remained low at \$2.0 million***
- Closing cash balances of \$27.9 million** as at 30 June 2019, while average monthly cash balances fell to \$22.2 million from \$24.4 million in December 2018 after absorbing previously signposted working capital requirement in relation to the Danal Inc acquisition
- Active Users of the Boku platform increased to more than 15 million in June 2019 from 10 million one year ago
- Total Payment Volume (TPV) rose to \$2.3 billion from \$1.6 billion in H1 2018 (+47%)

*Adjusted EBITDA (Earnings before interest, taxation, depreciation and amortization): adjusted, stock option expenses, forex gains\losses and exceptional items).

** Cash balances include \$1.7 million restricted cash items ***excluding Operating Lease items shown as Loans & Borrowings following IFRS16 adoption

Adjusted EBITDA turning into cash

With the completion of the acquisition of Danal in January 2019, Boku truly became a multi-product business. As previously signaled, the investment in operating expenses required to scale up Boku Identity has not stopped adjusted EBITDA growth in 2019.

We are pleased to report positive adjusted EBITDA of \$4.3 million for the first half of 2019, up 69% on H1 2018 (\$2.5 million), with \$6.6 million adjusted EBITDA delivered from Payments, up 161% on H1 2018 (FY 2018 total of \$6.3 million) being offset by \$2.3 million adjusted EBITDA loss in Identity, up 26% on H1 2018 adjusted EBITDA.

The company generated \$2.8 million of cash during H1 2019, net of funding the Identity business (prior to movements in working capital).

Revenue and Gross Margin

Following a re-negotiated Payment customer contract and taking account of the requirements of IFR15, the company was able to report revenues above the previously issued trading statement, at \$23.5 million.

Within Payments, average weighted take rates reduced in line with expectations to 0.9% against some tough 2018

comparables (1.1%) which included more Settlement business in the mix, thanks partly to an earlier game release season last year.

Payments revenues grew by 19% to \$20.2 million on the back of solid TPV growth, up 47% to \$2.3 billion.

In our first reported period for Boku Identity, revenues of \$3.4 million were up 36% on 2018 revenues. It is still very much early days for Identity and we have yet to see fully the benefits from Boku's ownership of the business within the revenue line.

Gross Margins across both Payments and Identity performed well at 95% and 43% respectively. Identity margins may reduce over the remainder of the year as larger volume pipeline deals land.

Operating Expenditure

Adjusted Operating Expenditure* of \$16.3 million for H1 2019 is 25% higher than the same period in 2018 due to the additional expenses relating to the acquired Danal business.

*Adjusted Operating Expenditure is defined as Gross Profit less adjusted EBITDA.

Investments have been made in growing the sales, product and marketing teams within Boku Identity (net of any organisational restructuring), both within the US and Internationally.

Elsewhere, operating costs are broadly flat (with lower amortised lease expenses following the implementation of IFRS16).

We expect to make continued investments in revenue generating resources over the course of H2 2019.

\$0.7 million of development expenditure was capitalised in H1 2019 reflecting the work undertaken to integrate and enhance the Identity aspects of the Boku platform.

Operating Profit

Below adjusted EBITDA, reported operating losses of \$2.3 million in H1 2019 were driven by the following (largely non-cash) items:

- Depreciation & Amortisation expenses increased to \$2.3 million reflecting additional depreciation of the right-of-use assets under IFRS16 and amortisation of intangibles in relation to the Danal acquisition.
- Foreign Exchange ("FX") gains of \$0.2 million following movements in the US\$/GBP and US\$/EUR rates over the period – Boku reports in US\$, however many of the money flows which arise from operating the Settlement model are in various currencies, most notably GBP, EUR and JPY. The Company operates FX contracts to hedge our foreign currency exposure.
- Exceptional costs of \$0.3 million comprise transaction costs relating to the Danal acquisition and expenses relating to the closure of a surplus legal entity in Italy.
- Stock Option expenses of \$4.2 million were up substantially on H1 18 due to the RSU grants awarded in the period and fully accrued under new rules (IFRS 2) at the market share price (no RSUs granted in H1 2018) and related employer taxes.

Financing Expenses

Financing costs reduced to \$0.2 million in H1 2019 from \$0.5 million for H1 2018 following pay down of debt and removal of factoring arrangements previously utilised.

The Company reduced the draw down on our working capital facility from \$2.2 million to \$2.0 million within the period.

Balance Sheet and Cashflow

Cash balances remained strong throughout H1 2019 whilst absorbing the requirement to ramp up sales activity in Identity and the obligation to take on \$1.6 million of working capital as part of the deal terms for the Danal acquisition (the company remained EBITDA positive).

Closing cash balances of \$27.9 million are depressed by the timing of payment cycles within the Settlement business – less Receivables turned into cash at the end of the accounting period. A fairer representation of underlying cash is the average monthly cash balance which dropped to \$22.2 million in



June 2019, down from \$24.4 million in December 18 (largely reflecting the aforementioned working capital requirement).

MNO Receivables and Merchant Payables fell between Dec 2018 and June 2019 – however, as previously mentioned, these are also impacted by the cut off timing of month end receipts and payments.

The value of Intangible Assets increased on our balance sheet to \$47.4 million, following the \$25.1 million Purchase Price Accounting valuation of the Danal business (acquired 1 January 2019).

Looking Ahead

The Company will continue to invest in growth opportunities throughout H2 2019, with particular focus on expanding the revenue generating staff to help maximise the global opportunity that presents itself in Identity.

The Identity business generated a \$2.3 million adjusted EBITDA loss in H1 2019 against a full year guidance, at the time of acquisition, of \$5.0 million adjusted EBITDA loss. We remain confident that the \$5.0 million figure is realistic.

We are similarly optimistic that significant revenue opportunities lie ahead for the Payments business, as highlighted by our previously announced partnership with Grabpay in SE Asia. It is true that revenue growth may not continue in a straight line, especially as the comparables become more challenging, however we maintain our previously announced full year outlook for revenue and adjusted EBITDA.

We retain confidence that the pipeline of opportunities within both Payments and Identity constitute material revenue potential.

Stuart Neal
Chief Financial Officer
9 September 2019

Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Period ended 30-Jun 2019 \$'000	(Unaudited) Period ended 30-Jun 2018 \$'000
Revenue	3	23,531	16,906
Cost of sales		(2,938)	(1,279)
Gross profit		20,593	15,627
Administrative expenses		(22,898)	(15,681)
Operating loss analysed as:			
Adjusted EBITDA*		4,291	2,546
Depreciation and amortisation		(2,262)	(1,397)
Share Option expense		(4,226)	(667)
Foreign exchange (losses)\gains		223	(293)
Exceptional items (included in administrative expenses)		(331)	(243)
Operating loss		(2,305)	(54)
Finance income	4	29	23
Finance expense	4	(224)	(527)
Loss before tax		(2,500)	(558)
Tax expense		(77)	(122)
Net loss for the period attributable to equity holders of the parent company		(2,577)	(680)
Other comprehensive income\ (losses) net of tax			
Items that will or may be reclassified to profit or loss			
Foreign currency translation (loss)\ gain		(67)	(521)
Net increase\ (decrease) in fair value of cash flow hedge derivatives		(3)	23
Total comprehensive gain\ (loss) for the period		(70)	(498)
Total comprehensive loss for the period attributable to equity holders of the parent company		(2,647)	(1,179)
Loss per share for loss attributable to the owners of the parent during the year			
Basic and fully diluted (\$)		(0.011)	(0.003)

*Earnings before interest, tax, depreciation, amortisation, share-based payment, foreign exchange gains/(losses), and exceptional items.

Consolidated Statement Of Financial Position

	Note	(Unaudited) Period ended 30-Jun 2019 \$'000	(Audited) Period ended 31-Dec 2018 \$'000
Non-current assets			
Property, plant and equipment		4,396	286
Intangible assets		47,374	22,466
Deferred income tax assets		254	254
Total non-current assets		52,024	23,006
Current assets			
Trade and other receivables		49,067	51,658
Derivative financial instrument		-	3
Cash and cash equivalents	5	26,163	31,073
Restricted cash	5	1,696	1,251
Total current assets		76,926	83,985
Total assets		128,950	106,991
Current liabilities			
Trade and other payables		70,233	77,374
Loans and borrowings	6	3,897	2,193
Total current liabilities		74,130	79,567
Non-current liabilities			
Other payables		26	107
Deferred tax liabilities		671	671
Loans and borrowings	6	2,184	-
Total non-current liabilities		2,881	778
Total liabilities		77,011	80,345
Net assets		51,939	26,646
Equity attributable to equity holders of the company			
Share capital		25	22
Share premium		206,017	178,079
Cash flow hedging reserve		-	3
Foreign exchange reserve		(1,934)	(1,867)
Retained losses		(152,169)	(149,591)
Total equity		51,939	26,646

Consolidated Statement Of Cash Flows

	(Unaudited) Period ended 30-Jun 2019 \$'000	(Unaudited) Period ended 30-Jun 2018 \$'000
Cash (used in)\from operations	(1,965)	11,633
Income taxes paid	-	-
Net cash (used in)\from operating activities	(1,965)	11,633
Investing activities		
Purchase of property, plant and equipment	(184)	(37)
Purchased of software development	(744)	(86)
Restricted cash (net)	(445)	320
Investment	-	(125)
Interest received	29	23
Net cash (used in)\from investing activities	(1,344)	118
Financing activities		
Repayment of lease liabilities (2018: repayment of finance leases)	(910)	(51)
Cash paid for acquisition, net of cash acquired	(742)	-
Issue of common stock	421	81
Interest paid	(224)	(527)
Repayment of line of credit	(150)	(250)
Net cash used in financing activities	(1,605)	(747)
Net (decrease)\ increase in cash and cash equivalents	(4,914)	11,004
Effect of foreign currency translation on cash and cash equivalent	4	(201)
Cash and cash equivalents at beginning of period	31,073	18,741
Cash and cash equivalents at end of period	26,163	29,545

Notes to the Consolidated Financial Information

For the six months to 30 June 2019

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 located at 735 Battery St, 2nd Floor, San Francisco, CA 94111, United States.

On 20th November 2017, the Company's shares were listed on the Alternative Investment Market of the London Stock Exchange ("AIM").

The principal business of the Group is the provision of mobile billing and identity solutions for mobile network operators and merchants. These solutions enable merchants to accept online payments, simplify transactions and avoid fraud, especially on mobile devices.

The Board of Directors approved this interim financial information on 9 September 2019.

2. Basis of preparation and accounting policies

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 December 2018 ('2018') Annual Report. The financial information for the half years ended 30 June 2019 and 30 June 2018 does not constitute full financial statements. The financial information for the half years ended 30 June 2018 and 2019 were unaudited.

The annual financial statements of Boku Inc ('the Group') are prepared in accordance with IFRSs as issued by the IASB. The comparative financial information for the year ended 31 December 2018 included within this report does not constitute the full Annual Report for that period. The Annual Report and Financial Statements for 2018 have been issued and are available on the group's investor relations' website: <https://www.boku.com/investor-relations/reports-documents>. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2018 was unqualified and did not draw attention to any matter by way of emphasis.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2018 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019 and will be adopted in the 2019 financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

IFRS 16 leases.

Details of the impact of this standard are given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the Group.

The group adopted IFRS 16 from 1 January 2019, replacing the existing guidance in IAS 17 - "Leases" (hereafter – "IAS 17"). IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognise a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts within scope, with no distinction between financing and capital leases. IFRS 16 exempts lessees in short-term leases or the when underlying asset has a low value. The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for leases of low-value assets only.

The adoption of IFRS 16 has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases historically classified as operating leases, under legacy accounting requirements the group does not recognise related assets or liabilities, disclosing instead the total commitment in its annual financial statements. The Group has elected to apply the modified retrospective method. Therefore, there will be no impact on any comparative accounting period

Notes to the Consolidated Financial Statements

(interim or annual), with any lease liabilities and right-of-use assets recognised on balance sheet on the date of initial application of IFRS 16, being 1 January 2019, in the amount of \$3,950,738.

Finally, instead of recognising an operating expense for its operating lease payments, the group now recognises interest on its lease liabilities and amortisation on its right of use assets. This has increased the reported EBITDA by the amount of its current operating lease cost, which for the 6 months ended 30 June 2019 was approximately \$910,000.

Going concern

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

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 interim financial information.

3. Segmental analysis

	(Unaudited) 30-Jun 2019 \$'000	(Unaudited) 30-Jun 2018 \$'000
(a) Revenue from operations		
Revenue arises from:		
Provision of services	23,531	16,906

(b) Operating segments

Following the acquisition of Danal Inc. (Note 7), the Group has revised its activities into two operating segments (only one segment in H1 2018) 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 internal management reports to a gross margin level on a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Payments business segment: provision of a payment platform which enables mobile phone users to buy goods and services and charge them to their mobile phone bill or prepaid balance.

Identity business 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:

H1 2019	Payments \$'000	Identity \$'000	Total \$'000
Fee Revenue	20,167	3,364	23,531
Cost of sales	(1,017)	(1,921)	(2,938)
Gross Profit	19,150	1,443	20,593
Administrative Expenses	(18,245)	(4,653)	(22,898)
Operating loss analysed as:			
Adjusted EBITDA*	6,637	(2,346)	4,291
Depreciation and amortisation	(2,054)	(208)	(2,262)
Stock Option expense	(3,573)	(653)	(4,226)
Foreign exchange gains/(losses)	226	(3)	223
Exceptional items (included in administrative expenses)	(331)	-	(331)
Operating gain\ (loss)	905	(3,210)	(2,305)
Finance income	29	-	29
Finance expense	(205)	(19)	(224)
Gain\ (loss) before tax	729	(3,229)	(2,500)

4. Finance income and expenses

	(Unaudited) 30-Jun 2019 \$'000	(Unaudited) 30-Jun 2018 \$'000
Finance income		
Interest income from bank deposits	29	23
Total	29	23
Finance expenses		
Interest on bank loans & overdrafts	77	156
Interest on finance leases and hire purchase contracts	2	5
Interest on right-of-use assets	131	-
Other interest payable (including interest paid for factoring)	14	366
Total	224	527
Net finance expenses	195	504

The interest payable in the six months to 30 June 2018 includes a \$266k one off costs associated with early termination of the factoring agreement.

5. Cash and cash equivalents and restricted cash

	(Unaudited) 30-Jun 2019 \$'000	(Audited) 31-Dec 2018 \$'000
Cash and cash equivalents	26,163	31,073
Restricted cash	1,696	1,251
Total cash	27,859	32,324

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

6. Loans and borrowings

	(Unaudited) 30-Jun 2019 \$'000	(Audited) 31-Dec 2018 \$'000
Current		
Bank loans (secured)	2,000	2,150
Obligations under lease contracts	1,897	43
Total	3,897	2,193
Non-current		
Obligations under lease contracts	2,184	-
Total	2,184	-

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

In November 2013, the Group entered into a Loan and Security Agreement (the Agreement) with a financial institution that allows for borrowings of up to \$15,000,000 under a revolving line of credit through to February 2015. This was extended first, through to March 2017 and subsequently through to September 2019. However, the amounts borrowed under this Agreement were partially repaid after the IPO; the balance outstanding at 30 June 2019 was \$2,000,000 (December 2018: \$2,150,000). Introduction of IFRS 16 increased the current liabilities by \$1,883,311 and non-current liabilities by \$2,183,660.

Notes to the Consolidated Financial Statements

7. Business acquisition

On 1st 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, \$1.0m in cash and a five year warrant exercisable at \$1.8352 share price.

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

	\$'000
Cash consideration	1,000
Equity consideration	24,102
Total purchase price	25,102
Trade and other receivables*	
Cash and cash equivalents	9,299
258	
Prepaid expenses and other assets	444
Property, plant and equipment **	641
Deposits held	71
Trade and other payables***	(11,112)
Fair value of net assets acquired	(399)
Fair value adjustment: Developed Technology	(1,918)
Goodwill	23,583

*The trade and other receivable include \$8.5m 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 \$8.5m bank loan, which was repaid in June 2019 and \$620,909 lease liabilities.

The transaction will help the company to springboard plans to widen its addressable target market exponentially, 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.

8. Post balance sheet events

There have been no material post balance sheet events.

9. Cautionary Statement

Boku has made forward-looking statements in this financial information, including statements about the market and benefits of its products and services; financial results; product development plans; the potential benefits of business relationships with third parties and business strategies. The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any

forward-looking statement. These statements are made by the directors in good faith based on the information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

Independent Review Report To Boku, Inc.

Introduction

We have been engaged by Boku Inc. (the “Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Condensed Statement of Cash Flows and the Notes to the Consolidated Financial Information.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors’ responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM, which require that the half-yearly report must be presented and prepared in a form consistent with that which will be adopted in the Company’s financial statements having regard to the accounting standards applicable to such financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants
London
9 September 2019

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



Boku, Inc.

2-6 Boundary Row, London SE1 8HP, UK