

Registered number: 08804411

REVOLUT LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

REVOLUT LTD

COMPANY INFORMATION

Directors	N Storonsky D D Waterhouse (appointed 26 September 2016)
Registered number	08804411
Registered office	1 Canada Square Level 39 Canary Wharf London E14 5AB
Independent auditors	Adler Shine LLP Chartered Accountants & Statutory Auditor Aston House Cornwall Avenue London N3 1LF

REVOLUT LTD

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REVOLUT LTD

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Business review

Revolut Ltd ('Revolut') provides global multi-currency exchange and electronic payment processing services. Revolut was incorporated in 2013 and introduced the Revolut mobile application and multi-currency prepayment card in 2015.

Revolut was Licensed by the FCA as an Electronic Money Services provider from May 16, 2016. During 2016 the firm has made a considerable investment in the technology infrastructure to support the expansion and on-going growth of this core business.

2016 has been the first year of full scale operations for the company and the revenue increased from £120k in 2015 to £2.4m in 2016. This was mainly driven by rapid growth in user base and activity. Revolut has also made additional effort to monetize the business model by introducing delivery fees and affiliate programs.

The principal direct costs were card scheme costs, acquiring costs and user acquisition costs. Cost of Sales went from £1.5m in 2015 to £7.8m in 2016, which is explained by significant business expansion.

General administrative expenses increased from £267k in 2015 to £1.7m in 2016. This was mainly driven by staff hires and regional expansion. Revolut has opened two offices in foreign countries – Russia, a development and design center, and Poland, a support center.

The company raised additional £8.9m of equity in July 2016 from a mixture of existing and new investors.

REVOLUT LTD

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties

Macroeconomic environment risk.

Revolut's business is sensitive to global macroeconomic conditions as the company's revenue is linked to number and volume of users' transactions which in turn depend on disposable income available to the users.

Regulatory risk.

Revolut operates in an industry subject to extensive and comprehensive regulation. Consequently, Revolut is exposed to many forms of risk in connection with compliance with a wide range of laws and regulations. Some examples would include breaching general organizational requirements, such as the requirement to have robust governance arrangements or failure to observe money laundering guidelines.

The management team is focused on responding effectively and timely to any changes in regulation to ensure that compliance with regulatory requirements is maintained.

Operational risk.

Revolut relies heavily on its operational processes and IT and related communications systems. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged by disruptive events such as cyber crime or human error. The company invested into robust operational systems and controls to be able to respond to unexpected events in an organised and timely manner and went through rigorous planning and testing.

Financial crime risk.

As a company that deals in client funds, Revolut is subject to a heightened risk of criminal activity and potential losses due to breaches of its terms of business by its customers (e.g. use of false identity to open an account or card cloning). In order to address this type of risk Revolut has robust KYC and AML procedures, and performs ongoing monitoring of transactions. Revolut is committed to maintaining a control environment that enables it to respond effectively to emerging financial crime threats as the company continues to grow.

Fluctuations in currency exchange rates.

As Revolut is providing its customers with foreign exchange services, the company has exposure to fluctuations in currency exchange rates. Revolut is operating in 120 currencies and holds its e-money float in GBP, USD and EUR. The company monitors its exposure in real-time and performs hedging transactions when appropriate.

Breaches of data security.

Revolut handles significant amounts of personal data, such as name, address and bank account details of its customers and therefore must comply with strict data protection and privacy laws and regulations. Revolut is investing in its digital platforms and building resilient and secure technologies in order to prevent breaches of data security. Additionally, Revolut performs regular penetration testing to ensure the robustness of systems.

REVOLUT LTD

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Financial key performance indicators

Main general business KPIs are listed in below. In addition to that management team regularly reviews and approves business specific KPIs that are used to report to monitor performance and report to investors.

- Sales growth of 1869% from 2015.
- Cost of sales growth of 406% from 2015
- Gross loss increase of 283% from 2015

This report was approved by the board on 16/06/17 and signed on its behalf.



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N Storonsky
Director

REVOLUT LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the year were:

N Storonsky
D D Waterhouse (appointed 26 September 2016)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

REVOLUT LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Auditors

The auditors, Adler Shine LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16/06/2017 and signed on its behalf.



N Storonsky
Director

REVOLUT LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REVOLUT LTD

We have audited the financial statements of Revolut Ltd for the year ended 31 December 2016, set out on pages 8 to 35. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those accounts and such reports have been prepared with applicable legal requirements. In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors Report.

REVOLUT LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REVOLUT LTD (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.

Paul O'Rourke (Senior Statutory Auditor)

**For and on behalf of
Adler Shine LLP**

Chartered Accountants
Statutory Auditor

Aston House
Cornwall Avenue
London
N3 1LF

Date: 16/6/17

Adler Shine LLP

REVOLUT LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		2,362,968	119,980
Cost of sales		(7,802,815)	(1,541,919)
Gross loss		<u>(5,439,847)</u>	<u>(1,421,939)</u>
Administrative expenses		(1,683,592)	(267,046)
Operating loss		<u>(7,123,439)</u>	<u>(1,688,985)</u>
Interest receivable and similar income		5,961	-
Loss before taxation		<u>(7,117,478)</u>	<u>(1,688,985)</u>
Tax credit	6	127,945	-
Loss for the year		<u><u>(6,989,533)</u></u>	<u><u>(1,688,985)</u></u>
Total comprehensive income for the year		<u><u>(6,989,533)</u></u>	<u><u>(1,688,985)</u></u>
(Loss) for the year attributable to:			
Owners of the parent Company		(6,989,533)	(1,688,985)
		<u><u>(6,989,533)</u></u>	<u><u>(1,688,985)</u></u>
Total comprehensive income for the year attributable to:			
Owners of the parent Company		(6,989,533)	(1,688,985)
		<u><u>(6,989,533)</u></u>	<u><u>(1,688,985)</u></u>

REVOLUT LTD
REGISTERED NUMBER: 08804411

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	7	122,623	31,093
		<u>122,623</u>	<u>31,093</u>
Current assets			
Stocks	9	420,770	-
Debtors: amounts falling due within one year	10	1,435,779	249,687
Cash at bank and in hand	11	2,312,201	1,850,606
		<u>4,168,750</u>	<u>2,100,293</u>
Creditors: amounts falling due within one year	12	(891,733)	(627,044)
Net current assets		<u>3,277,017</u>	<u>1,473,249</u>
Total assets less current liabilities		<u>3,399,640</u>	<u>1,504,342</u>
Provisions for liabilities			
Net assets excluding pension asset		<u>3,399,640</u>	<u>1,504,342</u>
Net assets		<u><u>3,399,640</u></u>	<u><u>1,504,342</u></u>

REVOLUT LTD
REGISTERED NUMBER: 08804411

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Capital and reserves			
Called up share capital	14	2	2
Share premium account	15	12,195,200	3,314,432
Other reserves	15	4,063	-
Profit and loss account	15	(8,799,625)	(1,810,092)
Equity attributable to owners of the parent Company		<u>3,399,640</u>	<u>1,504,342</u>
		<u>3,399,640</u>	<u>1,504,342</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/06/2017



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N Storonsky
Director

The notes on pages 17 to 35 form part of these financial statements.

REVOLUT LTD
REGISTERED NUMBER: 08804411

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	7	74,588	31,093
Investments	8	134	-
		74,722	31,093
Current assets			
Stocks	9	420,770	-
Debtors: amounts falling due within one year	10	1,426,188	249,687
Cash at bank and in hand	11	2,308,744	1,850,606
		4,155,702	2,100,293
Creditors: amounts falling due within one year	12	(898,534)	(627,044)
Net current assets		3,257,168	1,473,249
Total assets less current liabilities		3,331,890	1,504,342
Net assets excluding pension asset		3,331,890	1,504,342
Net assets		3,331,890	1,504,342
Capital and reserves			
Called up share capital	14	2	2
Share premium account	15	12,195,200	3,314,432
Other reserves	15	4,063	-
Profit and loss account	15	(8,867,375)	(1,810,092)
		3,331,890	1,504,342

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/06/2017



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N Storonsky
Director

REVOLUT LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£
At 1 January 2016	2	3,314,432	-	(1,810,092)	1,504,342	1,504,342
Comprehensive income for the year	-	-	-	(6,989,533)	(6,989,533)	(6,989,533)
Loss for the year	-	-	-	(6,989,533)	(6,989,533)	(6,989,533)
Equity-settled share based payments	-	-	4,063	-	4,063	4,063
Other comprehensive income for the year	-	-	4,063	-	4,063	4,063
Total comprehensive income for the year	-	-	4,063	(6,989,533)	(6,985,470)	(6,985,470)
Shares issued during the year	-	8,880,768	-	-	8,880,768	8,880,768
Total transactions with owners	-	8,880,768	-	-	8,880,768	8,880,768
At 31 December 2016	2	12,195,200	4,063	(8,799,625)	3,399,640	3,399,640

REVOLUT LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£
At 1 January 2015	2	-	(121,107)	(121,105)	(121,105)
Comprehensive income for the year					
Loss for the year	-	-	(1,688,985)	(1,688,985)	(1,688,985)
Other comprehensive income for the year					
	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,688,985)	(1,688,985)	(1,688,985)
Shares issued during the year	-	3,314,432	-	3,314,432	3,314,432
Total transactions with owners	-	3,314,432	-	3,314,432	3,314,432
At 31 December 2015	2	3,314,432	(1,810,092)	1,504,342	1,504,342

The notes on pages 17 to 35 form part of these financial statements.

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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	2	3,314,432	-	(1,810,092)	1,504,342
Comprehensive income for the year					
Loss for the year	-	-	-	(7,057,283)	(7,057,283)
Share-based payments	-	-	4,063	-	4,063
Total comprehensive income for the year	-	-	4,063	(7,057,283)	(7,053,220)
Contributions by and distributions to owners					
Shares issued during the year	-	8,880,768	-	-	8,880,768
Total transactions with owners	-	8,880,768	-	-	8,880,768
At 31 December 2016	2	12,195,200	4,063	(8,867,375)	3,331,890

REVOLUT LTD

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	2	-	(121,107)	(121,105)
Comprehensive income for the year				
Loss for the year	-	-	(1,688,985)	(1,688,985)
Total comprehensive income for the year	-	-	(1,688,985)	(1,688,985)
Contributions by and distributions to owners				
Shares issued during the year	-	3,314,432	-	3,314,432
Total transactions with owners	-	3,314,432	-	3,314,432
At 31 December 2015	2	3,314,432	(1,810,092)	1,504,342

The notes on pages 17 to 35 form part of these financial statements.

REVOLUT LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(6,989,533)	(1,688,985)
Adjustments for:		
Depreciation of tangible assets	32,625	4,840
Interest received	(5,961)	-
(Increase)/decrease in stocks	(420,770)	-
(Increase) in debtors	(1,186,159)	(206,905)
Increase in creditors	264,689	453,414
Share-based payments	4,063	-
Net cash generated from operating activities	<u>(8,301,046)</u>	<u>(1,437,636)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(124,088)	(30,247)
Interest received	5,961	-
Net cash from investing activities	<u>(118,127)</u>	<u>(30,247)</u>
Cash flows from financing activities		
Issue of ordinary shares	8,880,768	3,314,432
Net cash used in financing activities	<u>8,880,768</u>	<u>3,314,432</u>
Net increase in cash and cash equivalents	461,595	1,846,549
Cash and cash equivalents at beginning of year	1,850,606	4,057
Cash and cash equivalents at the end of year	<u><u>2,312,201</u></u>	<u><u>1,850,606</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,312,201	1,850,606
	<u><u>2,312,201</u></u>	<u><u>1,850,606</u></u>

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Revolut Ltd is a limited liability company incorporated and domiciled in England. The registered office is 1 Canada Square, Level 39, Canary Wharf, London, E14 5AB. The principal activity is that of e-money transaction processing services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 22.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, 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 control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	- 25% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.5 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.6 Development costs

All development costs are charged as an expense in the statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Stocks comprise of stock of prepay cards not yet distributed to customers.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options 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 Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

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 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 fair value of goods and services received.

2.15 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management makes various judgments which can significantly affect the amounts recognised in the financial statements. They are also required to use certain critical accounting estimates and assumptions regarding the future that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year. The critical judgments are considered to be the following:

Share based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Company makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 16. The accounting estimates and assumptions relating to these share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	<u>28,000</u>	<u>7,500</u>

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	1,361,276	267,497
Social security costs	147,447	26,747
	<u>1,508,723</u>	<u>294,244</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Staff	<u>32</u>	<u>7</u>

6. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	(127,945)	-
Total current tax	<u>(127,945)</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(127,945)</u>	<u>-</u>

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(6,989,533)</u>	<u>(1,688,985)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(1,397,907)	(337,797)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21,600	-
Capital allowances for year in excess of depreciation	(9,592)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(127,945)	-
Unrelieved tax losses carried forward	1,426,230	337,797
Other tax charge (relief) on exceptional items	(1,192)	-
Other differences leading to an increase (decrease) in the tax charge	(39,139)	-
Total tax charge for the year	<u>(127,945)</u>	<u>-</u>

A deferred tax asset of £1,510,468 (2015 - £325,417) was not recognised due to the uncertainty regarding the availability of future profits against which the losses of the company could be offset.

Factors that may affect future tax charges

In July 2015 the UK government announced its intention to reduce the standard corporation tax rate to 18% by 2020. The measure to reduce the rate to 19% for the financial year beginning 1 April 2017 and to 18% for the financial year beginning 1 April 2020 were substantively enacted on 26 October 2015.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2016	1,118	35,353	36,471
Additions	27,993	96,095	124,088
	<u>29,111</u>	<u>131,448</u>	<u>160,559</u>
At 31 December 2016			
Depreciation			
At 1 January 2016	104	5,274	5,378
Charge for the period on owned assets	2,555	30,003	32,558
	<u>2,659</u>	<u>35,277</u>	<u>37,936</u>
At 31 December 2016			
Net book value			
At 31 December 2016	<u>26,452</u>	<u>96,171</u>	<u>122,623</u>
At 31 December 2015	<u>1,014</u>	<u>30,079</u>	<u>31,093</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. Tangible fixed assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2016	1,118	35,353	36,471
Additions	5,574	65,110	70,684
At 31 December 2016	<u>6,692</u>	<u>100,463</u>	<u>107,155</u>
Depreciation			
At 1 January 2016	104	5,274	5,378
Charge for the period on owned assets	687	26,502	27,189
At 31 December 2016	<u>791</u>	<u>31,776</u>	<u>32,567</u>
Net book value			
At 31 December 2016	<u>5,901</u>	<u>68,687</u>	<u>74,588</u>
At 31 December 2015	<u>1,014</u>	<u>30,079</u>	<u>31,093</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
Additions	134
At 31 December 2016	134
 Net book value	
At 31 December 2016	134
At 31 December 2015	-

9. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Stock of cards	420,770	-	420,770	-
	420,770	-	420,770	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	168,467	-	168,467	-
Other debtors	1,264,931	249,687	1,257,721	249,687
Prepayments and accrued income	2,381	-	-	-
	<u>1,435,779</u>	<u>249,687</u>	<u>1,426,188</u>	<u>249,687</u>

11. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	2,312,201	1,850,606	2,308,744	1,850,606
	<u>2,312,201</u>	<u>1,850,606</u>	<u>2,308,744</u>	<u>1,850,606</u>

12. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	840,466	450,149	817,530	450,149
Amounts owed to group undertakings	-	-	29,737	-
Other taxation and social security	-	267	-	267
Other creditors	23,267	161,034	23,267	161,034
Accruals and deferred income	28,000	15,594	28,000	15,594
	<u>891,733</u>	<u>627,044</u>	<u>898,534</u>	<u>627,044</u>

Convertible loan stock was issued during the year. On 11 July 2016, all loan stock was converted to equity (see note 14).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	2,312,201	1,850,606	2,308,744	1,850,606
Financial assets that are debt instruments measured at amortised cost	1,433,399	249,688	1,426,190	249,688
	<u>3,745,600</u>	<u>2,100,294</u>	<u>3,734,934</u>	<u>2,100,294</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(870,700)	(465,743)	(877,501)	(465,743)
	<u>(870,700)</u>	<u>(465,743)</u>	<u>(877,501)</u>	<u>(465,743)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

14. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
11,315,780 Ordinary shares of £0.0000001 each	1.00	-
1,012,475 Ordinary shares of £0.000001 each	-	1.00
6,236,220 Preference A Shares shares of £0.0000001 each	0.50	-
577,237 Preference A Shares shares of £0.000001 each	-	1.00
5,095,865 Preference B Shares shares of £0.0000001 each	0.50	-
	<u>2</u>	<u>2</u>

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. Share capital (continued)

On 4 April 2016, 46,385 A Preferred Shares of £0.000001 each were allotted and fully paid at £13.6961 each.

On 22 April 2016, 11,250 Ordinary Shares of £0.000001 each were allotted and fully paid at £0.29 per share.

On 31 May 2016, 107,853 Ordinary Shares of £0.000001 each were allotted and fully paid at par.

On 10 July 2016, all shares in issue were subdivided by a factor of ten.

On 11 July 2016, 2,149,309 B Preferred Shares of £0.0000001 each were allotted and fully paid at £1.6816 each.

On 11 July 2016, 698,868 B Preferred Shares of £0.0000001 each were allotted and fully paid at \$1.5773 each. This was converted from loan stock issued in the year (see note 17).

On 12 September 2016, 598,664 B Preferred Shares of £0.0000001 each were allotted and fully paid at £1.6816 each.

On 15 September 2016, 1,649,024 B Preferred Shares of £0.0000001 each were allotted and fully paid at £1.6816 each.

At year end there were 11,315,780 Ordinary Shares of £0.0000001 each, giving an ordinary share capital of £1.13 (2015: 1,012,475 Ordinary Shares of £0.000001, giving £1.01 in total).

At year end there were 6,236,220 Preferred A Shares of £0.0000001 each, giving a Preference A share capital of £0.62 (2015: 577,237 Preferred A share of £0.000001, giving £0.58 in total).

At year end there were 5,095,865 Preferred B shares of £0.0000001 each, giving a Preferred B Share capital of £0.51 (2015: £nil).

15. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves

This records the fair value of equity-settled share options reserve.

Profit & loss account

This reserve records the retained earnings of the Group.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value of the options granted has been calculated with reference to the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

On 10 July 2016 there was a subdivision of shares. Each share of all classes was split into ten shares, with the nominal value of each share reduced by a factor of ten to £0.0000001.

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	0.38	2,300,000		-
Granted during the year	3.13	1,568,995	3.78	230,000
Exercised during the year	2.74	(1,191,030)		-
Expired during the year	0.75	(252,225)		-
Outstanding at the end of the year	2.17	2,425,740	3.78	230,000

The weighted average contractual life as at the balance sheet date was 9.33 years (2015: 10.19 years).

	March 2016 Black- Scholes	July 2016 <i>Black- Scholes</i>
Option pricing model used		
Exercise price (pence)	£0.03	£0.03
Expected volatility	42.7%	42.7%
Risk-free interest rate	0.74%	0.63%
	2016 £	2015 £
Equity-settled schemes	4,063	-

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

17. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	<i>Group</i> 2015 £	Company 2016 £	<i>Company</i> 2015 £
Not later than 1 year	91,575	121,500	80,760	121,500
Later than 1 year and not later than 5 years	5,280	-	5,280	-
	96,855	121,500	86,040	121,500

18. Transactions with Directors

Included within other creditors is £21,033 (2015: £161,034) owed to one of the directors, N Storonsky. During the year an amount of £140,001 was repaid to the director.

19. Post balance sheet events

After the balance sheet date, a number of share issues took place as follows:

On 7 February 2017, 37,170 Ordinary shares of £0.0000001 were allotted and fully paid at £0.032 per share.

On 17 February 2017, 23,000 Ordinary shares of £0.0000001 were allotted and fully paid at £0.029 per share.

On 30 March 2017, 4,284 ordinary shares of £0.0000001 were allotted and fully paid at £0.032 per share.

20. Controlling party

The ultimate controlling party is N Storonsky by virtue of his shareholding.

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

21. Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Revolut Technologies Russia Ltd	Russia	Ordinary	100%	Software Development

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Revolut Technologies Russia Ltd	68,883	67,749
	<u>68,883</u>	<u>67,749</u>

REVOLUT LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

22. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

REVOLUT LTD

COMPANY DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		2,362,968	119,980
Cost of sales		(7,802,815)	(1,541,919)
Gross loss		<u>(5,439,847)</u>	<u>(1,421,939)</u>
Less: overheads			
Administration expenses		(1,751,342)	(267,046)
Operating loss		<u>(7,191,189)</u>	<u>(1,688,985)</u>
Interest receivable		5,961	-
Tax on profit on ordinary activities		127,945	-
Loss for the year		<u>(7,057,283)</u>	<u>(1,688,985)</u>

REVOLUT LTD

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Turnover		
Sales	2,362,968	119,980
	<u>2,362,968</u>	<u>119,980</u>
	2016 £	2015 £
Cost of sales		
Direct manufacturing costs	5,448,146	1,247,675
Purchases	1,581,771	-
Wages and salaries	1,044,175	267,497
National insurance	113,779	26,747
Directors' remuneration	35,714	-
Closing stocks	(420,770)	-
	<u>7,802,815</u>	<u>1,541,919</u>

REVOLUT LTD

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Administration expenses		
Entertainment	38,690	2,016
Hotels, travel and subsistence	56,705	14,266
Research and development	585,134	-
Consultancy	39,496	42,680
Printing and stationery	2,644	1,156
Postage	86,487	5,458
Telephone and fax	1,713	1,334
Computer costs	93,625	7,338
Advertising and promotion	125,130	48,986
Trade subscriptions	2,464	-
Legal and professional	416,032	88,071
Auditors' remuneration	28,000	7,500
Accountancy fees	51,142	13,547
Bank charges	69,714	6,066
Difference on foreign exchange	(119,209)	(48,529)
Sundry expenses	4,154	5,623
Rent - non-operating leases	4,290	-
Rent - operating leases	228,807	65,600
Insurances	3,991	931
Repairs and maintenance	1,014	164
Depreciation	27,256	4,840
Share-based payments	4,063	-
	<u>1,751,342</u>	<u>267,047</u>
	2016 £	2015 £
Interest receivable		
Bank interest receivable	5,961	-
	<u>5,961</u>	<u>-</u>