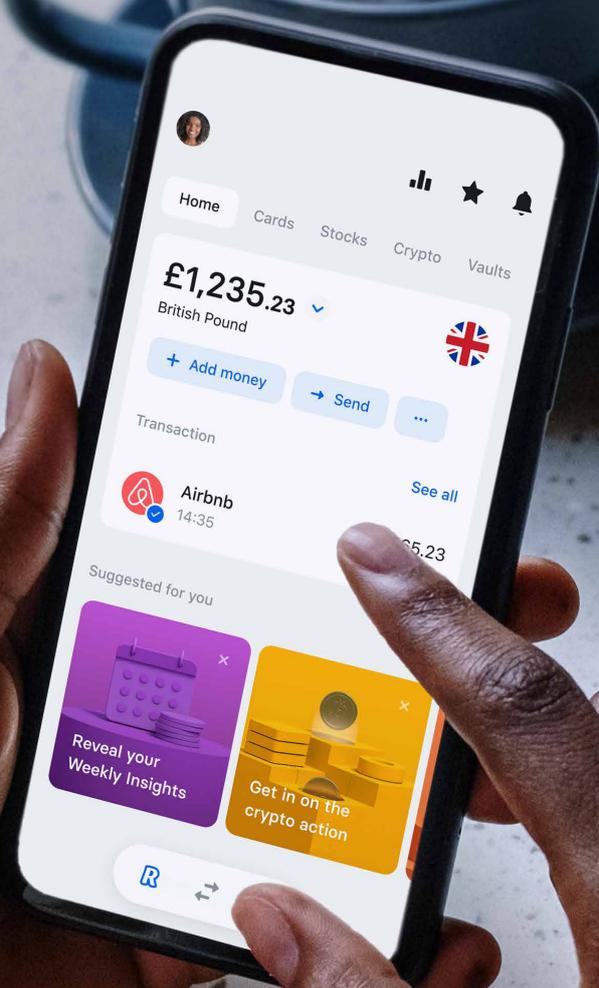


Revolut Ltd

Annual Report & Financial Statements

For the year ended
31 December 2020



Contents

3	Strategic Report
3	Revolut at a glance
4	Our mission, history and progress
5	Business highlights
6	Financial highlights
7	Chairman's statement
9	Chief Executive's review
11	Our business model and strategy
13	Business performance
15	Financial performance
17	Engaging with stakeholders
19	Risk management
27	Board of Directors
29	Directors' Report
35	Independent auditor's report to the members of Revolut Ltd
37	Consolidated and company financial statements
44	Notes to the consolidated and company financial statements
78	Appendix: Quarterly financial performance and other APMs (unaudited)
80	Company information

Revolut at a glance

Revolut is building the world's first global financial superapp, to help people get more from their money – from everyday spending to planning for the future.

In 2015 Revolut launched in the UK offering money transfer and exchange. As we start 2021, our customers around the world use dozens of Revolut's innovative products to make more than 150 million transactions a month.

Across our personal and business accounts, we help customers improve their financial health, give them more control, and connect people seamlessly across the world.



400k
junior accounts

15m
retail customers

500k
business customers

Launched in
July 2015

Operations in
35+ countries

2,200+
full-time employees

All figures as at 31 March 2021

Our mission

Revolut's mission is to build the world's first truly global financial services superapp. Our goal is to enable our customers to manage all their financial needs in a single app that is 10 times cheaper and easier to use than its competitors. To achieve that we aim to create a truly global digital bank.

Our history and progress

2020

- Launched in US and Japan
- Open banking in UK and EEA
- Launch of Revolut banking services in Lithuania and Poland
- Launched merchant acquiring for Revolut Business customers
- \$580m Series D fundraising

2019

- First expansion to Australia & Singapore
- Launched trading – offering access to fractional shares to millions of customers
- Launched donations – partnering with international charities to support global causes

2018

- Banking licence granted by Bank of Lithuania
- Launched Revolut Metal
- \$250m Series C fundraising

2017

- Launched Revolut Business
- Launched Crypto Trading across EEA
- Launched Revolut Premium
- \$66m Series B fundraising

2016

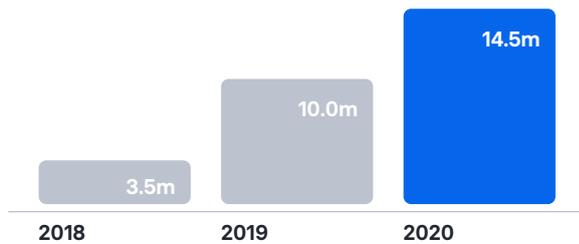
- 100,000 personal customers
- \$15m Series A fundraising

2015

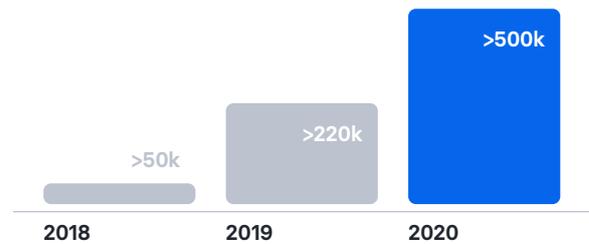
- Revolut launch

Business highlights

Retail customers up 45%



Business customers up 127%



A customer is a person or business who has accepted Revolut's terms and conditions

15 new retail products

- Interest-bearing Savings Vaults
- Open banking
- Gold and silver trading
- Junior accounts
- Cash gifting
- Rewards
- Pockets
- Bill sharing
- Subscription management
- Web app
- Early Salary
- Four new crypto currencies
- Confirmation of payee
- Revolut Plus

9 new business products

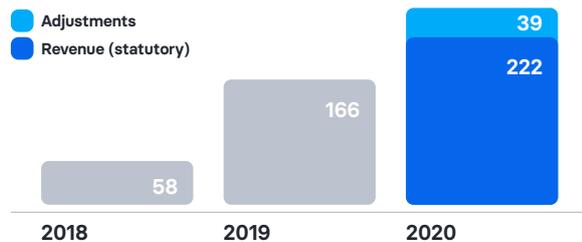
- Debit cards
- Instant European payments
- International transfers
- Direct debits
- Expense management
- Open banking for businesses
- Rewards
- Metal cards for business
- Merchant acquiring

Awards 2020

- Deloitte Technology **Fast 500** (EMEA)
- Tech Company of the Year at the **UK Tech Awards**
- Sunday Times **Tech Track 100** (UK)
- Telegraph **Tech Hot 100** (UK)
- **British Bank Awards** - Innovation of the Year (UK)

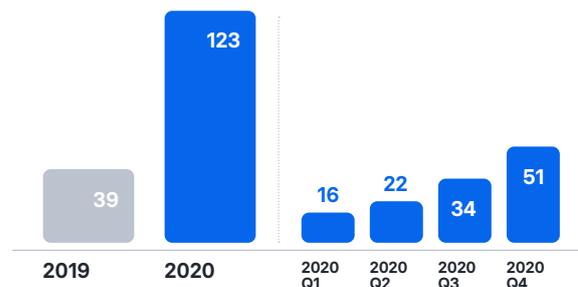
Financial highlights

Adjusted revenue up 57% to £261m (£m)



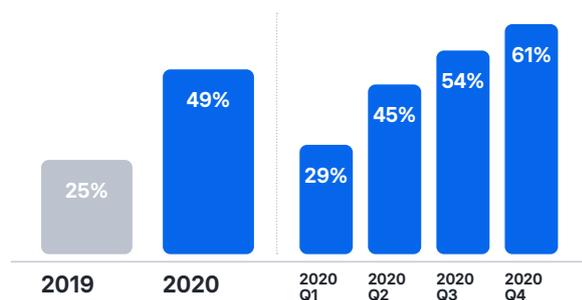
Adjusted revenue for 2020 comprises statutory revenue of £222m and fair value gains on cryptocurrency assets of £39m recognised in other comprehensive income. See note 5 for further details.

Gross Profit up 215% vs. 2019 (£m)



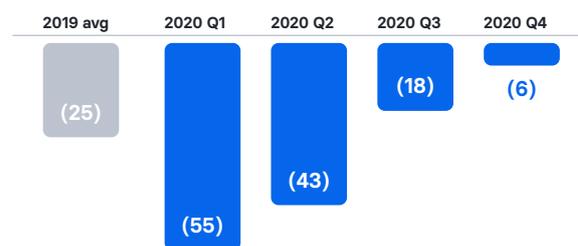
Gross profit as reported above is an APM and is defined as adjusted revenue less direct costs, excluding net onboarding costs. See appendix for further details.

Gross margin improved to 61%



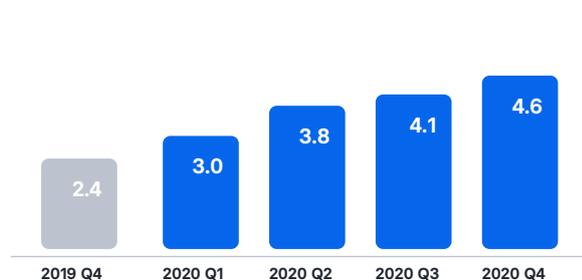
Gross margin as reported is an APM and is defined as gross profit as a percentage of adjusted revenue excluding onboarding income. See appendix for further details.

Quarterly adjusted operating losses reduced (£m)



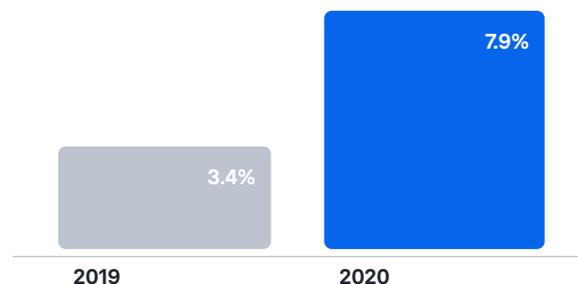
Adjusted operating loss excludes non-cash share-based payments charge.

Customer balances up 96% vs. 2019 (£bn)



Total e-money and customer deposits (Retail + Business).

Equity:asset ratio increased to 7.9%



Equity attributable to owners of the parent company as a percentage of total assets.

Certain alternative performance measures ("APMs") have been used in this report. See Appendix on page 78 for an explanation of the relevance and definitions of these APMs.

Chairman's statement

Despite turmoil around the world, in 2020 Revolut entered a new phase as it launched new products to better serve our growing customer base, broadened its global footprint, strengthened its capital base and enhanced governance and executive management.

A broader global footprint

While the global uncertainty triggered by the pandemic constrained spending, the business nevertheless continued to expand its global footprint. We launched in the US, Australia and Japan and started to roll out banking services in Lithuania and then Poland. At the end of the year we made our application for a UK banking licence and our application for an e-money licence in Ireland is progressing. In March 2021 we submitted a draft application to the US Federal Deposit Insurance Corporation ("FDIC") and the California Department of Financial Protection and Innovation, the first step in the process to obtain a US banking licence.

Capital requirements

In February 2020 we completed our Series D funding round led by TCV and joined by a number of existing investors, raising \$500m to strengthen the company's retail and business product growth, support the roll-out banking operations in Europe and underpin our progress towards profitability. The funding round was extended by a further \$80m from TSG Consumer Partners in July.

Board

We further strengthened the Board and executive management, bringing talent and experience to the company. Michael Sherwood and Ian Wilson joined the Board as non-executive directors in February, each with long experience in financial services.

Both contribute to what has become a strong and active Board, engaged in company strategy and providing robust challenge to the executive team. Bruce Wallace stepped down as a non-executive director in February 2021 on his appointment as prospective CEO of Brex Bank. The Board thanks him for his contribution and guidance.

We bolstered our governance framework, embedding a committee structure that reflects the scale and complexity of Revolut's business and the need for vigorous challenge and independent scrutiny.

A similar framework is being implemented in Ireland, Lithuania and the US and will be replicated in subsidiary boards globally to ensure continuity and cohesion across the Group.

CHAIRMAN

Martin Gilbert

"Our revenue growth through the year reflected the increasing relevance of our product mix, the attractiveness of subscriptions and our continued customer growth."



Outlook

COVID-19 and Brexit each provided challenges in 2020 and both left a permanent legacy.

COVID-19 accelerated the move towards digital banking and cashless transactions, reducing the volume of international business travel and changing the shape of many workplaces. We increased our efforts to diversify our revenues, reducing the reliance on interchange and international travel and developing tools and services to facilitate consumer adoption of digital financial management. Our revenue growth through the year reflected the increasing relevance of our product mix, the attractiveness of subscriptions and our continued customer growth.

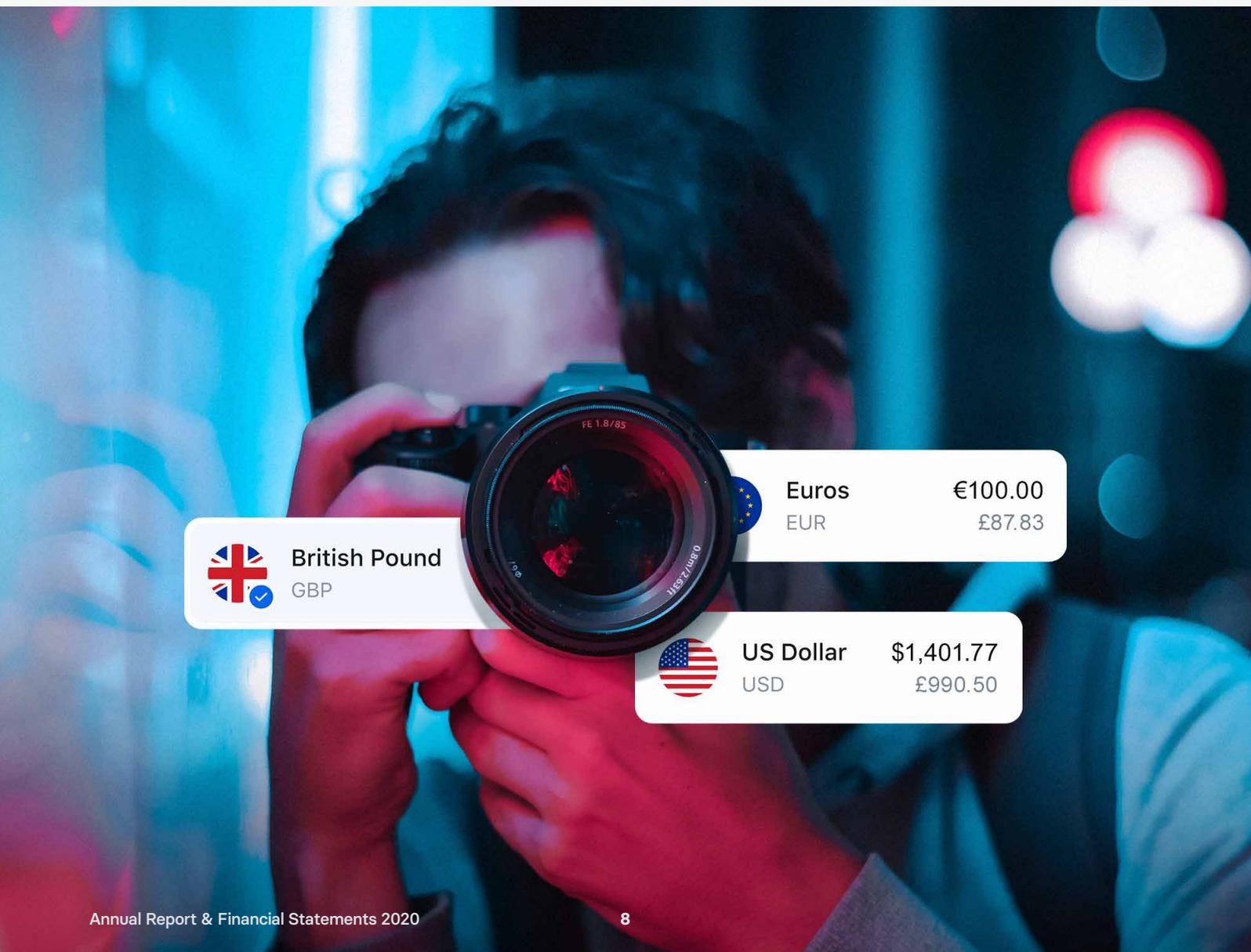
Brexit precipitated a major transition as we moved more than nine million EEA customers to our European entity. The migration was an operational achievement and a milestone on our path to roll out banking services across Europe.

We continue to draw European policymakers' attention to the failure to prevent local IBAN discrimination but expect to overcome this obstacle in due course by creating branches in several European countries which will offer domestic IBANs and strengthen our local banking offer.

The UK's recent Financial Services Bill and the Kalifa Review of UK FinTech each recognise the dynamism of the FinTech industry and are welcome efforts to spur innovation. Around the world as countries recover from COVID-19 we are excited at the opportunities to bring Revolut's services to customers in the US and to further European and Asian-Pacific markets.



Martin Gilbert
Chairman
2 June 2021



 **British Pound**
GBP

 **Euros** €100.00
EUR £87.83

 **US Dollar** \$1,401.77
USD £990.50

Chief Executive's review

Every year is challenging but 2020 was both our most challenging and one in which we accelerated our aim to diversify our revenue and increase daily use services for our customers. We ended the year more resilient and productive than we started and on a continued rapid growth trajectory.

Despite the disruption of the pandemic across the world and of Brexit preparations in Europe, we made progress in 2020, ending the year with two months of profitability, almost five million additional retail customers and having doubled full-year gross margins over 2019.

The discipline required to reduce or eliminate non-essential costs also enabled us to accelerate activities and investment that followed our goal of creating a financial superapp, developing and releasing some 24 new retail and business products and enhancements to make customers' lives easier and drive daily use. By managing costs and focusing on margin driving activity we have strengthened our ability to invest in long-term, profitable growth.

Operationally we contended with the global challenge of COVID-19 and Britain's exit from the European Union which required the migration of more than nine million customers from our UK to our European EMI entity.

Our focus on innovation and technology enabled us to increase adjusted revenue* by 57% from £166m in 2019 to £261m in 2020. Our effectiveness in controlling costs and improving gross margin enabled us to reduce the quarterly adjusted operating loss* from £55m in Q1 2020 to £6m in Q4 2020, and to achieve an adjusted operating profit in November and December, supported by strong trading conditions.

Our successful \$500m fundraising in February 2020, extended by \$80m in July 2020, strengthened our capital position and supported continued product innovation and the roll out of banking services in Lithuania, and later in Poland, enabling us to make further progress in our road to profitability. We ended the year with £417m equity as at December 2020.

We continued our focus on international expansion, launching in the US, Japan and, following the granting of our Australian Financial Services Licence, in Australia.

CHIEF EXECUTIVE

Nikolay Storonsky

"We focused on activities and investment that followed our goal of creating a financial superapp, developing and releasing 24 new products to make customers' lives easier and drive daily use."



* Certain alternative performance measures ("APMs") have been used in this report. See Appendix on page 78 for an explanation of the relevance and definitions of these APMs.

We strengthened our executive leadership with the addition of Steven Harman as Chief Operating Officer, Jim MacDougall as VP People and Matt Baxby as CEO Banking, replacing Richard Davies as Chief Banking Officer. Mikko Salovaara joined as VP Finance shortly after the end of the year. We've also built our leadership and resources across key functions including finance, audit and risk over the year.

I'd like to thank all our employees around the world who have shown such commitment this year. Our resilience and growth over the past year is their success.

As in every year, the most important people we engage with every day are our millions of customers. In March, as millions of workplaces closed, as schools, offices, airports and leisure facilities shut their doors, we hoped the disruption might be short but had little idea how our customers would respond. Their enthusiasm for new ways of running their financial lives, their curiosity about new products and their willingness to try new tools inspires us all and is the focus of all our efforts. I'd like to thank them too.



Nikolay Storonsky

Chief Executive Officer & Co-founder

2 June 2021



Our business model and strategy

We provide a wide range of financial services to retail and business customers around the world. By providing all-round account visibility and great value personalised products to meet all their financial needs, we aim to give our customers full control of their financial well-being and reduce financial exclusion. We intend to offer our services on a global scale, ensuring that Revolut operates efficiently wherever our customers may be.

This report relates to the operations of Revolut Ltd ("The Company") and its subsidiaries (together, "The Group").

Our products and services

In 2015, Revolut launched in the UK offering money transfer and exchange. Today, retail and business customers around the world use dozens of innovative Revolut products to make more than 150 million transactions a month.

Revolut helps customers improve their financial health, gives them more control, and connects people seamlessly across the world.

We provide retail customers with services including electronic money and payments through a prepaid card via a free and tiered subscription model, peer-to-peer payments, foreign currency exchange services, junior accounts, exposure to precious metal commodity prices, the ability to buy and sell certain shares and fractional shares in listed companies and cryptocurrencies through the Group's trading partners, savings products through its Vaults offering, insurance intermediary services and rewards when shopping with the Group's partners.

Launched in 2017, Revolut Business provides similar electronic money and payments services, multi-currency exchange services, merchant acquiring, prepaid corporate cards, and international and domestic bank transfers for small and medium enterprises and freelancers.

In July 2020, Revolut launched consumer lending services, comprising unsecured loans and credit cards, to customers in Lithuania through its Lithuanian incorporated banking subsidiary, Revolut Bank UAB, which is authorised and regulated by the Bank of Lithuania. These services were extended to Polish customers towards the end of the year.

Our customers

By the end of 2020 we had registered almost 14.5 million retail customers and more than 500,000 business customers. We have seen further growth into 2021 and reported reaching 15 million retail customers in February.

Learning from how our customers use our services is key to developing the quality and range of our products and enhancing their experience. We designed the Revolut app and its products and services from the ground up, working backwards from the needs of our customers. We monitor their feedback using metrics such as net promoter score ("NPS") and Customer Satisfaction reviews and we analyse in detail how customers use our product so that we can prioritise what they value most and make our products, marketing and communications relevant and valuable to them.

Our people

We place a high value on attracting, retaining and developing talented people throughout our business and promoting a diverse and inclusive culture. Our team is key to our success and we work hard to develop our colleagues’ skills and talents and to improve their experience in the workplace.

Some of our steps to engage with and support our employees’ wellbeing and to introduce diversity and inclusion initiatives are set out in the Diversity, Inclusion and Employee Engagement section of the Directors’ Report below. Like many fintech businesses, while we attract a very diverse talent pool across the business, that diversity reduces towards the top of the company. In addition to the initiatives mentioned below, we want to raise the proportion of women in our leadership team to at least 20%. This is supported by our new Women in Leadership programme, by recruitment and sourcing policies and will need a company-wide effort to be successful.

In what could have been a very challenging year given our COVID dispersal we worked hard to strengthen company culture, further develop our values and make these central to performance management. We look forward to continuing this work throughout 2021.

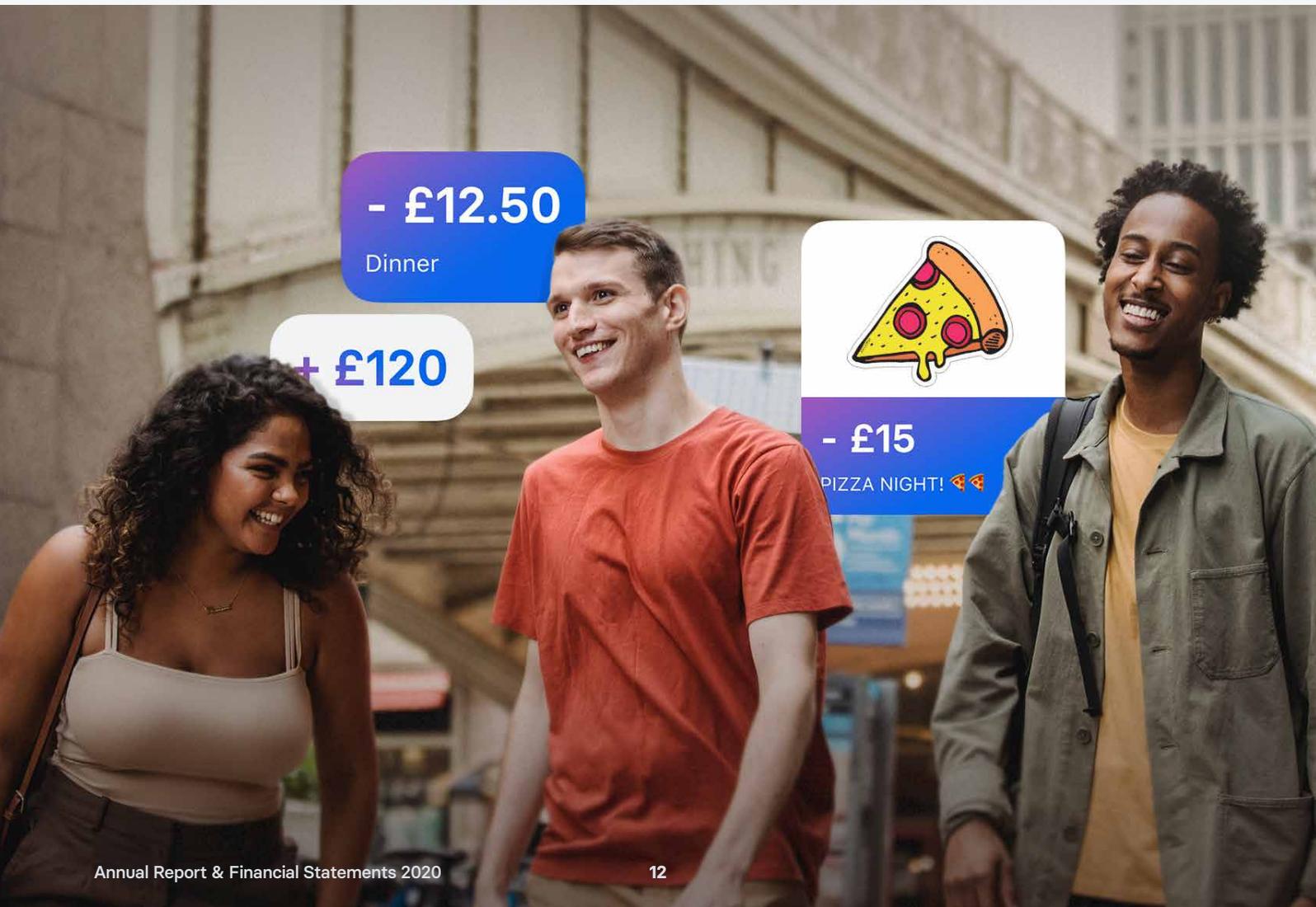
Our technology

The Group continues to invest in our technology infrastructure, improving our product offering and user experience. Since day one we have been focusing on building a scalable and cost-efficient infrastructure, unburdened by legacy IT systems or physical branches. Developing key components of our back-end infrastructure in-house gives us a competitive advantage in this respect. The dynamic nature of our technology enables us to make enhancements quickly as we receive feedback from our users and learn more about their requirements.

Looking ahead

Our priorities from 2021 onwards focus on three strategic objectives:

1. Drive primary account adoption
2. Continue to grow our customer base
3. Launch and grow new product lines



Business performance

Despite the impact of COVID-19, 2020 was a year of innovation and growth in which we made progress towards our goal of delivering the first truly global financial services superapp.

Customers	2020	2019	Change
Total retail customers	14.5m	10.0m	+45%
Total business customers	>500k	>220k	+127%

Customers

Customer growth in the year was strong, in particular considering COVID-19 headwinds. Retail customer numbers grew by 45% to 14.5m by year end and total business sign-ups by 127% to more than 500k.

Despite reduced travel and payments activity, our enhanced suite of products ensured that customer activity levels were broadly in line with previous periods. We expect this to continue to improve as lockdown restrictions are relaxed.

Subscribers to our paid metal and premium plans increased by 51%, outpacing overall customer growth. We increased the proportion of new customers converting to paid subscriptions from 11% to 14% driven by a stronger product mix.

In 2020 we focused on improving customer experience through an extensive programme addressing all aspects of a customer’s journey, from satisfaction with support, eliminating defects and improving customer response times. We delivered significant improvements during 2020, increasing average satisfaction with agent interaction from 4.6 to 4.8 stars (out of five) and reducing the percentage of detractors among those using support from 4% to 2%. Further operational excellence projects will continue in 2021.

We work hard to protect customers. We run regular, dedicated education campaigns to help customers identify and prevent fraud and we participate in industry-wide awareness campaigns. We introduced confirmation of payee and we highlight the security features of disposable and virtual cards and the ability to freeze cards or switch off contactless payments in the app. We continue to argue that social media and telecoms companies must do more to prevent the misuse of their tools to exploit customers.

We took further action to protect vulnerable customers, enabling customers to block gambling funded by credit and to toggle off the ability to gamble from their account. As well as identifying vulnerable customers through predictive tools we provide training for agents to identify and support these customers and we restrict the marketing of certain products such as crypto trading to them. We also welcomed training sessions with the Samaritans to help support agents identify and help vulnerable or distressed customers.

Product innovation

During 2020 we launched 15 new products and innovations for retail customers designed to make their financial lives simpler, make daily budgeting easier and help them save and make the most of investment opportunities. These included interest-bearing savings vaults, open banking, gold and silver trading, Junior accounts, Cash Gifting, Rewards, Pockets, bill sharing, subscription management tools, our web app, Salary Advance, new crypto tokens, confirmation of payee and the launch of Revolut Plus.

Revolut Business launched a new interface and mobile functionality. New products included debit cards, instant European payments, international transfers, direct debits, expense management, open banking, Metal cards, Rewards, and discounts on services and integrations. We launched our acquiring solution as part of the Revolut Business starter pack, enabling businesses in 13 European countries to accept online card payments directly into their accounts, providing companies with an end-to-end solution to enable them to manage everything in one place.

In 2020 we began to operationalise the Revolut UAB banking licence, offering banking services and credit products to our first customers in Lithuania and later in Poland. In 2021 we intend to passport this licence to offer banking services and credit products more widely in Europe.

Technology

Throughout 2020 we continued to invest in the technology that underpins our platform and services. We strengthened the scaling and resilience of core systems to support continued rapid customer growth and further scaled our data platform. We refreshed and unified the look and feel of the Revolut Business and Retail apps across all digital platforms. We launched our in-house card processing platform for MasterCard and VISA and the beta phase of our in-house card acquiring platform. We introduced new international and local payment channels (including SEPA Instant, Sofort, iDeal in EU, local payments in Singapore, Australia and Japan). We continue to develop and operate sophisticated systems to reduce fraud and improve customer security. This year these included developing an in-house system for identity identification and investing in multiple projects to maintain high levels of information security. We also continued to automate internal processes and controls, improving productivity and reducing cost across functions.

International expansion

Our expansion continued at pace with the launches of initial services in the US, Australia and Japan. By the year end more than 200,000 customers had signed up to Revolut US.

In 2021 we will strengthen our focus on the US, where we intend to apply for a banking licence to offer an even more diverse range of financial services to our customers. These will strengthen our initial offer that included Junior, crypto, and a 4.5% bonus on eligible savings.

We announced our ambition to launch in India and have begun recruitment and are exploring further opportunities to expand and innovate internationally and offer new services enabled by technology, such as open banking, analytics, account management and the democratisation of wealth management.

COVID-19

As the pandemic spread, we closed offices around the world, switching to fully remote working from late March. Retail Payments revenue declined by more than 40% in April (compared with March) as international travel ceased, physical spending contracted and customer activity was curtailed by lockdowns in most countries.

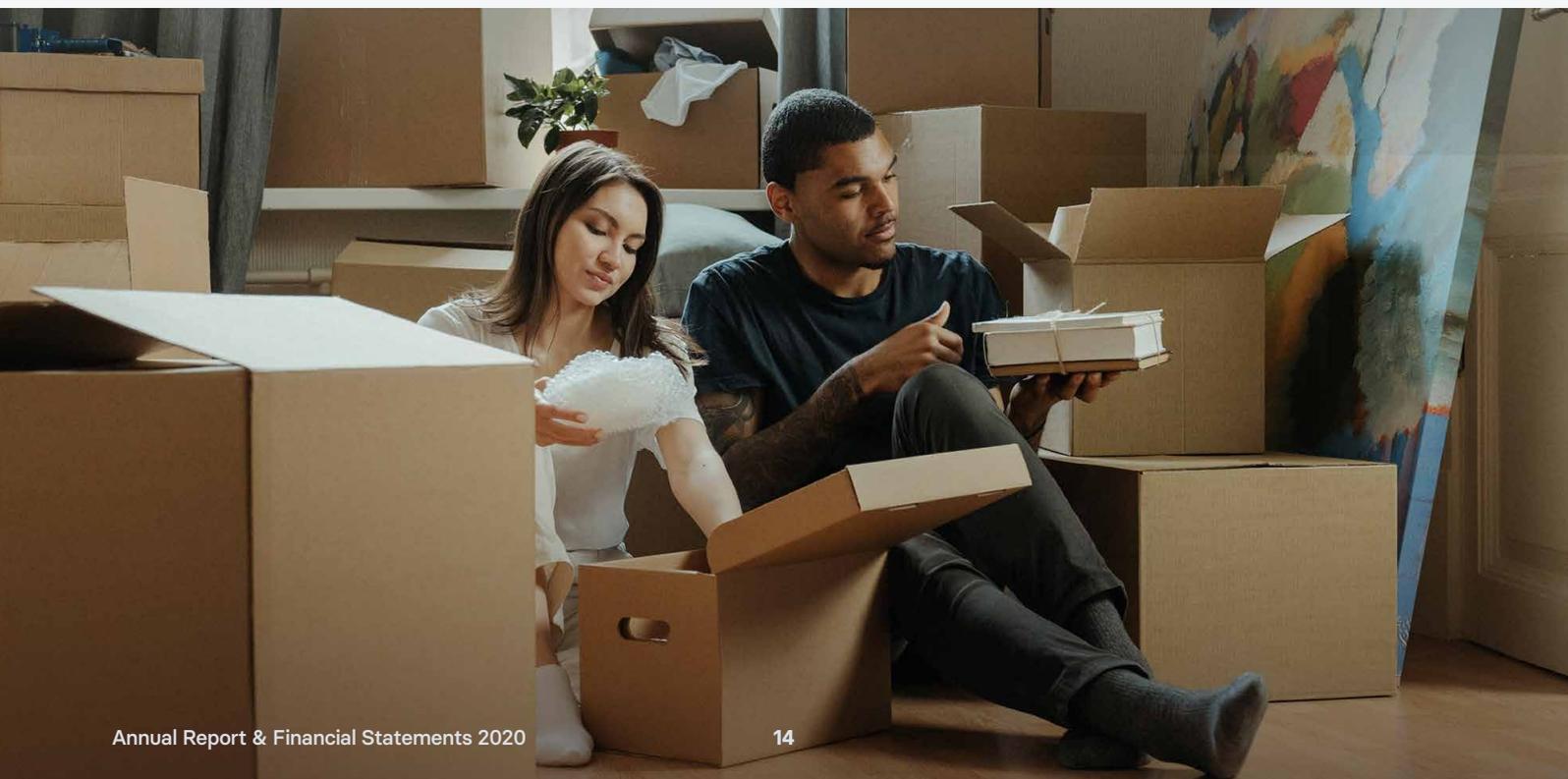
We halted marketing and discretionary spending, paused hiring and re-examined all costs, renegotiating, reducing or cancelling third-party spend, substantially reducing general and administrative costs and improving operating margins.

Our response to the pandemic strengthened our business. We learned that we could maintain and increase productivity while our whole workforce worked from home, adapting overnight to meeting through video calls and collaborating remotely.

Though international travel and many other activities reduced significantly, customers switched to online shopping, leisure and entertainment, and we grew our total and paid customer base throughout 2020 as we benefited from our improved proposition and increased diversification of our product offering.

Brexit

Revolut's Brexit programme migrated more than 9 million EU retail and 85,000 EU business customers from Revolut Ltd to our Lithuanian entity, Revolut Payments UAB, monitoring customer queries, issues and complaints throughout and minimising customer disruption. This exercise ensured continuity of service for our EU customers and we continue to monitor the feedback from migrated customers to ensure that any issues are identified and addressed promptly.



Financial performance

Our financial performance during 2020 reflects continued customer growth and proposition improvement. Our strong recovery from COVID-19 impacts demonstrates the benefits of increased diversification of our business model.

Key performance indicators	2020	2019	Change
Revenue (statutory)	£222m	£166m	+34%
Adjusted revenue*	£261m	£166m	+57%
Gross profit*	£123m	£39m	+215%
Gross margin*	49%	25%	+24pp
Adjusted operating loss*	£122m	£98m	+24%
Total comprehensive loss for the year	£168m	£107m	+57%
Customer balances	£4.6bn	£2.4bn	+96%
Total equity	£417m	£96m	+334%
Equity:Asset ratio	79%	3.4%	+4.5pp

Adjusted revenue* by business line	2020 £m	Share of Total % 2020	2019 (restated) £m	Share of Total % 2019	YoY Increase %
Card & Interchange	95	36%	74	45%	28%
Foreign exchange and wealth	80	31%	32	19%	150%
Subscription	75	29%	39	23%	92%
Other income	11	4%	21	13%	(48%)
	261	100%	166	100%	57%

*Certain alternative performance measures ("APMs") have been used in this report. See Appendix on page 78 for an explanation of the relevance and definitions of these APMs.

Adjusted revenue grew by 57% year on year, to £261m (2019: £166m). Our business proved resilient to the challenges of the COVID-19 pandemic, which adversely impacted payment volumes and margins from March onwards, reducing Q2 revenue by 12% compared with Q1. This was particularly pronounced for International payment volumes which declined by two-thirds compared to pre-COVID-19 levels and reduced the overall blended interchange rate by 40%. We anticipate that this business will return as restrictions are relaxed.

In the second half of the year these effects were more than offset by increases in other product areas including Subscriptions, Trading and Business. Adjusted revenue in the second half of 2020 was 41% higher than in the first half. Q4 revenue increased by 30% on Q3, benefiting from strong trading conditions.

Full-year gross margin improved significantly during 2020 from 25% in 2019 to 49% in 2020, and rose to 61% in Q4. This improvement reflects the focus on higher margin products and efficiencies in execution costs, which reduced underlying cost of sales (mainly card scheme costs, acquiring costs and customer acquisition costs) year on year. Combined with revenue growth, gross profit achieved in 2020 was a three-fold increase on 2019.

Administrative costs increased from £125m in 2019 to £266m as we continued to invest in growth and capability throughout the business, including enhancing our Risk, Compliance and Control functions. We sharply reduced discretionary costs during the year, in particular in response to the COVID-19 pandemic, such that Q4 costs were 17% lower than Q1, driving a reduction in operating loss.

Costs reported in 2020 include £40m in respect of share options issued to staff, compared with £8m in 2019, reflecting higher numbers of staff overall, high levels of equity participation in the salary swap scheme launched mid-year, and a higher accounting valuation following the fundraising in February and July.

Our operating result was adversely impacted by negative interest rates especially on Euro deposits reducing other operating income/ (expense) by £8m year on year.

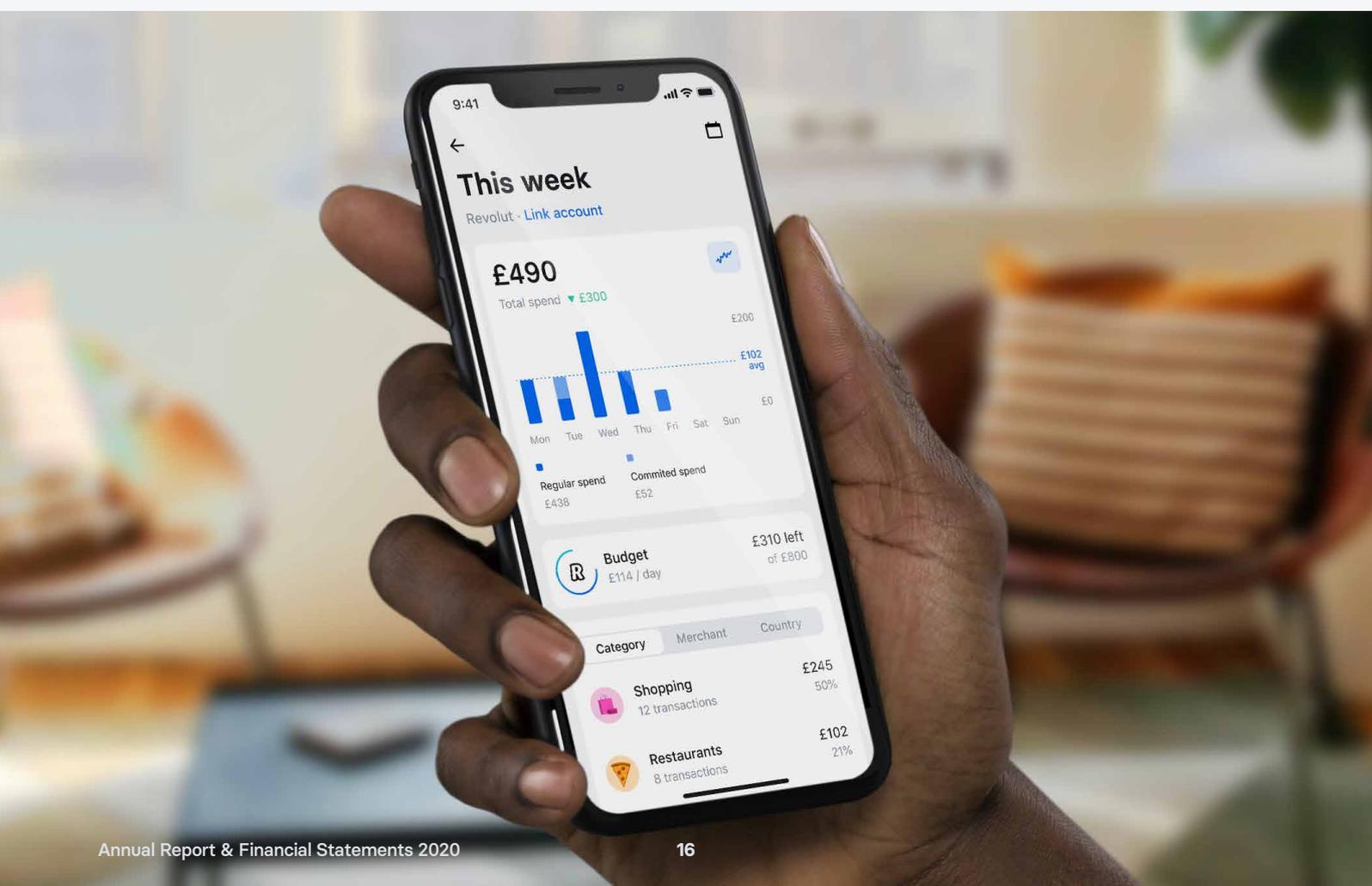
The combination of revenue growth, effective cost control throughout 2020 and improved gross margins reduced adjusted operating loss to £6m in Q4, compared with £55m in Q1 and £43m in Q2. We reported adjusted operating profits in November and December 2020, supported by strong trading conditions towards year end.

Customer deposit balances nearly doubled to £4.6bn compared with £2.4bn in 2019, driven by customer growth and increased deposits per customer, with average deposits increasing by over 30%.

Capital strength

While sustainable financial growth is key to delivering our vision, our business may require additional capital from time to time as we pursue our growth objectives. Our business incurs development and operating costs ahead of building recurring revenue streams from our customers; as a result, operating losses incurred in the early years create the foundation for profitable growth to follow.

During 2020 we secured \$580m of Series D equity funding raising \$500m in February and a further \$80m in July from a range of existing and new investors. As a result, the group was well capitalised entering the COVID-19 pandemic, and remained well capitalised as at December 2020 with £417m of total equity. The funds raised continue to be used to support our growth plans and allow continued investment in our systems, people and infrastructure. Our ratio of Equity to Total Assets has more than doubled from 3.4% at 31 December 2019 to 7.9% at 31 December 2020.



Engaging with stakeholders

Revolut's success depends on building and maintaining successful relationships with our stakeholders. When making business decisions, the Board is mindful of its responsibilities under s172(1) of the Companies Act 2006 to promote the long-term success of the company having regard to its range of stakeholders, as discussed in this section and in our Directors' Report below.

Foster business relationships with suppliers, customers and other stakeholders

We describe our engagement with customers above.

Partners and suppliers

Our industry is highly interconnected and the Revolut experience depends on our strong relationships with our partners and suppliers. We collaborate with some of the most innovative companies in the industry to protect our customers and develop the pioneering products they love. We endeavour to deal with all suppliers as valued partners.

Our investors

We value the trust, confidence and views of our investors. We provide regular updates on financial performance, strategy, culture and business developments. Our investors are important partners and offer guidance to Revolut on a range of matters.

Interest of employees

We place a high value on attracting, retaining and developing highly talented people throughout our business and promoting a culture of diversity and inclusion. We work hard to develop our colleagues' skills and talents and to improve their experience in the workplace. In 2020 we introduced initiatives focused on diversity and inclusion. We continue to review recruitment practices to attract and hire more women and carried out a group-wide data capture to understand our current diversity and inform company decisions on this topic.

People and culture initiatives are championed by senior management and regularly discussed at our Executive Committee and Board. To assess employee engagement and well-being we collect anonymous feedback continually across the business and publish employee satisfaction scores and feedback for each business unit. At our regular company-wide Town Hall meetings senior management present strategic plans and progress, new product demonstrations and focused training. As most employees worked from home for most of 2020, we made particular efforts to monitor and maintain employee morale and well-being. We introduced a company-wide weekly newsletter, podcasts with senior leaders and moved Town Hall meetings fully online.

We surveyed employees to assess the support they needed to work remotely and provided equipment grants, support forums and tips for people working from home. In response to employee feedback, we are making the option to work flexibly permanent and pivoting our offices into innovation and collaboration hubs or "Revolut Labs". Employees can spend as much or as little time as suits them in Revolut Labs, working face to face or remotely. Where possible, hiring is no longer location specific enabling us to offer opportunities to a far greater number of non-mobile candidates.

Impact of operations on the community and the environment

We want to build trust with our customers and the communities around them. We work hard to understand and support the issues and causes that concern the communities we work amongst.

Our donations feature enables customers to give safely and effortlessly to the causes that mean the most to them, such as the Trussell Trust's COVID-19 food bank appeal, ILGA Europe's mission to support LGBTI rights or the WWF's activities to protect the natural world. Since the launch of Revolut Donations, our customers have given more than £3 million to charity. 100% of each donation goes to the chosen charity. We are proud this year of our new partnership with the Royal British Legion, which allowed people in the UK to make their donation to the Poppy Appeal in a COVID-19-secure manner.

The Engaging with stakeholders section describes how the directors have had regard to stakeholders' interests when discharging the directors' duties as set out in Section 172 of the Companies Act 2006.

Maintain a reputation for high standards of business conduct

As a significant payments institution in the UK and Europe, we value the opportunity to engage with governments and regulators to help develop policies that protect customers, promote competition and better services and enable us to offer customers ever better choice and value.

We take such dialogue seriously and engage with regulators and governments on topics including conduct, risk, compliance and the sustainable development of the industry. In 2020, to assist governments in planning support for communities and the economy during the COVID-19 pandemic, we provided guidance on how spending in different sectors was affected during and after lockdown.

We place a high value on compliance with all relevant regulations and require the highest levels of integrity and ethical behaviour. We require employees to undertake appropriate mandatory training and to attest annually that modules appropriate to their role have been completed. To reinforce training, employees are sent regular reminders of key compliance rules and requirements through a "Compliance Bot" and are asked to confirm that they have read and understood the content of the bulletin.

Revolut is committed to complying with all applicable anti-bribery and corruption laws and regulations and does not tolerate bribery or corruption in any form. We require transparency and integrity in all our business dealings to avoid any improper advantage or the appearance of questionable conduct by our employees or associated third parties. Third parties associated with Revolut are prohibited from offering, promising, giving or authorising any form of solicitation, agreement to receive, or accepting anything that constitutes or could be perceived as constituting bribery or corruption.

Our mission is to make financial services fair and accessible for all. We are committed to delivering fair customer outcomes and always look for ways to better support and protect our customers, particularly the most vulnerable. We focus on recognising the drivers for vulnerability, providing flexible and tailored support and we work continuously to research and develop new features to support the needs of our customers.

Act fairly as between members of company

Revolut is committed to acting fairly with its members and being transparent in its activities and directions.

Likely consequences of any decision in the long term

Revolut's Board of Directors and its committees consider holistically the long-term potential consequences of any decision on its stakeholder groups and ensure that the same consideration is given by all Revolut's business units. The Board is provided with regular reports from our business units, including key decisions taken, material risks and business performance updates, which provide the Board with assurance that the interests of all stakeholder groups are carefully considered.



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Risk management

Our Risk and Compliance teams sit at the core of Revolut, working across functions, products and regions to monitor front-line performance and ensure that the business can perform and grow on a safe footing. Over the past two years, alongside Revolut's customer and commercial development, we have strengthened our risk and compliance management and control capabilities. Revolut has invested in high-calibre people covering the entire risk spectrum, nearly doubling the size of the group teams to some 140 people at the end of 2020 and building risk and compliance capability in operational subsidiaries. We have upgraded our risk management framework and supporting tools and infrastructure.

Our annually refreshed Risk and Compliance Development Programme is designed to maintain and ensure control over high risk areas, focusing on our capabilities in respect of our key strategic threats, improving risk culture and engagement and continuing to build a world-class and innovative set of risk products, tools and processes.

Elements of our approach to risk management

Revolut operates a comprehensive Enterprise Risk Management Framework ("ERMF"), which has been significantly refined and extended as we have built out specialisation in all areas of risk management over the past couple of years.

The ERMF establishes our approach to identifying, measuring, monitoring, mitigating and reporting risks of all types. It documents the methods and tools and overarching governance structures within our "three lines of defence" operating model. The framework establishes clarity of roles and responsibilities across the organisation, while setting the ground rules to measure, report and escalate risks and governance issues.

Risk and compliance culture

We view risk and compliance culture as the shared beliefs and values concerning risk and risk and compliance management that affect and are affected by our risk taking and control decisions and the outcome of these decisions. Revolut understands that strong risk culture stems from an understanding of individuals' roles and responsibilities within the three lines of defence and an alignment with the Company goals and values.

We undertake activities to positively influence Revolut's risk culture, namely:

- Training and awareness building; based on specific and data-driven training needs analysis (e.g. informed by occurrence of risk incidents, engagement with governance, etc.)
- Investment in making risk processes and tooling accessible, engaging and easy to use
- Incentivisation through positive reinforcement and consequence management through our "Karma" scheme, a points-based system driven by an evaluation of business engagement with second line processes, which converts into a portion of departmental bonus remuneration
- Embedding risk management discipline through our growing network of Business Control Officers situated in our key product and service teams.

Risk strategy and appetite

Our risk strategy is the bridge between the Group's strategy and our risk appetite. It is based on the following guiding principles:

- Responsible, controlled and sustainable growth;
- Prioritising our prudential risk obligations by maintaining adequate capital and liquidity resources to support growth in a safe and sound manner;
- Complying with regulatory requirements across all of our jurisdictions;
- Building and maintaining confidence of all our business stakeholders; and
- Developing and retaining people with a growth and risk mindset who are committed to balancing speed and quality of delivery with sound governance processes.

This strategy is supported by the Group Risk Appetite Statement, where Revolut determines the significant risks and aggregate risk levels that it is willing to accept in order to achieve its objectives. In some cases, we are not willing to accept exposure to certain risks and a strategy of full risk reduction is adopted. In other cases we are willing to accept a moderate level of risk inherent in our chosen business model as long as the risk is taken rationally and is subject to appropriate levels of internal control.

Revolut expresses risk appetite using qualitative statements and quantitative limits for Key Risk Indicators. Qualitative statements are articulated for each risk type in our risk taxonomy. These are set and approved at least annually by the Board, taking into account the risk and reward trade-off of business activities. Board level KRIs are supported by executive level monitoring KRIs across the risk spectrum.

Risk governance and policies

Revolut's risk governance approach defines governance as the combination of processes and structures implemented by the Board to inform, direct, manage and monitor Revolut's activities to achieve its objectives for the benefit of its stakeholders. Oversight of risk and strategic operations is conducted through the committee structure illustrated in the Directors' report on page 30.

Our policy framework ensures that each principal risk across our taxonomy is addressed through appropriate policies and procedures that act as directive controls for the operation of the business. These are established in a hierarchy including: i) tier 1, board approved policies; ii) tier 2, executive committee approved policies; and iii) tier 3, departmental management approved policies. Our risk management processes and platform enable linkage between regulations, policies and underlying processes and controls to monitor and ensure compliance and policy conformance.

Risk and control assessment and monitoring

Risk assessment provides management with a view of events that could impact the achievement of its objectives. It is integrated into management processes and conducted using a top-down approach (see principal risks and uncertainties, below) that is complemented by a bottom-up assessment process. Our three-level risk taxonomy ensures adequate coverage and enables risk data aggregation at multiple levels. This assessment process combines probability (from almost certain to unlikely/rare) with impact, using a framework that incorporates metrics that assesses financial impact as well as impact on customers, regulators and employees.

Scenario analysis and stress testing

Scenario analysis refers to the quantification and explanation of the impact of the risks contained within a scenario which allows the Group and its entities to assess the risks and propose appropriate mitigating actions. Revolut conducts this analysis as part of its various stress testing activities whereby analysis is performed based on quantitative techniques, supplemented with qualitative overlays, to provide quantitative assessments of a defined scenario.

Principal risks and uncertainties

Principal Risk	Mitigants	Outlook
Strategic Risk		
<p>Strategic risk refers to the risks that threaten to disrupt the assumptions underpinning Revolut’s business model and strategy, thereby materially affecting the achievement of our strategic objectives.</p> <p>Revolut approaches strategic risk monitoring and management from three aspects:</p> <ol style="list-style-type: none"> 1. Strategic positioning, to make sure the right strategy is in place; 2. Strategic execution, monitoring threats to the ability to execute the defined strategy; and 3. Strategic consequences, covering repercussions of strategic choices. <p>Some key strategic risks to which Revolut is exposed include its ability to iterate fast, grow sustainably, attract, retain and develop a high-performing team and grow in line with changes to macroeconomic, political, regulatory and other external factors.</p>	<p>Revolut’s strategy is defined and overseen by our Executive Committee. The strategy is articulated in company goals supported by Key Performance Indicators (“KPIs”) which are regularly reviewed and assessed. Threats to our strategy are monitored through Key Risk Indicators (“KRIs”) and other automated monitoring tools with formal processes to investigate and remediate potential or actual breaches to appetite.</p>	<p>As the 2020 COVID-19 pandemic showed, restrictions on customers’ ability to undertake travel and other expenditure can negatively affect Revolut’s ability to generate revenue. The launch of new products helped to mitigate this risk as it diversified the Group’s revenue streams.</p> <p>Revolut continues to closely monitor the global pandemic through automated monitoring tools and regular committee reviews to ensure contingency plans are sufficient. Revolut plans to keep expanding its product offering to further diversify revenue streams and to expand its presence in Europe, the US and APAC regions.</p>
Capital and Liquidity Risk		
<p>Capital Risk is the risk that Revolut does not hold adequate capital to support its business activities based on its regulatory requirements and risk profile.</p> <p>Liquidity risk is the risk that Revolut cannot meet its financial obligations when they fall due.</p> <p>Funding risk is the risk that Revolut does not have sufficient stable sources of funding to meet its financial obligations when they fall due or can do so only at excessive cost. Risk arises when assets maturing during a particular period are lower than corresponding liabilities maturing during the same period. An unexpected increase in assets or a decrease in liabilities can also create liquidity risk.</p> <p>Revolut is, or may in the future be, exposed to a number of liquidity and funding risks, including: retail funding run-off, wholesale funding reduction, contingent off-balance sheet exposures and commitment drawdowns, intraday requirements, funding concentration, and foreign exchange risk. These risks are managed by the Treasury department with control and oversight provided by the Risk department, Asset and Liability Committee (“ALCO”), and the Board.</p>	<p>Capital risk is mitigated using KRIs that trigger immediate intervention if the Group capital runway falls below 12 months. Revolut Ltd holds capital buffers, ensuring that the entity has sufficient capital based on its risk profile and to mitigate the impact of a stress on the firm’s financial position.</p> <p>Revolut’s key liquidity policy is to maintain a portfolio of unencumbered, high-quality cash instruments and securities that are readily convertible to cash to ensure that it can meet all its financial obligations in business-as-usual circumstances and in stress conditions. Revolut currently complies with this policy by holding surplus cash in the form of overnight deposits with banks.</p>	<p>Revolut has, and expects to have in the future, sufficient excess unencumbered liquidity to support its business-as-usual and contingent financial obligations and sufficient capital to support its risk profile.</p>

Principal Risk	Mitigants	Outlook
Market Risk		
<p>Revolut provides foreign exchange and cryptocurrency services to its customers via multi-currency wallets that allow spending in different currencies. It is thus exposed to currency exchange rate fluctuations. We are exposed to FX risk arising from various corporate activities and stemming from revaluation of contractual cash-flows or assets and liabilities denominated in foreign currencies.</p> <p>Revolut is exposed to the risk that its earnings, capital or ability to meet business objectives could be adversely affected by changes in the level or volatility of market variables, which might include changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.</p>	<p>Revolut's market risk management policies and procedures provide effective and robust mitigation. Revolut monitors its exposures continually, using automated KRIs and associated processes reviewing metrics such as Value at Risk, FX stress tests for crypto currencies, FX profit and losses and interest rate risk. The company makes hedging transactions as appropriate. Key decisions are subject to review and approval by the ALCO.</p>	<p>The market risks for the firm have remained stable and well contained. While Revolut has grown significantly, the processes have remained robust, accurate and reliable. We expect the processes and market risk exposures to remain broadly consistent over the next year, although we anticipate that market risk will grow over time as Revolut further rolls out its credit offering, increasing its exposure to interest rate risk, and as its investment portfolio grows and includes more types of liquid assets.</p>
Credit Risk		
<p>Revolut is exposed to various credit risks in the course of our operations, the majority of which arise from our placements of corporate and client safeguarded funds with financial institutions. These are typically investment grade rated institutions. We also have short-dated credit exposure for receivables due from merchant acquirers used to process user card top-ups.</p> <p>In July 2020, Revolut launched consumer credit products, comprising loans and credit cards in Lithuania, adding the same offer in Poland in December. As a result, we have small amounts of retail credit risk. As at 31 December 2020 gross lending amounted to £1.4m and is currently not material.</p>	<p>To manage credit risk appetite, Revolut's credit risk management policies and procedures require all counterparties giving rise to credit risk to be assessed at least annually and assigned a credit risk limit commensurate with their risk profile, subject to approved materiality thresholds. Revolut's Credit Risk function monitors adherence to limits and appropriate management of credit risks where deterioration is identified. Key decisions are subject to review and approval by the ALCO.</p>	<p>Revolut's exposure to financial institutions is expected to evolve over time alongside the Group's intention to obtain bank licences in the US and UK, with plans to grow a high-quality liquid assets portfolio to support meeting regulatory large exposure thresholds alongside this.</p> <p>The Group intends to scale up its consumer credit offerings in a controlled manner to ensure that its credit models are robust. We expect growth in the retail credit portfolio over the coming year.</p>

Principal Risk

Mitigants

Outlook

Conduct and Regulatory Risk

Revolut is a customer-focused company that operates in a highly regulated industry. Revolut is exposed to many risks related to compliance with a wide range of laws and regulations in different global jurisdictions. These include the conduct risks associated with customer outcomes, market integrity and effective competition in the jurisdictions in which Revolut has customers.

The Group mitigates Conduct & Regulatory risk through its Enterprise Risk management framework across the product life-cycle. Key controls, processes and governance oversight exist throughout the product life-cycle and customer journeys to mitigate potential risks, with clear roles, responsibilities and oversight arrangements defined at operational and organisation levels. Regulatory risk is further enhanced by comprehensive policies and procedures underpinned by an extensive mandatory staff training programme.

Governance is fulfilled through the Compliance, Operational & Conduct Risk Committee, with clear escalation lines to the Group Executive Risk Committee & Board Risk and Compliance Committee.

Revolut is seeing an increase in the inherent risks associated with Conduct & Regulatory risk, which are directly aligned to the expansion of products, jurisdictions and volume of customers. We continue to mitigate this through our Enterprise Risk management framework.

Financial Crime Risk

The Group's activities involve significant volumes of transactions in client funds and it 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 the laundering of illicit funds).

Revolut has robust Know Your Customer ("KYC"), Anti-Money Laundering ("AML"), and Sanctions policies and procedures, monitors transactions in real-time and screens all customers on a daily basis. Revolut is committed to maintaining a control environment that enables it to respond promptly and effectively to emerging financial crime threats.

Through a combination of Group-wide and entity-level risk assessments, governance programmes and advanced technology, Revolut continues to invest in industry leading approaches to Financial Crime prevention and detection.

Revolut continues to adapt its approach to emerging risks to ensure the effectiveness of its Financial Crime infrastructure.

Principal Risk	Mitigants	Outlook
Operational Risk		
<p>In the course of its business activities Revolut relies on its operational infrastructure, technology, processes and employees, which create an inherent risk of loss stemming from any potential failures in these areas.</p>	<p>Revolut has a clear and comprehensive view of its key risks and controls, established business accountability of its risk profile and senior management risk reporting to the Board Risk and Compliance Committee ("BRCC").</p> <p>Our active risk management approach has been further embedded, driving key risk and control initiatives forward from initiation to design and implementation including around Internal Fraud Management, Authorised Push Payments Fraud, Operational Resilience and improved indicators over high-risk processes.</p> <p>The successful execution of Revolut's strategy is reliant on recruiting and retaining the right people to support its growth.</p> <p>Revolut continues to invest in its Operational Risk and Operational Resilience capability to enable a prompt and effective risk identification, assessment and response to events. The Company continues to invest in strengthening its core teams, including at the Executive level, as well as in people engagement and culture initiatives.</p>	<p>The Company continues to invest in its Operational Risk and Resilience capability through further enhancements to its automation and predictive detection and forecasting capability.</p> <p>While the major sources of operational risk will continue to increase along with business growth, our intensified efforts to strengthen controls or introduce new controls where necessary, are reducing overall residual key risks.</p>

Third Party Risk		
<p>The Group relies on third parties and outsourcing service providers across a number of channels, including payment processing, regulatory compliance, foreign & crypto exchange, trading services, AML and other critical services.</p> <p>A number of our third parties rely on a high level of staff to support our services.</p>	<p>The Group mitigates this risk through its third party and outsourcing risk management framework, policy and governance structure, and ongoing monitoring of outsourced services.</p> <p>We work closely with third parties to ensure we are resilient and can continue to deliver our services with minimal disruption. This approach meant that we were well placed to manage risks arising from COVID-19.</p> <p>The Group is developing its operational resilience by taking a number of key functions in-house to reduce its reliance on third parties.</p>	<p>As a regulated and compliant institution we review our procedures and processes from time to time. Over the past year the vendor due diligence process has evolved and will continue to over the next year. We are currently streamlining our vendor due diligence process by enhancing our policy and procedures and the materiality assessment for existing and new vendors.</p>

Principal Risk	Mitigants	Outlook
Cyber and Data Security Risk		
<p>As an app-only financial services provider, cyber security threats which might attempt to access Revolut systems or customer and payment data are a principal risk.</p> <p>Revolut handles significant amounts of personal data provided by its customers, as well as employee data and confidential corporate information, and must comply with strict data protection and privacy laws and regulations, while protecting its own reputation and corporate position.</p>	<p>Alongside the advanced security features it provides to customers, Revolut has implemented technical and organisational controls to reduce these risks. These include dedicated internal team-led application security testing, vulnerability management, a company-wide training and phishing threat simulation programme, advanced endpoint threat protection, external threat intelligence, monitoring and alerting across our key infrastructure and systems, 24/7 incident response coverage, security assurance of third parties and regular external testing and audit. Revolut implements industry-leading security features into the banking service, including location-based card security features and 3-domain secure (“3DS”) push notifications to ensure that stakeholders can trust the service.</p> <p>Revolut continues to invest in its digital platforms and security posture, and builds resilient and secure technologies and processes to prevent breaches of data security.</p>	<p>As a cloud-based fully digital company, Revolut operated with minimal disruption during COVID-19, with employees able to work fully remotely. The cyber risks that follow a remote-working model and the opportunism of criminals during the pandemic have been closely monitored with additional controls implemented both for customer protection, and our staff and data protection. As this risk persists, the company will continue to strengthen our controls to support a long-term remote working strategy.</p> <p>Revolut operates a continual improvement approach to security controls, adapting to the threat landscape as it evolves.</p>

Model Risk		
<p>Revolut uses models for a variety of reasons, including (but not limited to) prediction of expected support headcount capacity, meeting accounting and regulatory requirements (e.g. expected credit loss (“ECL”) provisions, detection of fraud among its customers, stress-testing exposures to simulate severe market stress conditions, identification of control indicators for measuring conduct risk, and detection of money laundering/terrorism financing. The extensive use of models exposes Revolut to the potential for adverse consequences from decisions we make based on incorrect or misused model outputs.</p>	<p>The Group has a detailed and robust model risk framework. Model Risk is independent of revenue-producing units, model developers, model owners and model users, and reports to the Chief Risk Officer. It has primary responsibility for assessing, monitoring and managing model risk through oversight across Revolut’s businesses.</p> <p>The Model Risk Committee is the primary governance body overseeing this risk. It provides oversight and challenge to the identification, analysis and validation of material models, providing periodic updates to senior management and the Board Risk and Compliance Committee.</p> <p>In 2020 we increased the use of models for business decision-making, customer onboarding, monitoring of customer accounts using automated alerts and preventing and detecting fraud and money laundering.</p>	<p>Model risk management will be integral to our risk management strategy as we intensify our use of machine learning models and data analytics to responsibly grow our businesses, improve our customers’ experience and comply with regulations.</p>

Principal Risk	Mitigants	Outlook
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Change Management Risk

Inherent in our strategy is rapid and complex business change, through product innovation, geographic and market expansion and in supporting technological enhancement. This risk arises from organisational change, product introduction and enhancement and changes to our technology platform and supporting infrastructure.

While all business areas and staff manage continued change and development as part of the normal course of business, projects of significant materiality and cross-functional and cross-divisional coordination are managed through dedicated governance, including robust new initiatives approval processes to ensure that changes are effectively managed and delivered with executive and, where appropriate, Board oversight.

Revolut's approach to managing change has matured significantly over the past year. The roll-out of the change policy, increased awareness of departmental interdependencies and continued development of programme management helped to reduce change risk. Maturity of these processes helped in driving accountability within Revolut to manage change effectively. Revolut is driving an operational excellence initiative to enhance the quality of our products and improve customer experience.

The pace and volume of change at Revolut will continue as we roll out new products and features, create new entities in expansion territories, and continue organisational changes such as corporate restructuring to better enable internal group service delivery. Our change management policies, processes and governance will ensure that these changes are effected in a controlled manner.

This report was approved by the Board on 2 June 2021 and signed on its behalf.



Nikolay Storonsky
 Chief Executive Officer
 2 June 2021

Board of Directors

**CHAIRMAN****Martin Gilbert**

Martin Gilbert co-founded Aberdeen Asset Management in 1983, leading the company for 34 years and overseeing its 2017 merger with Standard Life. He is senior independent director at Glencore, deputy chair of River and Mercantile Group PLC (RMG), chair of Toscafund and of AssetCo plc and a non-executive director of Saranac Partners. Until November 2019 he was chairman of the UK's Prudential Regulation Authority's Practitioner Panel and was deputy chairman of the board of Sky PLC until 2018. Before this he was the chairman of FirstGroup. In 2015 he was ranked no. 22 of the Harvard Business Review's 900 top performing CEOs in the world. Martin holds an LLB from the University of Aberdeen and an MA in accountancy. He qualified as a chartered accountant with Deloitte.

**CEO & CO-FOUNDER****Nikolay Storonsky**

Nikolay Storonsky launched Revolut in 2015 to transform the way we spend and transfer money abroad. Since then, he has put Revolut on the path to becoming a global financial superapp. Before founding Revolut he was an emerging markets equity derivatives trader at Credit Suisse and Lehman Brothers, where he traded more than \$2bn across various options, swaps and FX instruments. Nikolay holds an MS in Applied Physics and Mathematics from the Moscow Institute of Physics and Technology and an MA in Economics from the New Economic School, Moscow.

**CTO & CO-FOUNDER****Vlad Yatsenko**

Vlad Yatsenko co-founded Revolut with Nikolay Storonsky in 2015 and is its chief technology officer. His software engineering experience spans industries including travel and finance and includes creating real-time billing systems at Comarch and booking engines for Sabre Airline Solutions. Having built financial software systems at tier one investment banks including UBS, Deutsche Bank and Credit Suisse, he realised that to deliver a next generation digital banking service he would need to build it himself. He holds a MS in Computer Science from the National University of Kyiv, Mohyla Academy.



NON-EXECUTIVE DIRECTOR, CHAIR, REMUNERATION COMMITTEE

Michael Sherwood

Michael Sherwood retired as vice chairman of Goldman Sachs and co-chief executive officer of Goldman Sachs International in 2016, after 31 years with the company and 22 years as a partner. He is a Board member of Moscot Inc and of Credit Benchmark Ltd, a trustee of Greenhouse Sports, chair of Grenada Schools, and a former trustee of the Mayor's Fund for London and the Serpentine Galleries. He was a founding sponsor of Harefield Academy and a member of the Westminster Abbey Development Board.



NON-EXECUTIVE DIRECTOR, CHAIR, AUDIT COMMITTEE

Caroline Britton

Caroline Britton was at Deloitte LLP for 30 years until 2018 and was an audit partner for 18 years. She is a non-executive director and chair of the Audit Committee at MoneySupermarket Group and at Sirius Real Estate Limited. She is a member of the Audit, Finance Risk and Investment Committee at Make-A-Wish International. Caroline holds an MA in Economics from the University of Cambridge. She is a fellow of the Institute of Chartered Accountants of England and Wales.



NON-EXECUTIVE DIRECTOR (CHAIR RISK & COMPLIANCE COMMITTEE FROM 21/02/21)

Ian Wilson

Ian Wilson spent much of his career with Royal Bank of Scotland, latterly as director of credit, retail banking. Later executive roles included managing director business banking at Santander UK, chief risk officer for GE Money UK, Tesco Bank, Charter Court Financial Services and Monzo Bank, strategic risk director for Virgin Money and executive director for Charter Court Financial Services. He is a chartered banker, a fellow and former vice president of the Chartered Banker Institute in Scotland and a fellow of the Institute of Financial Services.



NON-EXECUTIVE DIRECTOR, CHAIR RISK & COMPLIANCE COMMITTEE

Bruce Wallace

Bruce Wallace was chief operating officer and chief digital officer and head of global services at Silicon Valley Bank until 2018. He held senior roles at Wells Fargo for 21 years, latterly as senior vice president and head of treasury management services, payment services and risk operations. He has held board positions at The Federal Reserve Cash Advisory Council and many other organisations. Bruce Wallace stepped down from the Revolut Board in February 2021 to become prospective CEO for Brex Bank on its application for a US bank charter.

Directors' Report

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2020.

Matters covered in the Strategic Report

The Directors have addressed the following matters in the relevant sections of the Strategic Report:

- Review of the business performance: Business Performance and Financial Performance
- Strategy and future developments: Our Business Model and Strategy
- Engagement with suppliers, customers and others in a business relationship with the Group: Engaging with stakeholders
- Principal risks and uncertainties: Risk management

Results and dividends

The Total Comprehensive loss for the year, after taxation, amounted to £168m (2019 - loss £107m). No dividend was paid in 2020 (2019: nil).

Political donations

The Group has not made any political donations to, nor incurred any political expenses in relation to, any registered political parties, organisations or candidates.

Board responsibilities

Revolut's Board has overall responsibility for setting strategy and for oversight of Revolut's business, culture, risk management and internal controls.

In setting Revolut's strategy and culture, the Board seeks to promote the sustainable growth and long-term development of Revolut's business within the limits of our risk appetite. In discharging these responsibilities, the Board takes account of its obligations to, and the expectations of, all of Revolut's stakeholders including customers, shareholders and employees. The Board works closely with Revolut's regulators to ensure that we operate, at all times, within the regulatory frameworks which apply in the various jurisdictions in which we do business.

Directors

Revolut's Board comprises two executive directors, who founded the business, and five high-calibre independent non-executive directors who have deep and extensive financial services knowledge. Meetings of the Board are held at intervals of no more than six weeks and more frequently if required. Biographies of Revolut's Board members are contained in the Leadership section above. Martin Gilbert was appointed to the Board on 1 January 2020. Michael Sherwood and Ian Wilson were appointed to the Board on 21 February 2020. Bruce Wallace served as an independent non-executive director for the duration of 2020 and stepped down from the Board on 12 February 2021. Martin Mignot and Daniel Waterhouse each served as non-executive directors until 21 February 2020.

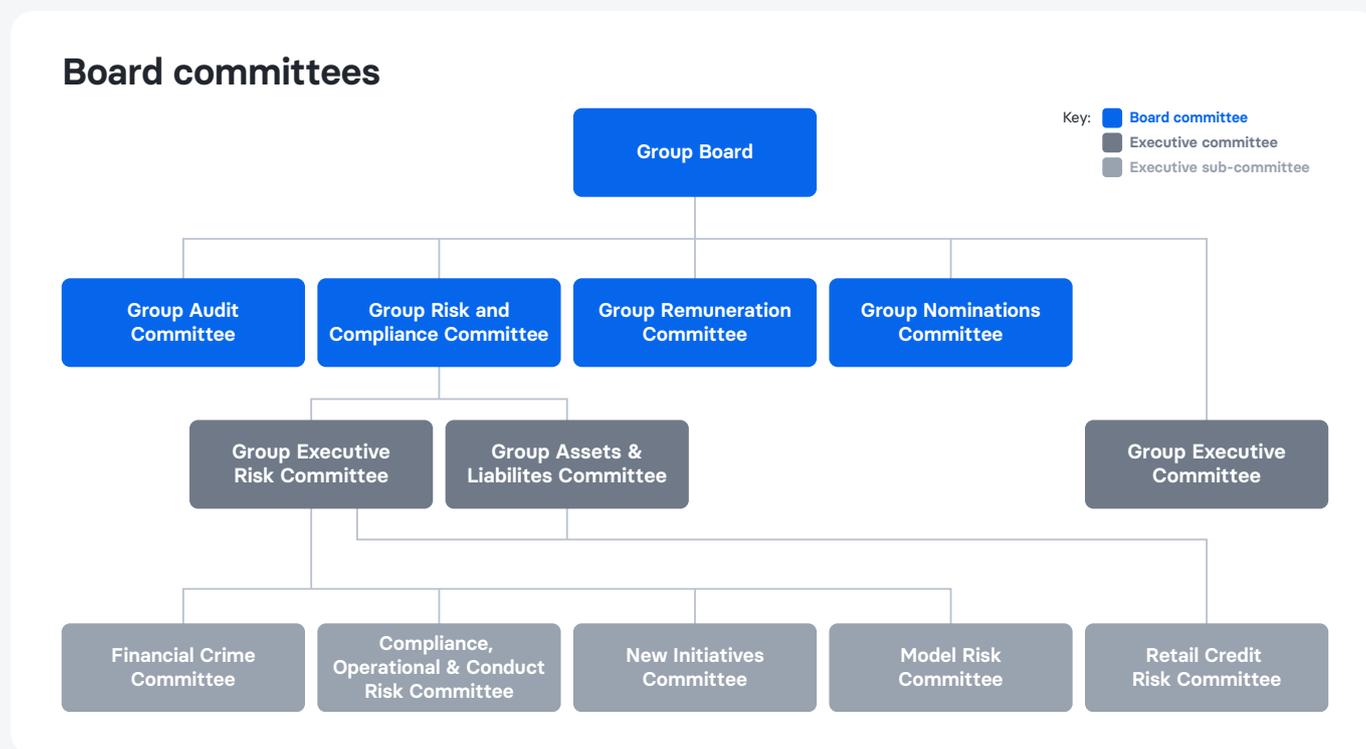
Revolut's independent non-executive directors ensure that the performance of management, including that of the executive directors, is challenged and scrutinised effectively.

Board committees

Revolut's Board maintains effective oversight over Revolut through a series of committees with delegated authority from the Board. The committees of the Board consist of the:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee; and
- Nominations Committee.

The above committees are shown in the diagram below:



Revolut's day-to-day operations are managed by the executive team, supported by three executive committees, being the:

- Group Executive Committee ("ExCo")
- Group Executive Risk Committee ("GERC")
- Group Assets and Liabilities Committee ("ALCO")

ExCo operates under delegated authority from the Board, while GERC and ALCO derive their authority from, and report to, the Risk & Compliance Committee.

In addition to the above, Revolut has the following executive sub-committees, which operate with delegated authority from GERC and/or ALCO (as applicable):

- Financial Crime Committee
- Compliance, Operational and Conduct Risk Committee
- New Initiatives Committee
- Model Risk Committee
- Retail Credit Risk Committee

Value-setting from the top

Our Board owns Revolut's strategy and strives to provide robust and constructive challenge to the executive team, holding each of them to account for their performance against our strategy and ensuring the strategy remains focused on good customer outcomes and market integrity. Our Board is fully engaged on conduct issues and sets the tone from the top. The Board, supported by its committees, understands the risks associated with our business and in particular how our business model and strategy could give rise to conduct issues. The Board also provides excellent guidance and leadership support to our executive team and, consequently, to all employees at Revolut. Our values, set by the Board, permeate our business and ensure that decisions are made in accordance with good governance, an appropriate risk appetite, in line with regulatory expectations and always with our customers at the forefront of our minds.

Our Board believes that Revolut's success comes down to two things: our people and our culture. Working with the Board, Revolut has developed clear company values against which we hire, develop, promote and operate. We believe that by hiring the best talent and allowing them to operate in a great culture, we deliver the best outcomes for our customers, our employees and our shareholders. Our company values set the foundation for our company culture. We keep our values under constant review and refreshed them during 2020. Our company values can be found on our website at www.revolut.com/our-culture.

Diversity, inclusion and employee engagement

Revolut is an equal opportunity employer, and we seek to promote diversity and inclusion in all that we do. All aspects of employment, including the decision to hire, promote, discipline or discharge, are based on merit, competence, performance, culture alignment and business needs. We do not tolerate discrimination or harassment on the basis of race, ethnicity, religion, marital status, age, physical or mental disability, medical condition, sexual orientation, gender identity or expression, or any other characteristic protected under the applicable legislation. We provide training to ensure that unconscious bias does not deny opportunities to underrepresented groups. We ensure fair and full consideration of applications for employment from people with disabilities and provide appropriate, relevant support and any adaptations required such that employees with disabilities can fully participate in the workplace and in their careers.

During 2020, Revolut introduced diversity and inclusion ("D&I") initiatives to support our D&I goals. We conducted an organisation-wide diversity data capture to enable the company to make better informed decisions on D&I strategy. We developed detailed dashboards to measure and monitor the gender split in recruitment to assess how to attract more women to Revolut. Our Women in Leadership programme aims to increase the number of women in director positions and above. Our five inclusive guilds: Women, Pride, Parents and Carers, BAME and Well-being, each have executive sponsorship to help support and drive change-initiatives.

We communicate regularly and frequently with employees and encourage and respond to feedback. Organisational matters and policy changes are communicated through Town Halls and online media. The CEO holds monthly Heads of Department briefings which are cascaded through the business. Further news and updates are included in our weekly newsletter and in podcasts with senior leaders.

Weekly pulse surveys provide staff feedback and enable us to assess engagement to ensure that the company can identify and address any issues quickly.

In 2020, Revolut engaged extensively with employees on their experience of working from home during COVID-19. Employees expressed a clear preference for home-working and a desire for continued flexibility, albeit many reported missing colleagues and face-to-face collaboration. In response the company is introducing permanent flexible working and will convert its office estate to flexible Revolut Labs for innovation and collaboration. To attract and retain the widest pool of exceptionally high-impact employees, Revolut will adopt a "remote first" hiring strategy across its business.

Revolut engaged often on enhancing employees' quality of life while working from home. Our "Hi5" bot, publicly recognises individual work and achievement on a daily basis in line with our cultural values. Our Hi5 "Wall of Fame" is celebrated at Global Town Halls and on Slack, attracting praise from leaders and colleagues.

Reward and employee share ownership

Revolut encourages employee share ownership and a meaningful proportion of most employees' total reward package (including performance bonuses) is paid in Revolut share-based awards. Following an HMRC decision in 2020, Revolut opted to increase the number of awards granted to employees to ensure that they were not adversely affected by an increased tax charge they would incur on their awards. This contributed to an increase in the share-based payments expense for the year, which totalled £40m. In February 2021, Revolut implemented a new growth share scheme to reward employees in a way that was attractive to them.

Revolut's new bonus framework, introduced shortly after year end, is designed to better align variable compensation with Revolut's performance. It includes a dedicated bonus pool for exceptionally high performing employees with mechanics similar to a partnership model. Partners will be high impact employees who have demonstrated a high standard of personal character and integrity, a track record of contribution to the business, continued commitment to the company's mission, vision and values and service with Revolut of not less than a year.

Directors' liabilities

Revolut has indemnified all Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. This qualifying third-party indemnity provision was in force during the year.

Research and development

The Group undertakes research and development activities in respect of the development and enhancement of its technology platform, and for the year ended 31 December 2020 research and development costs of £31.1m were recognised in the statement of comprehensive loss (2019: £13.2m).

Financial instruments

The Group enters into a number of material financial instruments as part of its business operations, and details of the Group's financial instruments are set out in note 24 of the consolidated financial statements.

The Group's financial risk management objectives and policies are set out in the Risk Management section of the Strategic Report, along with the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Licences and authorisations

In the UK, e-money services are provided by Revolut Ltd, which is authorised and regulated by the FCA under the Electronic Money Regulations ("EMR") as an authorised e-money issuer ("EMI"). In European Economic Area ("EEA") states these services are provided by Revolut Payments UAB, which is incorporated in Lithuania and which is authorised and regulated by the Bank of Lithuania as an EMI.

Before 31 December 2020, Revolut Ltd was able to provide services to non-UK EEA customers through its passporting rights under the EMR. In order to continue providing services to EEA customers following the end of the Brexit Transition Period (when the passporting rights would no longer continue to exist), during 2020 these non-UK EEA customers were migrated to Revolut Payments UAB. The Group also has a number of subsidiaries which are regulated and provide similar services in non-UK and non-EEA jurisdictions. These are listed in the notes to the consolidated financial statements.

Branches outside the UK

The Group operates through a number of branches outside the UK, the details of which are disclosed in note 15 of the consolidated financial statements.

Energy usage and greenhouse gas emissions

	Year ended 31 December 2020
Energy consumption used to calculate emissions:	687,869 kWh
Emissions from combustion of gas tCO ₂ e (Scope 1)	-
Emissions from combustion of fuel for transport purposes (Scope 1)	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	-
Emissions from purchased electricity (Scope 2, location-based)	160,370
Total gross CO₂e based on above	160.4 tonnes
Intensity ratio: tCO₂e/£million of revenue	0.72

Quantification and reporting methodology and organisational boundary

In providing the above disclosure we have followed the 2013 UK Government environmental reporting guidance, as updated and issued in March 2019, and applied the 2020 UK Government's Conversion Factors for Company Reporting.

We have used the financial control approach to define the organisational boundaries.

Intensity measurement

We have chosen the metric gross UK scope 1 and 2 emissions in tonnes of CO₂e per £million of revenue as this is a common business metric for our industry sector.

Energy efficiency actions

Revolut has taken a number of steps to reduce our carbon footprint. Our offices are equipped with energy-efficient lighting and electrical equipment and the energy used at our headquarters is from 100% renewable sources. This has also included going paperless to the extent possible, introducing restricted use of papers and only using recyclable papers where needed. All our facilities have reusable or recyclable items with restrictions on single-use plastic. Our waste is completely recyclable and we have zero landfill contribution. We expect our policy to expand to other areas as we grow.

COVID-19

Employees and employee safety

Revolut operated during the pandemic with no disruption to services to customers. The vast majority of Revolut employees worked from home for the duration of the pandemic, supported by the company throughout. From February 2020, Revolut actively monitored the COVID-19 situation around the world and provided daily updates, information and instructions to employees focused on their safety and wellbeing. From February and early March 2020 onwards Revolut required employees returning from high-risk jurisdictions to quarantine at home. Revolut required employees to work from home, in most cases, before government-mandated lockdowns, making arrangements for employees to receive desktops and other office equipment at their homes within the first week of home-working.

As countries prepared to lift certain lockdown restrictions and encourage workers to return to offices, Revolut developed an office booking tool and check-in app to ensure that numbers visiting the office were monitored and controlled, subject to daily limits, and attendance tracked. Work stations and communal areas were adapted to ensure that the office infrastructure and all office employees and contractors complied with government safety guidelines.

Post balance sheet events

Since the year end the Group has entered into a new £100m revolving credit facility, and repaid the remaining €91m outstanding on the existing term loan facility as at 31 December 2020.

On 9 February 2021 the Group announced to its employees that a new employee remuneration scheme was to be implemented in April 2021 for employees in the UK, Ireland, France and Portugal. The new scheme is a growth shares scheme which enables employees to either share in the growth of the value of the Group above a hurdle that will be determined at the grant date, or be entitled to the full value of a share in the event a certain growth hurdle is achieved, and will be offered to eligible employees as a replacement for the existing unapproved options scheme (see note 27 for further details of the existing scheme). Eligible employees could also elect to exchange their existing unapproved share options for growth shares at the time of implementation. As part of the arrangement, a loan of £3.2m (repayable within one year) has been made to the chief executive officer, Nikolay Storonsky, to fund the purchase of the Growth Shares.

Going concern

The Group's consolidated financial statements have been prepared on the going concern basis as, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence within its current regulatory permissions and business model for the foreseeable future.

In making this conclusion, the Board has given consideration to a number of key sources of information such as the Group's business plan and forecasts, including the performance of stress tests to assess the impact of plausible but severe downside scenarios, current trading performance, liquidity and capital resources, along with the Group's operational resilience and its business interruption plans given the ongoing COVID-19 pandemic.

The Group successfully navigated the macroeconomic challenges arising from the COVID-19 pandemic. As set out above, the Group completed a follow-on fundraising in July 2020, raising a further \$80m at the same valuation of the business prior to the start of the pandemic. In addition, despite the additional global restrictions since the autumn, the Group's performance to 31 December 2020, and subsequently in January and February 2021, has exceeded its business plan and forecasts at the revenue and adjusted operating loss levels, with a corresponding positive impact on the Group's capital and liquidity resources.

The Group has also continued to demonstrate its ability to continue to operate successfully despite the requirements for a significant proportion of its workforce to work from home over the past 12 months, following the implementation of the Group's contingency plans. These include prioritising the safety of the Group's employees, the continuity of service to the Group's customers and the compliance with the Group's regulatory requirements. This has been achieved through ensuring that the Group has the appropriate IT infrastructure in place to enable employees to work effectively from home, assessing the risk and monitoring the performance of the Group's third-party suppliers to address the risks of customer service interruption arising from failures in the provision of services to the Group, and actively monitoring a number of key KPIs and risk indicators to ensure that issues are appropriately identified and addressed on a timely basis.

Since the year end, the Group has refinanced its debt funding with a new revolving credit facility (see note 33 of the consolidated financial statements) that provides an improved funding structure to support the Group's continued growth with a lower cost of funding.

As described in the Strategic Report, the Group's business plan includes the establishment of a UK bank, subject to regulatory approval. In order to meet the initial regulatory capital requirements for the UK Bank the Group will be required to raise additional capital. However, to the extent that the Group does not successfully complete such a fundraising, it has the discretion to defer the establishment of the UK Bank until such time that the Group has sufficient capital, and this would not adversely affect the Group's ability to continue to operate as a going concern for the foreseeable future.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report /annual report and the 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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 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 on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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 directors are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the directors have 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.

Auditor

BDO LLP have indicated their willingness to be reappointed as auditors for another term and appropriate arrangements will be put in place for them to be deemed reappointed.

This report was approved by the Board on 2 June 2021 and signed on its behalf.



Nikolay Storonsky

Director

2 June 2021

Independent auditor's report to the members of Revolut Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 of its 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.

We have audited the financial statements of Revolut Ltd ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated income statement, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We gained an understanding of the legal and regulatory framework applicable to Revolut Ltd and the industry in which it operates and considered the risk of acts by Revolut Ltd which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Payment Services Regulations 2017 (PSRs 2017), the Electronic Money Regulations 2011 (EMRs), Financial Conduct Authority ("FCA") regulations, other relevant regulatory bodies, pension legislation and tax legislation. We focused on laws and regulations that could give rise to a material misstatement in the Group and the Parent Company's financial statements.

Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the audit committee;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and other relevant regulatory bodies;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgments made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations.

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

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
2 June 2021

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

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £000	2019 (restated) £000
Revenue	5	222,142	166,026
Direct costs		(152,412)	(148,932)
Administrative expenses		(266,159)	(124,534)
Impairment of financial assets		220	(261)
Other operating (expense)/income	6	(4,440)	763
Operating loss	7	(200,649)	(106,938)
Interest receivable and similar income	10	2,028	687
Interest payable and similar charges	11	(9,254)	(1,429)
Loss before taxation on ordinary activities		(207,875)	(107,680)
Tax credit on loss	12	1,843	915
Loss for the financial year attributable to owners of the parent company		(206,032)	(106,765)
Revaluation gain on intangible assets (cryptocurrencies) ¹	13	38,659	-
Currency translation differences		(439)	115
Total tax on components of other comprehensive income		-	-
Other comprehensive income for the year		38,220	115
Total comprehensive loss for the year attributable to owners of the parent company		(167,812)	(106,650)

¹ In accordance with FRS 102 and the Group's accounting policies revaluation gains above historic cost in relation to intangible assets (cryptocurrencies) are recognised in other comprehensive income. The corresponding loss on the associated customer balances is included within the revenue line. Further explanation of the accounting treatment for management reporting purposes is set out in note 5 and the appendix to the consolidated financial statements.

The notes on pages 44 to 77 form part of these financial statements.

Consolidated balance sheet

as at 31 December 2020

	Note	2020 £000	2019 (restated) £000
Fixed assets			
Intangible assets	13	411	93,927
Tangible assets	14	15,004	11,940
		15,415	105,867
Current assets			
Inventories	16	11,282	13,042
Debtors	17	156,432	211,560
Investments	18	50,366	-
Cash and cash equivalents	19	5,055,023	2,462,986
		5,273,103	2,687,588
Creditors: amounts falling due within one year			
Customer liabilities	20	(4,637,230)	(2,367,200)
Creditors	21	(230,507)	(206,163)
		(4,867,737)	(2,573,363)
Net current assets		405,366	114,225
Total assets less current liabilities		420,781	220,092
Creditors: amounts falling due after more than one year	22	(2,716)	(123,247)
Provisions for liabilities	23	(858)	(905)
Net assets		417,207	95,940
Capital and reserves			
Share capital	25	-	-
Share premium account	26	697,444	248,814
Foreign exchange reserve	27	(366)	73
Other reserves	27	50,818	10,369
Profit and loss account	26	(330,689)	(163,316)
Equity attributable to owners of the parent Company		417,207	95,940

The notes on pages 44 to 77 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 2 June 2021.



Nikolay Storonsky

Director

Registered Company number: 08804411

Company balance sheet

as at 31 December 2020

	Note	2020 £000	2019 (restated) £000
Fixed assets			
Intangible assets	13	351	93,848
Tangible assets	14	14,344	10,960
Investments	15	87,858	15,554
		102,553	120,362
Current assets			
Inventories	16	11,161	13,024
Debtors	17	124,809	226,653
Investments	18	50,366	-
Cash and cash equivalents	19	2,562,779	2,429,046
		2,749,115	2,668,723
Creditors: amounts falling due within one year			
Customer liabilities	20	(2,121,085)	(2,357,363)
Current liabilities	21	(285,119)	(205,672)
		(2,406,204)	(2,563,035)
Net current assets		342,911	105,688
Total assets less current liabilities		445,464	226,050
Creditors: amounts falling due after more than one year	22	(2,716)	(123,247)
Provisions for liabilities	23	(560)	(905)
Net assets		442,188	101,898
Capital and reserves			
Share capital	25	-	-
Share premium account	26	697,444	248,814
Foreign exchange reserve	26	(92)	87
Other reserves	26	50,818	10,369
Profit and loss account	26	(305,980)	(157,372)
Total equity		442,188	101,898

The notes on pages 44 to 77 form part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss for the year ended 31 December 2020 amounted to £148.6m (2019: loss - £98.3m).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 2 June 2021.



Nikolay Storonsky Director

Registered Company number: 08804411

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital account £000	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019 as previously presented	-	248,677	(42)	1,880	(56,444)	194,071
Impact of adoption of IFRS 9	-	-	-	-	(107)	(107)
At 1 January 2019 (restated)	-	248,677	(42)	1,880	(56,551)	193,964
Loss for the year (restated)	-	-	-	-	(106,765)	(106,765)
Other comprehensive income (restated)	-	-	115	-	-	115
Total comprehensive loss for the year (restated)	-	-	115	-	(106,765)	(106,650)
Transactions with owners						
Equity settled share-based payments	-	-	-	8,489	-	8,489
Shares issued during the year	-	137	-	-	-	137
Total transactions with owners	-	137	-	8,489	-	8,626
At 31 December 2019 (restated)	-	248,814	73	10,369	(163,316)	95,940
Loss for the year	-	-	-	-	(206,032)	(206,032)
Other comprehensive income	-	-	(439)	-	38,659	38,220
Total comprehensive loss for the year	-	-	(439)	-	(167,373)	(167,812)
Transactions with owners						
Equity settled share-based payments	-	-	-	40,449	-	40,449
Shares issued during the year	-	448,630	-	-	-	448,630
Total transactions with owners	-	448,630	-	40,449	-	489,079
At 31 December 2020	-	697,444	(366)	50,818	(330,689)	417,207

The notes on pages 44 to 77 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

	Share capital account £000	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019 as previously presented	-	248,677	-	1,880	(58,997)	191,560
Impact of adoption of IFRS 9	-	-	-	-	(102)	(102)
At 1 January 2019 (restated)	-	248,677	-	1,880	(58,999)	191,458
Loss for the year (restated)	-	-	-	-	(98,273)	(98,273)
Other comprehensive income (restated)	-	-	87	-	-	87
Total comprehensive loss for the year (restated)	-	-	87	-	(98,273)	(98,186)
Transactions with owners						
Equity settled share-based payments	-	-	-	8,489	-	8,489
Shares issued during the year	-	137	-	-	-	137
Total transactions with owners	-	137	-	8,489	-	8,626
At 31 December 2019 (restated)	-	248,814	87	10,369	(157,372)	101,898
Loss for the year	-	-	-	-	(187,269)	(187,269)
Other comprehensive income	-	-	(179)	-	38,659	38,480
Total comprehensive loss for the year	-	-	(179)	-	(148,610)	(148,789)
Transactions with owners						
Equity settled share-based payments	-	-	-	40,449	-	40,449
Shares issued during the year	-	448,630	-	-	-	448,630
Total transactions with owners	-	448,630	-	40,449	-	489,079
At 31 December 2020	-	697,444	(92)	50,818	(305,982)	442,188

The notes on pages 44 to 77 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	2020 £000	2019 (restated) £000
Cash flows from operating activities	29	2,195,162	1,389,954
R&D tax credit received		1,342	-
Taxes paid		(301)	(1,145)
Net cash generated from operating activities		2,196,203	1,388,809
Cash flows from investing activities			
Purchase of intangible fixed assets (software)	13	(6)	(85)
Purchase of tangible fixed assets	14	(6,326)	(9,404)
Interest received	10	2,028	687
Net cash used in investing activities		(4,304)	(8,802)
Cash flows from financing activities			
Issue of ordinary shares	25	448,535	-
Exercise of share options	25	95	137
Interest paid		(10,226)	(452)
Loans drawn down	21, 22	-	119,546
Loans repaid	21, 22	(43,365)	-
Net cash from financing activities		395,039	119,231
Net increase in cash and cash equivalents		2,586,938	1,499,238
Cash and cash equivalents at beginning of year		2,462,986	961,178
Foreign exchange gains and losses		5,099	2,570
Cash and cash equivalents at the end of year comprise:			
Own cash and cash equivalents	19	486,743	403,102
Cash held at central banks and other banks in respect of customers	19	4,568,280	2,059,884
		5,055,023	2,462,986

The notes on pages 44 to 77 form part of these financial statements.

Notes to the consolidated financial statements

1. General information

Revolut Ltd (the "Company") and its subsidiaries (together, the "Group") provides electronic money and payment services through a prepaid card, currency exchange, peer to peer payments, cryptocurrency and commodity exposures, share trading and consumer loans and credit cards for retail users. It also offers a similar proposition to business customers encompassing multi-currency exchange, prepaid corporate cards, and international and domestic bank transfers to freelancers, and Small and Medium Enterprises.

The Company is a private company limited by shares and incorporated in England & Wales. The registered office and the principal place of business is 7 Westferry Circus, The Columbus Building 4th Floor, London E14 4HD.

2. Statement of compliance

The consolidated and individual financial statements of Revolut Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The consolidated and individual financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

3.2 Going concern

The directors have prepared forecasts of the Group's financial position for the period ending twelve months from the date of approval of these Financial Statements. They have also considered the effect on the Group's business of operating under stressed but plausible operating conditions. As a result, they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Financial Statements continue to be prepared on a going concern basis. The directors have considered the impacts of the COVID-19 pandemic and the UK leaving the EEA and have concluded that this would not impact the going concern basis under which these accounts have been prepared.

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

3.4 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity

3.5 Changes in accounting policy and restatement of prior year comparatives

Changes in accounting policy – adoption of IFRS 9

In accordance with FRS 102 11.2 (c) the Group has chosen to apply the recognition and measurement provisions of IFRS 9 Financial Instruments and the presentation and disclosure requirements of Sections 11 and 12 of FRS 102.

The directors of the Company have chosen to adopt the new accounting policy as a result of the establishment of the consumer lending operations of the Group's subsidiary, Revolut Bank UAB, and the Group's future plans to establish additional banking operations in other jurisdictions.

No adjustments to the recognition and classification of the Group's financial assets and liabilities have been made as a result of the adoption of IFRS 9.

In accordance with IFRS 9 expected credit loss provisions have been recognised on the financial assets that are not measured at fair value through profit and loss. This has resulted in an adjustment to the opening profit and loss account of £106k as at 1 January 2019 and a net impact of £261k on the loss before tax for the year ended 31 December 2019, resulting a reduction of £367k on the net assets of the Group as at 31 December 2019.

The impact on the loss for the year ended 31 December 2020 was a net reversal of an impairment charge of £220k, and the impact balance sheet as at 31 December 2020 was a closing provision adjustment of £147k, that would not have been recognised under the previous accounting policy.

As this represents a change in accounting policy FRS 102 requires it to be accounted for retrospectively, restating the comparative financial information as if the accounting policy had always been applied, and as such the comparative financial information for the year ended 31 December 2019 has been restated.

Restatement of prior year comparatives

During the year the Group completed the implementation of a new general ledger system through which a detailed review was undertaken of the mapping of general ledger accounts to the financial statement line items. This review identified certain accounts that were incorrectly mapped to the financial statements, the details of which are set out below. The impact of the restatement of these prior period errors is a reallocation of these accounts between the relevant lines on the statement of comprehensive income, balance sheet and statement of changes in equity, resulting in a reduction of £115k in the consolidated total comprehensive loss for the period, and no impact on the net assets of the Group or Company.

Income statement

Currency exchange fees charged by processing partners on certain currencies were previously presented net within revenue. However, these costs represent the costs of providing payment services to customers and should be included within direct costs as set out in the accounting policy in note 3.8, and costs totalling £3.3m have been reclassified from revenue to direct costs for 2019.

The review of the classification of general ledger accounts has identified certain costs that were previously included within direct costs that are administrative in nature, which have been reclassified accordingly. This has resulted in a net £32.3m reclassification of costs from direct costs to administrative costs.

Interest income on customer balances in the form of safeguarded funds of £1.4m has been reclassified from interest receivable and similar income to other operating income as the net interest on these balances is considered to be an integral part of the Group's operations as set out in note 6.

Net foreign exchange losses arising on the settlement of monetary items and the retranslation of monetary items at subsequent reporting dates of £603k was previously recognised in other comprehensive income, however in accordance with FRS 102 30.10 and the accounting policy set out in note 3.6 such exchange gains and losses should be recognised in profit or loss. These amounts have therefore been reclassified to other operating income.

Net foreign exchange gains on retranslation of foreign operations into the Group's presentation currency on consolidation of £115k were previously recognised directly in equity, however in accordance with FRS 102 30.18 (c) such retranslation gains should be recognised in other comprehensive income and have been reclassified accordingly.

Balance sheet

Amounts due from the Group's card acquiring providers of £148.0m (£145.3m for the Company) in relation to customer account top ups were previously included within the cash balance as cash in transit. Given the nature of these balances, and to be comparable with developing disclosure practice of such balances by other entities in the payments industry, these balances have been separately presented as settlement receivables in accordance with the accounting policy set out in note 3.20 below.

Amounts due to payment schemes and other third parties in relation to customer payments of £160.9m (£160.4m for the Company) were also previously presented net within the cash balance, and as above for settlement receivables these amounts are now separately presented as settlement payables consistent with the similar treatment applied by other companies within the payment industry.

Customer liabilities in respect of E-money in issue of £2.4bn included £4.8m (£4.7m for the Company) of negative customer balance as at 31 December 2019 have been reclassified as debtors.

There was no impact on the client safeguarded funds from these reclassifications.

In addition, adjustments have been made to the statement of cash flows as a result of the restatements of the consolidated statement of comprehensive income and consolidated balance sheet, along with presentational changes to provide greater clarity regarding the Group's cash flows from operations.

3.6 Foreign currency translation

Functional and presentation currency

The Group consolidated financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

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.

Translation

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the year. All assets and liabilities of overseas operations are translated at the exchange rate ruling at the balance sheet 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.

3.7 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.

Card and interchange

Card and payments income represents transactional related income including interchange fees receivable from the Group's card issuing partners, fair usage fees for cash withdrawals outside of customer plans allowances, and top up fees and is recognised at the time of the transaction.

Subscription fees

Subscription fee income represents monthly and annual subscription fees for retail and business customers. Subscription fees received in advance are initially recognised as deferred income and are recognised as revenue in the income statement on a straight-line basis over the period of the subscription. It also includes termination fees for early termination of the contract which are recognised upon the termination date.

Foreign exchange

Foreign exchange revenue represents mark ups on market exchange rates for weekend transactions and less frequently traded currencies, and fair usage fees where customers undertake additional exchange transaction volumes outside of their plan allowances, which is recognised at the point of exchange. It also includes the fair value movements on derivative financial instruments used to hedge the Group's foreign exchange exposure as a result of its customer foreign exchange activities.

Wealth

Wealth comprises revenues from the Group's cryptocurrency, commodities, trading and vaults products.

Where the Group acts as an agent on behalf of its customers to buy or sell cryptocurrencies (from 27 July 2020) and listed company shares, the revenue represents any exchange markup/commission charged, and any applicable fair usage fees, and is recognised at the time of the transaction.

In relation to the commodities offering (and cryptocurrencies prior to 27 July 2020), the Group enters into positions with customers with exposure to the underlying precious metals and cryptocurrencies. When entering into these contracts with customers the Group charges a markup on the market exchange rate for the exchange of E-Money, and similarly when the customer settles the contact and receives E-Money. The relevant markup is recognised as revenue when the contract is entered into and when it is settled.

The Group hedges its exposure to these customer contracts through holding its own investments in commodities (and cryptocurrencies prior to 27 July 2020). Any gains and losses arising on the Group's own investments used to hedge the exposure are also recognised within revenue, with the exception of any fair value gains on cryptocurrencies above their original cost (prior to 27 July 2020) which is recognised in other comprehensive income (see note 3.14). This also includes any fair value movements on derivative financial instruments used to manage the Group's exposure to commodity prices through these activities.

Both the assets and the customer positions are accounted for at fair value through profit or loss within revenue, with the resulting net revenue representing the net profit margin arising on the positions.

Other

Other revenue mainly comprises card delivery fees and commission earned on the sale of insurance products to customers and is recognised at the time of the transaction.

Interest income

Interest income is recognised using the effective interest rate (see note 3.19).

3.8 Direct costs

Direct costs primarily relate to fees incurred by the Group in the processing and settlement of transactions, the costs of providing cards to customers and the costs of any redress payments made to customers who have been the subject of fraudulent transactions. This is net of rebates received from payment scheme providers for scheme fee costs.

3.9 Research and development

Research and development expenditure is recorded in the consolidated statement of comprehensive income in the period in which is incurred.

3.10 Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined contribution pension plans and share-based payments.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Share-based payments**Group**

The Group operates two share options schemes, a Company Share Option Plan ("CSOP") and an Unapproved Option Plan ("UOP") to incentivise and remunerate its employees. Further details on these schemes are out in note 27. These schemes meet the definition of equity settled share-based payment schemes.

Share options awarded to employees are fair valued at the grant date using an appropriate option pricing model. Any market performance vesting conditions and non-vesting conditions are taken into account in the grant date fair value of the awards.

The fair value of the awards is recognised as an expense in the Consolidated Statement of Comprehensive Income over the vesting period. The cumulative expense at each reporting date is based on the total number of awards that are expected to vest, taking into account the service conditions and any non-market performance conditions such that the total cumulative amount recognised as an expense over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, to the extent that there is an increase in the fair value of the options, measured immediately before and after the modification, this increase is also recognised as an expense in the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Company

Where the Company grants share options to employees of subsidiary companies, the relevant charge is recognised as an increase in cost of investment in subsidiaries.

3.11 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.

3.12 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.13 Current and deferred taxation

The tax credit for the year comprises current and deferred tax. 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 credit 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.

3.14 Intangible assets

Cryptocurrencies

Pre-27 July 2020

Prior to 27 July 2020, the legal and beneficial ownership of the cryptocurrencies were held by Revolut Ltd, and they were determined to meet the definition of cryptocurrencies included in the FCA policy statement issued on 22 July 2019 and were recognised on the Group's balance sheet applying the following accounting policy.

There remains limited guidance in respect of the treatment of cryptocurrencies under FRS 102, and as such it is appropriate to look at the guidance within IFRS.

The International Financial Reporting Interpretations Committee ("IFRIC" or "the Committee") reached an agenda decision in June 2019 in respect of the recognition and measurement of cryptocurrencies under IFRS. The agenda paper "Holdings of Cryptocurrencies" concluded that where cryptocurrencies are not held for sale in the ordinary course of business an entity applies IAS 38 (Intangible Assets). Consistent with the tentative agenda decision of March 2019, the Committee concluded that cryptocurrencies do not meet the criteria of financial assets, or cash and cash equivalents.

Therefore, in the absence of specific UK GAAP guidance, the Group recognised its cryptocurrencies as intangible assets in accordance with Section 18 of FRS 102.

The cryptocurrencies that the Group held are subject to significant trading volume on a number of cryptocurrency exchanges, including trading to and from fiat currencies, and therefore an active market had been identified for all the cryptocurrencies held by the Group.

Therefore, up to 27 July 2020 cryptocurrencies were recognised at fair value using the revaluation model. Any revaluation gains and losses above the assets' original cost were recognised in other comprehensive income, with the revaluation gains and losses below the assets' original cost being recognised in profit or loss. The corresponding fair value movements on the customer liability were recognised in profit or loss as set out in accounting policy 3.23 below.

The Group's cryptocurrencies, subject to annual review, were considered to have indefinite lives and as such were not subject to amortisation.

Post-27 July 2020

On 27 July 2020, the contractual arrangements with the Group's customers were amended such that from that date Revolut Ltd is acting as an agent and nominee on behalf of the customer to facilitate the purchase of cryptocurrencies in the customer's name. As a result, the customer holds the beneficial interest in the cryptocurrencies and therefore is subject to the risks and rewards of the asset. As Revolut Ltd is no longer exposed to the risks and rewards of the cryptocurrencies, they have been derecognised from the Group's balance sheet, along with the corresponding liability to the customer in relation to the assets. This is considered a significant judgment and further details are provided in note 4.

Computer software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life, which is assessed to be 3 years.

3.15 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:

Fixtures and fittings	- 10% straight line
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.

3.16 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.17 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

3.18 Inventories

Inventories are stocks of Basic, Premium and Metal plan cards for new and existing users held at the Group's fulfilment partner warehouses and are stated at the lower of cost (adjusted for loss of service potential if applicable) and replacement cost. Inventories are recognised as an expense when the card is shipped to a customer.

Cost is determined using the weighted average cost to produce, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At each balance sheet date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognised immediately in profit or loss. Where a reversal of the impairment charge is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in profit or loss.

3.19 Financial instruments

In accordance with FRS 102 11.2 (c) the Group has chosen to apply the recognition and measurement provisions of IFRS 9 Financial Instruments and the presentation and disclosure requirements of Sections 11 and 12 of the FRS 102.

Recognition and measurement of financial assets

The Group classifies its financial assets at either amortised cost, fair value through profit or loss or fair value through other comprehensive income.

In order to determine the appropriate classification of non-derivative financial assets, the Group assesses the objective of the business model in which the financial asset is held, and whether the contractual cash flows of the financial asset are "solely payments of principal and interest".

The Group assesses its business models at a portfolio level based on its objective for the relevant portfolio, how performance of the portfolio is measured and reported, how management are compensated and the frequency and reasons for asset sales from the portfolio. Financial assets are only reclassified when, and only when, the Group changes its business model for managing the assets.

Financial assets at amortised cost

Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows, and where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue (with the exception of trade and other receivables with an expected term of less than one year where the Group applies the practical expedient to recognise these amounts at transaction price), and are subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowances as stipulated in IFRS 9.

Financial assets at amortised cost include cash and cash equivalents, loans and advances to customers, trade and other receivables, settlement receivables and amounts recoverable under long term contracts.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income are measured at fair value, with changes in fair value recognised in profit or loss in the consolidated statement of comprehensive income. These financial instruments include derivative financial instruments.

Impairment of financial assets

In accordance with IFRS 9, the Group recognises impairment loss allowances for expected credit losses ("ECLs") on financial assets that are measured at amortised cost or fair value through other comprehensive income. These include loans and advances to customers, trade and other receivables, settlement receivables, debt securities and amounts recoverable under long term contracts.

There are three approaches to recognising ECL provisions under IFRS 9:

- **The Simplified Approach** - which applies on a mandatory basis to trade receivables and contract assets that do not contain a significant financing component. It may also be applied on an optional basis to trade receivables and contract assets that do contain a significant financing component or to lease receivables;
- **The Credit Adjusted Approach** - which applies to assets that are credit impaired on initial recognition (i.e., origination or acquisition); and
- **The General Approach** - which applies to all loans and receivables not eligible for the above two approaches.

All of the Group's trade receivables are considered to qualify for the simplified approach (as they have terms of less than one year and therefore do not contain a significant financing component), and therefore on initial recognition an impairment provision is required for expected credit losses arising from default events expected to occur over the life of the financial asset ("lifetime ECL").

The Group currently does not have any purchased or originated credit impaired financial assets.

For loans and advances to customers, amounts recoverable on long term contracts, and amounts due from other Group companies in the Company financial statements, the general approach to impairment is applied. This follows a three-stage model and requires these financial assets to be assigned to one of the following three stages:

- **Stage 1** – Financial assets which have not experienced a significant increase in credit risk since initial recognition, against which an expected credit loss provision is required for expected credit losses resulting from default events expected within the next 12 months (a “12-month ECL”) is required on initial recognition;
- **Stage 2** – Financial assets which have experienced a significant increase in credit risk since initial recognition, against which a lifetime ECL provision is required; and
- **Stage 3** – Financial assets which are credit impaired, for which objective evidence of an impairment exists, and as which also requires a lifetime ECL provision.

Interest income on assets in Stages 1 and 2 is recognised using the effective interest rate method on the gross carrying value of the assets. For assets in Stage 3 interest income is recognised using the effective interest rate method on the carrying value of the assets net of the ECL provisions.

Significant increase in credit risk

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of being credit impaired.

For retail credit risks, Stage 2 includes assets for which any of the following SICR indicators are present as at the reporting date, that were not present at initial recognition:

1. Obligors on watchlist status;
2. Obligors on forbore performing status (i.e., forbearance with material concession);
3. Obligors not eligible for forbearance measures based on their risk assessment;
4. Facilities more than 30 days past due;
5. Facilities with a significant increase in lifetime point-in-time forward looking PD compared to initial recognition. This occurs if:
 - a. The PD has increased by more than 2.5 times (this would be equivalent to downgrade by approximately 2 or more notches according to the Revolut’s internal rating scale)
 - b. The PD has increased is by more than 0.5% in absolute terms (to avoid classification as Stage 2 of obligors still being with low risk despite a relative PD change exceeding 2.5 times).

SICR indicators in points 1 to 3 above are evaluated at obligor level, while the ones in points 4 and 5 are evaluated at individual financial instrument level.

For wholesale credit risks, a low-risk exemption applies, such that all investment grade obligors will be allocated to Stage 1. Stage 2 assets will include non-investment grade exposures which have experienced a downgrade by 2 or more notches based Revolut’s internal rating scale as at the reporting date compared to initial recognition and this results in a PD increase of more than 0.5% in absolute terms.

Transfers from Stage 2 back to Stage 1 will be performed when none of SICR indicators are present as of the reporting date.

Definition of default and credit impaired

Assets which are past due by more than 90 days, or where the Group considers it unlikely that the obligor will be able to pay its obligations, are considered to be in default for IFRS 9. Default status will be applied at an obligor level such that where any one facility is in default, all facilities of that obligor will be considered in default.

Calculation of expected credit losses

The expected credit loss provision is calculated using the three following inputs:

- **Probability of default (“PD”)** – the likelihood of default within a given time frame, either 12-months (for Stage 1 assets) or the life of a financial asset (for Stages 2 and 3 assets);
- **Loss given default (“LGD”)** – the net value of loss in the event of a default; and
- **Expected balance at default (“EAD”)** – the gross value of loss in the event of a default.

The expected credit loss provision on the outstanding financial assets at the balance sheet date is calculated by multiplying the PD (dependent on the stage of the asset) by the LGD and EAD, taking into account the contractual period of credit risk exposure from initial recognition in the case of loans. For overdrafts and credit cards, where the exposure to credit risk is not limited to the contractual period, the expected life is calculated based on the estimated life of the loan and undrawn facility.

The measurement of the ECL provisions also takes into account all reasonable and supportable information, including forward looking economic scenarios to calculate a probability weighted forward looking estimate.

Economic scenarios are currently derived from macro forecasts sourced from external providers and weightings determined according to expert judgment.

Details on the ECL calculation approach are contained in jurisdiction specific methodologies, respectively for wholesale and retail credit exposures.

Modification of contractual terms and derecognition of financial assets

Where the contractual terms of financial assets are renegotiated or modified and the financial asset was not derecognised, its gross carrying value is adjusted to reflect the new contractual cash flows discounted at the original effective interest rate with a gain or loss recognised in the consolidated statement of comprehensive income.

Financial assets are derecognised when the contractual right to receive cash flows has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either (i) substantially all of the risks and rewards of ownership have been transferred; or (ii) the Group has neither retained nor transferred substantially all of the risks and rewards but has transferred control.

Write offs

Financial assets will be written off, either partially or in full, against the related allowance once there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recovery of amounts written off are recognised against the amount of impairment losses recognised in the consolidated statement of comprehensive income.

Recognition and measurement of financial liabilities

Financial liabilities that are not measured at fair value through profit or loss are classified as at amortised cost. Financial liabilities designated as at amortised cost are initially measured at fair value (net of issue costs in the case of loans and borrowings) and subsequently measured at their amortised cost using the effective interest rate method. They include loans and borrowings, trade and other payables, and customer liabilities for E-Money in issue and customer deposits.

Non-derivative financial liabilities that are measured at fair value through profit or loss are measured at fair value with changes in fair value recognised in consolidated statement of comprehensive income (except for those arising as a result of changes in the Group's own credit risk which are recognised directly in other comprehensive income and not subsequently recycled, unless they result in an accounting mismatch in profit or loss or the liability is a loan commitment or financial guarantee contract). These financial instruments include financial liabilities initially designated as fair value through profit or loss to avoid an accounting mismatch including customer liabilities in respect of cryptocurrencies and commodities, where the associated assets are accounted for at fair value.

Derivatives, including foreign currency and precious metals swaps and foreign currency forward contracts are measured at fair value through profit or loss. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

Finance costs are charged to the consolidated statement of comprehensive income using the effective interest rate method.

Financial liabilities are derecognised when Group has either discharged the liability through settlement, or where it has been legally released from primary responsibility for the liability by process of law or by the creditor.

Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when, and only when, there is a legally enforceable right to offset the recognised amounts with an intention to settle on a net basis, or alternatively to realise the asset and settle the corresponding liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

3.20 Settlement receivables

Settlement receivables include balances arising from timing differences in the Group's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example, customer liabilities – E-Money in issue). When customers fund their E-Money account using their bank account, or a credit or debit card, or sell stocks or cryptocurrencies via our trading and cryptocurrency exchange partners, there is a clearing period before the cash is received or settled. This period is usually within 5 business days.

3.21 Investment in commodities

Where the treatment of an asset class (such as commodities) is not addressed in the accounting framework as per Section 10 of FRS 102, judgment is to be applied in developing and applying an accounting policy that is relevant and reliable. These investments represent holdings in precious metals that are held to hedge the Group's exposure to movements in commodity prices on its customer contracts. As these investments are not held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services they are not considered to meet the definition of inventory.

Accordingly, they are classified as other current asset investments in the balance sheet, and as they are highly liquid assets, which are frequently traded in an active market, with an observable market price, the Group's accounting policy is to account for these investments at fair value through profit or loss. The fair value gains and losses on investments in commodities are recognised in revenue along with the corresponding fair value gains and losses on the associated customer liability (see note 3.23).

3.22 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.

Cash and cash equivalents include £4,566m (2019: £2,060m) held on behalf of. In Europe client funds are held in segregated accounts with authorised credit institutions as part of the Group's safeguarding policy. In other jurisdictions the funds are held separately from the Group's own cash resources and are safeguarded through the provision of a bank guarantee from a third party authorised credit institution.

In the US, E-Money services are provided through partnerships with authorised credit institutions to provide the consumer protection, and the client funds and the associated customer liability are held on the balance sheet of the relevant financial institution, and therefore are not recognised on the Group's balance sheet.

3.23 Customer liabilities

E-Money in issue

The Group recognises a liability upon the issue of electronic money to its customers equal to the amount of electronic money that has been issued.

Cryptocurrencies

Prior to the amendment to the terms and conditions relating to cryptocurrencies on 27 July 2020, the customer liabilities in respect of cryptocurrencies are financial liabilities with an embedded derivative. The Group's accounting policy is not to separate the embedded derivative and to measure the entire instrument at fair value through profit or loss.

Commodities

Customer liabilities in respect of contracts relating to the commodities offering are financial liabilities with an embedded derivative. The Group's accounting policy is not to separate the embedded derivative and to measure the entire instrument at fair value through profit or loss.

3.24 Provisions and contingencies

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

3.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.26 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

3.27 Reserves

The Group and Company reserves are as follows:

- Called up share capital reserves represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue cost.
- Other Reserves represents the cost of shares held for options granted to employees.
- Foreign exchange reserves represent the revaluation of foreign currency at the balance sheet date.
- Profit and loss account represents cumulative profits or losses, net of dividends paid, and any other adjustments.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments in applying the Group's accounting policies

Accounting for cryptocurrencies

Prior to 27 July 2020, when the contractual arrangements between the customer, the Group and the Group's cryptocurrency partners were amended, the Group's cryptocurrencies all met the definition of cryptocurrencies and have been accounted for as intangible assets using the revaluation model.

Following the amendments to the contractual arrangements, the legal title of the cryptocurrencies is held by Revolut Ltd as nominee, with the beneficial ownership of the cryptocurrencies held directly by the customer.

The implications of the amendments are that:

- the customer is entitled to all the economic benefits, and exposed to the associated losses, from holding the cryptocurrencies;
- the Group is contractually restricted from the use of the cryptocurrencies for its own benefit; and
- the only economic benefit available to the Group is the predetermined fee based on the value of the cryptocurrencies.

FRS 102 requires an entity to determine whether it is acting as a principal or an agent in its transactions with customers, and this requires significant judgment and consideration of all relevant facts and circumstances. The Group has considered the requirements of FRS 102 23A.38 and 23A.39, and has concluded that it is acting as an agent in its relationship with its customers to facilitate their acquisition, holding and sale of cryptocurrencies, and that the cryptocurrencies ceased to represent intangible assets of the Group following the amendment. Consequently, the cryptocurrencies have been derecognised from the balance sheet from that date. As at 31 December 2020, the Group held cryptocurrencies to the value of £536.9m in a trust arrangement on behalf of its customers.

The Group recognises the predetermined fee receivable as revenue in accordance with FRS 102 23A.41.

Recognition of deferred tax asset

The Company has substantial carried forward tax losses. Where carried forward tax losses can be utilised against future taxable profits, a deferred tax asset should only be recognised to the extent that it is probable that there will be sufficient taxable profits against which it can be recovered.

Whilst the directors are forecasting the Group to reach sustained profitability from late 2021, as deferred tax assets are recognised on an entity basis in order for the Company to reach consistent profitability further monetisation of its intellectual property and services via new product offerings or expansion into new territories (thus requiring regulatory licence approvals for banking and EMI authorised entities) is required.

As a result, the directors have concluded that the criteria to recognise a deferred tax asset in the Company in relation to the carried forward losses has not yet been met, and therefore no deferred tax asset has been recognised as at 31 December 2020 in respect of the carried forward losses in the Company.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Share-based payments

The estimate of share-based payments costs requires management to select an appropriate valuation model and make decisions about various inputs into the model, including volatility of its own share price, the probable life of the options, the vesting date of options where non-market performance conditions have been set and the risk-free interest rate. The key assumptions used in the models, and a sensitivity analysis of the impact of varying those assumptions, are disclosed in note 27.

5. Revenue

An analysis of revenue by class of business is as follows:

	2020 £000	2019 (restated) £000
Card & Interchange	95,466	73,982
Subscription	75,215	39,499
Foreign exchange and wealth	40,998	31,975
Other	10,463	20,570
	222,142	166,026

Revenue from foreign exchange and wealth includes the fair value movements on the customer liability in respect of cryptocurrencies prior to 27 July 2020 (at which point the Group ceased to recognise the customer liability and cryptocurrencies as a result in the change in the contractual arrangements) and the corresponding fair value movements on the Group's holding of cryptocurrencies below their original cost.

In accordance with FRS 102 and the Group's accounting policy for cryptocurrencies, any fair value gains above the cryptocurrencies' original cost are recognised in other comprehensive income, and an amount of £38.7m was recognised in the period to 27 July 2020. From a management reporting perspective, this gain is included within the foreign exchange and wealth adjusted revenue for the year for consistent treatment with the fair value movements on the associated customer liability, such that for management purposes the adjusted revenues for foreign exchange and wealth are £79.7m, and total adjusted revenue is £260.8m. The reconciliation of statutory revenue to the adjusted revenue (including this gain) is set out in the appendix to the consolidated financial statements.

An analysis of revenue by location of entity providing the services is stated below:

	2020 £000	2019 (restated) £000
UK	196,419	165,631
EEA (excluding UK)	22,756	47
Rest of the World	2,967	348
	222,142	166,026

6. Other operating (expense)/income

	2020 £000	2019 £000
Interest income on safeguarded funds	101	1,366
Negative interest on safeguarded funds	(6,562)	-
Net interest (expense)/income on safeguarded funds	(6,461)	1,366
Net foreign exchange losses	2,021	(603)
Other operating (expense)/income	(4,440)	763

Net interest income/costs on client safeguarded funds are included within operating loss as this is considered to represent an integral part of the Group's operations.

7. Operating loss

The operating loss is stated after charging/(crediting):

	2020 £000	2019 (restated) £000
Total staff costs (see note 8)	169,916	59,290
Research and development charged as an expense	31,106	13,715
Amortisation (included in administration costs)	174	13
Depreciation (included in administration costs)	3,365	1,491
Impairment of other financial assets held at amortised cost	(220)	261
Fair value changes in intangible assets below original cost (included in revenue)	(38,961)	7,549
Inventory recognised as expense	15,596	17,371
Foreign exchange differences	(2,021)	603
Operating lease costs	8,516	4,330
Fees payable to the company's auditor and its associates for the audit of the parent company and the group's consolidated financial statements	650	290
Fees payable to the company's auditor and its associates for the audit of the parent company and the group's consolidated financial statements in respect of the prior period	185	-
Fees payable to the company's auditor and its associates for the audit of the company's subsidiaries	128	100

8. Employees

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages & Salaries	115,191	45,388	93,010	35,087
Share based payments	40,462	8,489	34,892	8,489
Social Security Costs	12,850	4,016	11,385	3,450
Cost of defined contribution scheme	1,413	1,397	863	1,344
	169,916	59,290	140,150	48,370

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

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Staff	2,156	1,283	1,538	1,242
Directors	2	2	2	2
	2,158	1,285	1,540	1,244

The increase in headcount reflects the continued investment in growth and capability throughout the business, including enhancing the Group's Risk, Compliance and Control functions.

9. Directors' remuneration

	2020 £000	2019 £000
Director emoluments	211	331
Company contributions to defined contribution pension schemes	2	2
	213	333

From April 2020 the non-executive directors agreed to forego their cash remuneration in exchange for compensation in the form of shares in the company. During the year 5 (2019: none) of the directors received shares under this arrangement. See note 27 for further details.

During the year the company made contributions to a defined contribution pension scheme for 2 directors (2019: 2), and no directors (2019: 2) exercised share options during the year.

	2020 £000	2019 £000
Highest paid director		
Director emoluments	65	100
Company contributions to defined contribution pension schemes	1	1
	66	101

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £2.5m (2019: £2.0m).

10. Interest receivable and similar income

	2020 £000	2019 £000
Other interest receivable	2,028	687

11. Interest payable and similar charges

	2020 £000	2019 £000
Other loan interest payable	9,254	1,429

The other loan interest payable for 2020 of £9.3m (2019: £1.0m) represents the interest cost on the loan facility as detailed in note 21.

12. Taxation

	2020 £000	2019 £000
Current tax		
UK Corporation tax credit on loss for the year	-	-
UK Corporation tax in respect of prior year R&D credit	3,856	1,342
Foreign corporation tax charge for the year	(2,303)	(469)
Total current tax	1,553	873
Deferred tax		
Origination and reversal of timing differences	(60)	42
Adjustments in respect of previous periods	350	-
Total deferred tax	290	42
Taxation credit on loss on ordinary activities	1,843	915

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard UK rate of corporation tax of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 (restated) £000
Loss on ordinary activities before tax	207,875	107,681
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	39,496	20,459
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(6,402)	1,273
Adjustments in respect of previous periods	350	-
Foreign tax credits	(1,414)	(359)
Impact of overseas tax rates	886	-
Movement in other comprehensive income taxed as income	(7,345)	-
Adjustment in research and development tax credit	3,856	1,342
Unrecognised deferred tax for carried forward tax losses	(27,584)	(21,802)
Total tax credit for the year	1,843	915

Factors that may affect future tax charges

In March 2020 the UK Government announced that the proposed reduction in the main UK corporation tax rate to 17% from 1 April 2020 would no longer take effect and it would remain at 19%. This was substantively enacted on 17 March 2020. Subsequently, the UK Government stated in its Budget announcement on 3 March 2021 that the main UK corporation tax rate would increase to 25% from 1 April 2023. As at the date the consolidated financial statements were approved the Finance Bill 2021 had yet to receive Royal Assent and therefore had not been substantively enacted.

A deferred tax asset has not been recognised in respect of tax losses carried forward totalling £244m (2019: £122m) as there is insufficient evidence as to their recoverability. See note 4 for further details on the consideration of the recognition of deferred tax assets in relation to carried forward losses.

13. Intangible assets

Group	Crypto-currencies £000	Software £'000	Total £000
Cost or valuation			
At 1 January 2020	132,311	590	132,901
Additions	338,026	6	338,032
Disposals	(470,337)	-	(470,337)
Foreign exchange	-	5	5
At 31 December 2020	-	601	601
Amortisation, impairment and fair value movement			
At 1 January 2020	(38,961)	(13)	(38,974)
Charge for the year	77,620	(174)	77,446
Disposals	(38,659)	-	(38,659)
Foreign exchange movements	-	(3)	(3)
At 31 December 2020	-	(190)	(190)
Total net book value			
At 31 December 2020	-	411	411
At 31 December 2019	93,350	577	93,927

Up until 27 July 2020, at which time the contractual arrangements related to the cryptocurrency product were amended, the cryptocurrencies were recognised as intangible assets at fair value, which was based upon the quoted prices in their respective active markets. Upon the amendment to the legal arrangements Revolut Ltd is now acting as agent on behalf of its customers and therefore no longer recognises the cryptocurrencies, nor the corresponding customer liability, on its balance sheet.

The historical cost less impairment of the intangible assets at 31 December 2020 was therefore nil (2019: £93.4m).

Company	Crypto-currencies £000	Software £'000	Total £000
Cost or valuation			
At 1 January 2020	132,311	510	132,821
Additions	338,026	-	338,026
Disposals	(470,337)	-	(470,337)
At 31 December 2020	-	510	510
Amortisation, impairment and fair value movement			
At 1 January 2020	(38,961)	(12)	(38,973)
Charge for the year	77,620	(147)	77,473
Disposals	(38,659)	-	(38,659)
At 31 December 2020	-	(159)	(159)
Total net book value			
At 31 December 2020	-	351	351
At 31 December 2019	93,350	498	93,848

14. Tangible fixed assets

Group	Fixtures & fittings £000	Office equipment £'000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2020	7,573	1,553	4,737	13,863
Additions	4,322	158	1,846	6,326
Foreign exchange movements	(24)	(16)	(26)	(66)
At 31 December 2020	11,871	1,695	6,557	20,123
Depreciation				
At 1 January 2020	612	136	1,174	1,922
Charge for the year on owned assets	1,148	320	1,897	3,365
Foreign exchange movements	(58)	(16)	(94)	(168)
At 31 December 2020	1,702	440	2,977	5,119
Total net book value				
At 31 December 2020	10,169	1,255	3,580	15,004
At 31 December 2019	6,960	1,417	3,563	11,940

The Group has no assets held under finance leases.

Company	Fixtures & fittings £000	Office equipment £'000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2020	7,495	1,202	3,871	12,568
Additions	4,294	205	1,792	6,291
Foreign exchange movements	19	3	(28)	(6)
At 31 December 2020	11,808	1,410	5,635	18,853
Depreciation				
At 1 January 2020	611	116	880	1,607
Charge for the year on owned assets	1,178	333	1,626	3,137
Foreign exchange movements	(89)	(25)	(121)	(235)
At 31 December 2020	1,700	424	2,385	4,509
Total net book value				
At 31 December 2020	10,108	986	3,250	14,344
At 31 December 2019	6,883	1,086	2,991	10,960

The Company has no assets held under finance leases.

15. Investments in subsidiaries

Investments in subsidiary companies	£000
Cost or valuation	
At 1 January 2020	15,554
Additions	72,304
At 31 December 2020	87,858
Net book value	
At 31 December 2020	87,858
At 31 December 2019	15,554

The increase in investments in subsidiaries represents £66.7m of additional equity funding provided to the Group's overseas subsidiaries in order to meet local regulatory requirements and/or fund local expansion, and £5.6m related to share-based payments where the Company has issued share options to employees of its subsidiaries.

The list of subsidiary undertakings of the Company is set out below. All trading subsidiary undertakings are included in the consolidation.

Company	Class of share	Holding	Principal activity	Registered address
Revolut Travel Ltd	Ordinary	100%	Insurance Intermediary	7 Westferry Circus, Canary Wharf, London, England, E14 4HD
Revolut Trading Ltd	Ordinary	100%	Security and commodity contracts dealing activities	7 Westferry Circus, Canary Wharf, London, England, E14 4HD
OOO Revolut Technologies	Ordinary	100%	Software development	125196, Moscow, Lesnaya str., bld. 9, premises 2, 3, 27, 29
Revolut Bank UAB (formerly Revolut Technologies UAB)	Ordinary	100%	Deposits acceptance and consumer lending	Konstitucijos ave. 21B, Vilnius, LT-08130
Revolut Payments UAB	Ordinary	100%	Payments services, e-money issuance and insurance brokerage	Konstitucijos ave. 21B, Vilnius, LT-08130
Revolut Technologies Singapore Pte. Ltd	Ordinary	100%	Payments services, e-money issuance and insurance brokerage	30 Cecil Street, #19-08, Prudential Tower, S049712
Revolut Technologies Ltd	Ordinary	100%	Technology Services, payments services through Metropolitan Commercial Bank	Suite 2300, Bentall 5, 550 Burrard Street Vancouver, British Columbia V6C 2B5
Revolut Technologies S.A.	Ordinary	100%	Dormant at reporting date	19 rue du Bitbourg 1273 Luxembourg
Revolut Technologies Limited	Ordinary	100%	Dormant at reporting date	13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
Revolut Technologies Poland Sp z o.o	Ordinary	100%	Inactive, to be dissolved	Podium Park, Jana Pawła, 43a, Krakow, 31-864
Revolut Technologies Japan, Inc.	Ordinary	100%	Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032
Revolut Securities Japan, Inc	Ordinary	100%	Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032
Revolut Payments Ireland Limited	Ordinary	100%	Financial Services	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland
Revolut Securities Europe Limited	Ordinary	100%	Payments services, e-money issuance and insurance brokerage	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland
Revolut Holdings US Inc.	Ordinary	100%	Technology Services, payments services	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware
Revolut Securities Inc.*	Ordinary	100%	Anticipates licence as broker-dealer for trading services	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware
Revolut Technologies Inc*	Ordinary	100%	Business Development	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware
Revolut Australia NOHC Pty Ltd	Ordinary	100%	Financial Services	Level 6, 152 Elizabeth Street, Melbourne VIC 3000
Revolut Payments Australia Pty Ltd*	Ordinary	100%	Financial services	Level 6, 152 Elizabeth Street, Melbourne VIC 3000
Revolut Holdings International Ltd	Ordinary	100%	Holding company	7 Westferry Circus, Canary Wharf, London, England, E14 4HD
Revolut NewCo UK Ltd	Ordinary	100%	Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD
Revolut Payments New Zealand Pty Ltd*	Ordinary	100%	Dormant at reporting date	Level 6, 152 Elizabeth Street, Melbourne VIC 3000
Revolut Holdings Europe Limited	Ordinary	100%	Holding company	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland

* Held indirectly

Branches

Revolut Ltd conducts business through branches in Germany, Lithuania, Poland and Portugal.

- Revolut Ltd (Sp z o.o.) Oddzial w Polsce. Registered address - Podium Park, Jana Pawła, 43a, Krakow, 31-864, Polska
- Revolut Ltd - Sucursal em Portugal. Registered address - Rua Roberto Ivens, n.1353 4450-208 Matosinhos, Porto, Portugal
- Revolut Ltd filialas. Registered address - Vilniaus m. sav. Vilniaus m. Lvovo g. 105A
- Revolut Ltd Zweigniederlassung Deutschland. Registered address - Friedrichstrasse 76, c/o WeWork, 10117 Berlin, Germany

16. Inventories

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Inventories	11,282	13,042	11,161	13,024

Inventories comprise prepaid cards not yet distributed to customers.

The difference between purchase price of inventories and their replacement cost is not material.

Inventory recognised in cost of sales during the year as an expense was £15.6m (2019 - £17.4m).

There were no impairment losses recognised in cost of sales during the year in respect of obsolete inventory (2019 - nil).

17. Debtors

	Group 2020 £000	Group 2019 (restated) £000	Company 2020 £000	Company 2019 (restated) £000
Amounts falling due within one year				
Trade receivables	359	4,290	163	4,232
Amounts owed by group undertakings	-	-	30,747	23,973
Loans and advances to customers	419	-	-	-
Settlement receivables	73,666	150,860	24,414	145,056
Negative customer balances	1,808	4,815	1,067	4,654
Other receivables	50,546	25,106	36,739	23,193
Amounts recoverable on long term contracts	21,488	21,452	21,488	21,452
Derivative financial assets	121	-	3,707	-
Prepayments and accrued income	2,864	3,302	2,442	2,729
Deferred taxation	344	42	186	-
Research & Development credit	3,856	1,342	3,856	1,342
Corporation tax	-	351	-	22
	155,471	211,560	124,809	226,653
Amounts falling due after more than one year				
Loans and advances to customers	961	-	-	-
Total debtors	156,432	211,560	124,809	226,653

Trade receivables are stated after provision for impairment of nil (2019: £8k).

Amounts owed by group undertakings includes unsecured loans and accrued interest of £4.2m, of which £1.1m is repayable between 5 and 12 months from the balance sheet date, and the other loans being repayable on demand. The remaining intercompany receivables relate to recharges of expenses incurred by Revolut Ltd on behalf of its subsidiaries and are unsecured, non-interest bearing and repayable on demand.

Amounts recoverable on long term contracts are collateral requirements in respect of card schemes.

Other receivables include accrued rebates due from payment scheme providers.

18. Current asset investments

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Commodities	50,366	-	50,366	-

Investments in commodities represent holdings in precious metals that are held to hedge the Group's exposure to commodity price risk on its customer liabilities related to precious metals. These investments are accounted for at fair value through profit or loss.

19. Cash and cash equivalents

	Group 2020 £000	Group 2019 (restated) £'000	Company 2020 £000	Company 2019 (restated) £000
Own cash and cash equivalents	537,974	403,108	405,807	372,042
Restricted cash held at central banks and other banks in respect of customers	4,517,986	2,059,908	2,157,916	2,057,026
	5,055,960	2,463,016	2,563,723	2,429,068

Own cash and cash equivalents represent the Group's own funds held for regulatory capital and liquidity requirements, including cash from customer deposits, and its own operating cash balances for general corporate purposes. Only cash in transit within own cash and cash equivalents has been reclassified in the prior year. There is no change to the restricted cash balance as previously reported.

Restricted cash held at central banks and other banks in respect of customers represents safeguarded funds related to the Group's regulated E-Money services. In EEA territories client funds are held in segregated accounts with authorised credit institutions as part of the Group's safeguarding policy. In other jurisdictions the funds are held separately from the Group's own cash resources and are safeguarded through the provision of a bank guarantee from a third-party authorised credit institution. In the US, E-Money services are provided through partnerships with authorised credit institutions to provide the consumer protection, and the client funds and the associated customer liability are held on the balance sheet of the relevant financial institution, and therefore are not recognised on the Group's balance sheet.

20. Customer liabilities

	Group 2020 £000	Group 2019 (restated) £'000	Company 2020 £000	Company 2019 (restated) £000
E-Money in issue	4,537,436	2,274,008	2,071,187	2,264,172
Customer liabilities in respect of cryptocurrencies	-	93,177	-	93,177
Customer liabilities in respect of commodities	49,918	14	49,898	14
Customer liabilities in respect of deposits	49,876	1	-	-
	4,637,230	2,367,200	2,121,085	2,357,363

21. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 (restated) £'000	Company 2020 £000	Company 2019 (restated) £000
Trade creditors	2,438	17,778	2,273	16,168
Amounts owed to group undertakings	-	-	68,110	2,950
Settlement payables	103,216	163,189	98,190	162,662
Derivative financial liabilities	1,970	-	2,139	-
Corporation tax	1,670	-	1,178	7
Other taxation and social security	5,433	3,906	5,182	4,102
Other creditors	2,127	3,335	1,367	3,019
Accruals and deferred income	31,841	16,983	24,868	15,792
Loans	81,812	972	81,812	972
	230,507	206,163	285,119	205,672

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

In 2019 the Company entered into a €200m facility agreement which bears interest at 10% per annum and is repayable on or before November 2021. As at 31 December 2019 €141m had been drawn (included within creditors: amounts falling due after more than one year). During the year the Company repaid €50m and the remaining €91m tranche was repayable on or before 21 November 2021 and therefore is included within creditors falling due within one year as at 31 December 2020. As set out in note 33 this loan has been repaid in full since the year end.

Interest charged in the year was £9.3m (2019: £1.0m).

22. Creditors: Amounts falling due after more than one year

	Group 2020 £000	Group 2019 £'000	Company 2020 £000	Company 2019 £000
Deferred rent	2,716	3,701	2,716	3,701
Loans	-	119,546	-	119,546
	2,716	123,247	2,716	123,247

There are no creditors repayable after more than five years.

23. Provisions for liabilities

The Group had the following provisions during the year:

Group	Dilapidation Provision £000	Deferred tax provision £000	Provision for expected credit losses on loan commitments £000	Total £000
At 1 January 2020	905	-	-	905
Provided during the year	338	18	4	360
Other movements	(408)	-	-	(408)
As 31 December 2020	835	18	4	858

The Company had the following provisions during the year:

Company	Dilapidation Provision £000	Total £000
At 1 January 2020	905	905
Provided during the year	338	338
Other movements	(683)	(683)
As 31 December 2020	560	560

Dilapidation provision

The property dilapidation provision is based on a calculation of the best estimate for the leases the Group is party to. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision. Dilapidation provisions are expected to be utilised in 1 to 5 years.

Deferred tax

	Group 2020 £000	Group 2019 £'000	Company 2020 £000	Company 2019 £000
Accelerated capital allowances	(19)	(390)	60	-
Other short term timing difference	191	292	126	-
Losses recognised	154	140	-	-
Net deferred tax	326	42	186	-
Deferred tax assets	344	42	186	-
Deferred tax liabilities	(18)	-	-	-
Net deferred tax	326	42	186	-

The net reversal of deferred tax assets and liabilities expected in 2021 is £0.2m. This is expected to arise because depreciation is anticipated to be higher than the available capital allowances. However, it should be noted that further reversals (or further increases in deferred tax balances) may arise as a result of financial instruments. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

Provision for expected credit losses on loan commitments

In accordance with IFRS 9 the Group recognises a provision for expected credit losses on undrawn lending commitments. Total undrawn lending commitments as at 31 December 2020 as disclosed in note 30.

24. Financial instruments

Information regarding the Group's exposure to and management of credit risk, liquidity risk, and market risk (including foreign exchange risk) is included in the Strategic report.

The Group had the following financial instruments:

Group	Notes	2020 £000	2019 £000
Financial assets at fair value through profit or loss			
Derivative financial instruments	17	121	-
		121	-
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	17	359	4,290
Loans and advances to customers	17	1,380	-
Settlement receivables	17	73,666	150,860
Negative customer balances	17	1,808	4,815
Other receivables	17	50,546	25,106
Amounts recoverable on long term contracts	17	21,488	21,452
Accrued income	17	226	-
Cash and cash equivalents	19	5,055,023	2,462,986
		5,204,496	2,669,509
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	21	1,970	-
Customer liabilities - cryptocurrencies	20	-	93,177
Customer liabilities - commodities	20	49,918	14
		51,888	93,191
Financial liabilities measured at amortised cost			
Customer liabilities - E-Money in issue	20	4,537,436	2,274,008
Customer liabilities - customer deposits	20	49,876	1
Trade creditors	21	2,438	17,778
Settlement payables	21	103,216	163,189
Other creditors	21	2,127	3,335
Accruals (including deferred rent)	21, 22	18,603	10,897
Loans	21, 22	81,812	120,518
		4,795,508	2,589,726

Derivative financial instruments

The Group enters into a number of derivative financial instruments with third parties to mitigate the foreign currency exchange risk and liquidity risk for payments in certain currencies, including foreign currency swaps and deliverable and non-deliverable forward foreign currency contracts.

The Group also uses precious metals swap contracts to enable it to meet its requirements for allocated commodity holdings in certain jurisdictions, and foreign currency swaps to maximise the yield on its cash resources.

At 31 December 2020, the outstanding contracts all matured within 3 months (2019: 1 months) of the year end and have been entered into by the Company.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the relevant forward exchange rates for the currencies involved.

The Company had the following financial instruments:

Company	Notes	2020 £000	2019 £000
Financial assets at fair value through profit or loss			
Derivative financial instruments	17	3,707	-
		3,707	-
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	17	163	4,232
Amounts owed by group undertakings	17	30,747	23,973
Settlement receivables	17	24,414	145,056
Negative customer balances	17	1,067	4,654
Other receivables	17	36,739	23,193
Amounts recoverable on long term contracts	17	21,488	21,452
Cash and cash equivalents	19	2,562,779	2,429,068
		2,677,397	2,651,628
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	21	2,139	-
Customer liabilities - cryptocurrencies	20	-	93,177
Customer liabilities - commodities	20	49,898	14
		52,037	93,191
Financial liabilities measured at amortised cost			
Customer liabilities - E-Money in issue	20	2,071,187	2,264,172
Trade creditors	21	2,273	16,168
Amounts owed to group undertakings	21	68,110	2,950
Settlement payables	21	98,190	162,662
Other creditors	21, 22	1,367	3,019
Accruals (including deferred rent)	21, 22	16,512	9,725
Loans	21, 22	81,812	120,518
		2,339,451	2,579,214

In addition to the derivative financial instruments with third parties as disclosed in the Group disclosure above, the Company has a number of internal derivatives with its subsidiaries as the management of foreign exchange and commodity price risk is managed centrally.

Revolut Bank UAB ("RBUAB"), a wholly owned subsidiary of Revolut Ltd, is an EEA regulated bank and as such meets the definition of a Financial Institution as defined by FRS 102. The following additional disclosures required are provided for RBUAB in accordance with the requirements of paragraphs 34.17 to 34.33.

RBUAB had the following financial instruments:

Revolut Bank UAB	2020 £000	2019 £000
Financial assets that are debt instruments measured at amortised cost		
Loans and advances to customers	1,380	-
Amounts owed by group undertakings	10,015	1
Cash and cash equivalents	65,254	7,599
	76,649	7,600
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	275	-
	275	-
Financial liabilities measured at amortised cost		
Customer liabilities - customer deposits	49,876	1
Trade creditors	123	48
Amounts owed to group undertakings	15,217	90
Other creditors	106	268
Accruals	154	212
	65,476	619

Fair value

All derivative financial instruments represent foreign currency swap contracts with Revolut Ltd and are categorised as level two in the fair value hierarchy as they are valued using direct and indirect observable inputs.

Credit risk and impairment

RBUAB is exposed to various credit risks in the course of its operations, the majority of which arise from the placement of funds with financial institutions, which are typically investment grade rated institutions.

To manage credit risk appetite, the Group has credit risk management policies and procedures in place that require all counterparties giving rise to credit risk to be assessed at least annually and assigned a credit risk limit commensurate to its risk profile, subject to approved materiality thresholds. The Group's Credit Risk function undertakes ongoing monitoring for adherence to limits and to ensure credit risks are managed appropriately where deterioration is identified. Key decisions are subject to review and approval by the ALCO.

Central Bank accounts

As of 31 December 2020, RBUAB had £61.6m (2019: £89k) of cash deposits with the Bank of Lithuania.

Nostro accounts

As of 31 December 2020, RBUAB had £3.7m (2019: £7.5m) of cash deposits at other banks. All the above balances were held in both Swedish banks (with a minimum Standard & Poor's long-term borrowing rating of A+) and Lithuanian banks (not rated externally by rating agencies on a stand-alone basis, but which are subsidiaries of foreign banks having a minimum Standard & Poor's long-term borrowing rating of A+).

Loans and advances to customers and undrawn commitments

In July 2020, RBUAB launched consumer credit products, comprising loans and credit cards, in Lithuania and Poland.

As at 31 December 2020 gross lending amounted to £1.4m (2019: nil), against which a 12-month expected credit loss provision of £9k (2019: nil) has been recognised during the year.

The nominal value of the undrawn commitments related to credit cards was £1.2m at 31 December 2020 (2019: nil), against which a 12-month expected credit loss provision of £4k (2019: nil) has been recognised.

The Group intends to scale up the consumer credit offerings in a controlled manner to ensure that its credit models are robust.

Liquidity risk

Liquidity risk is the risk that RBUAB cannot meet its financial obligations when they fall due. Funding risk is the risk that RBUAB does not have sufficient stable sources of funding to meet its financial obligations when they fall due or can do so only at excessive cost. Risk arises when assets maturing during a particular period are lower than corresponding liabilities maturing during the same period; an unexpected increase in assets or a decrease in liabilities can also create liquidity risk.

RBUAB is, or may in the future be, exposed to a number of liquidity and funding risks, including retail funding run-off, wholesale funding reduction, pre-funding, marketable and non-marketable assets, contingent off-balance sheet exposures and commitment drawdowns, intraday requirements, collateral requirements, funding concentration, and foreign exchange. These risks are managed by the Treasury Function, with control and oversight provided by the Risk Management Function, the Assets and Liabilities Management Committee and the Management Board.

RBUAB's key liquidity policy is to maintain a portfolio of unencumbered, high-quality cash instruments and securities that are readily convertible to cash to ensure that it can meet all of its financial obligations in business-as-usual circumstances and in stress conditions. RBUAB complies with this policy by holding surplus cash in the form of overnight deposits with banks.

The maturity analysis of the financial liabilities of RBUAB is as follows:

Revolut Bank UAB	On demand £000	Less than one year £000	One to five years £'000	More than five years £000	Total (un- discounted cashflows) £000
At 31 December 2020					
Customer liabilities in respect of deposits	49,876	-	-	-	-
	49,876	-	-	-	-
At 31 December 2019					
Customer liabilities in respect of deposits	1	-	-	-	-
	-	-	-	-	-

Market risk

Foreign currency risk

Based on the current business model, the foreign exchange risk related with user balances kept in non-base currencies results in a low foreign exchange risk for RBUAB. The exposure is monitored on a daily basis to ensure the effective management of this risk.

The foreign exchange exposure of the banking book arises from the Treasury Function activities. This includes profit on the banking products, interest earned on nostro balances and various costs (all in non-functional currency). A limited foreign exchange exposure is allowed as defined per RBUAB's Risk Appetite Statement. Any material foreign exchange risk arising from Treasury Function activities is hedged on a day-to-day basis and is subject to ongoing monitoring.

As of 31 December 2020, RBUAB had no material unhedged exposures to foreign exchange risk.

Interest rate risk

Interest rate risk in the banking book ("IRRBB") is the risk that RBUAB's balance sheet and profitability is structurally exposed to unexpected movements in interest rates. This risk stems from maturity and repricing mismatches between assets and liabilities, which would materialise with changes in the shape of the yield curve ("gap risk"), or from interest rate related options embedded in those that might affect future cash flows ("option risk"), or with changes in the relationship between various yield curves ("basis risk").

To quantify the IRRBB, RBUAB uses two metrics: net interest income ("NII") sensitivity and economic value of equity ("EVE") sensitivity. NII is computed as the impact of parallel shock in interest rates on the net interest income generated by the banking book items based on their repricing profiles. EVE is assessed through a measurement of changes in the net present value of the interest rate sensitive instruments (excluding Common Equity Tier 1 ("CET1") instruments and other perpetual own funds) over their remaining life resulting from interest rate movements assuming six different shock scenarios.

In line with regulatory guidelines and internal judgment, a floor is prescribed for downward shocks to stop the simulated interest rates from being unrealistically negative.

Both metrics are managed against a control framework, which is defined with set limits in place. The Treasury Function is responsible for IRRBB management on an on-going basis using mitigation approaches such as the use of hedging and dynamic adjustment of in-app rate offerings to influence uptake behaviour. Interest rate characteristics of funding are matched as far as possible to lending and investments into securities. The Risk Management Function closely monitors IRRBB exposures, proposes limits and calculation assumptions, and performs stress testing. Any breach of the limit is escalated to the senior management with mitigating actions taken.

The exposure to interest rate risk is not material for RBUAB.

Capital

RBUAB's regulatory eligible capital consists exclusively of Common Equity Tier 1 ("CET1") capital, which comprises share capital, reserves and retained earnings (including current year losses), less intangible assets and deferred tax assets.

RBUAB maintains an actively managed capital base to cover risks inherent in the business and comply with the regulatory capital adequacy requirements, which are calculated following the EU Capital Requirements Regulation ("CRR") and the Capital Requirements Directive ("CRD").

In accordance with the regulatory capital requirements, banks are expected to operate with their capital being equivalent to at least the sum of the minimum Pillar 1 requirements, Pillar 2 requirement ("P2R"), Combined Buffer Requirement ("CBR") and Pillar 2 guidance ("P2G").

As of 31 December 2020, the total capital requirement of RBUAB (in accordance with the regulatory requirements) is equal to 7.0% for CET1 capital ratio and 10.5% for total capital ratio. RBUAB had no P2R and P2G requirements imposed by the Bank of Lithuania as of 31 December 2020.

The main objectives of RBUAB in managing its capital are as follows:

- The capital planning, and the capital held by RBUAB at any time, are consistent with RBUAB's strategy and support its implementation;
- Ensuring that RBUAB's capital level appropriately covers all material risks to which RBUAB is exposed and enables it to pursue its business objectives;
- RBUAB complies with the regulatory capital requirements;
- RBUAB shall meet its internally determined capitalisation targets, which envisage appropriate additional capital resources above the regulatory required capital in order to ensure capital adequacy in case of material deviations of RBUAB's performance from the financial plan or the severe adverse scenarios (both bank-specific and systemic); and
- RBUAB shall have a range of available and feasible management actions to restore its capitalisation in case of its deterioration.

RBUAB manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, RBUAB may take such actions as adjustment of the amount of dividend payment to shareholders, return of capital to shareholders, issue capital securities or make structural changes to its balance sheet ensuring optimal usage of capital. The objectives, policies and processes related with the RBUAB's capital management are reviewed at least annually to keep them up to date.

RBUAB's capital resources and requirements are as set out below:

£000	Actual 2020	Required 2020	Actual 2019	Required 2019
Common Equity Tier 1 (CET1) capital	11,026	1,849	8,314	1,878
Total capital	11,026	1,849	8,314	1,878
Risk weighted assets	23,117		24,721	
CET1 capital ratio	47.70%		33.63%	
Total capital ratio	47.70%		33.63%	

RBUAB has complied in full with all of its externally imposed capital requirements during 2020 and 2019.

25. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
13,827,741 (2019 - 13,663,412) Ordinary shares	1.38	1.36
18,051,576 (2019 - 6,187,209) A Ordinary shares	1.81	0.62
Nil (2019 - 4,989,071) B Ordinary shares	-	0.50
Nil (2019 - 6,879,002) C Ordinary shares	-	0.69
6,085,463 (2019 - 5,889,877) D Ordinary shares	0.61	0.59
4,833,694 (2019 - nil) E Ordinary shares	0.48	-
	4.28	3.76

All shares have a nominal value of £0.0000001 each.

On 12 February 2020, a bonus issue of 195,586 D Ordinary shares were issued at par from the share premium account.

In February and July 2020, the company completed a fundraising round and an extension thereto, raising \$500m and \$80m, with 4,118,566 E Ordinary shares allotted and fully paid at \$121.4015 per share on 24 February 2020 and 658,970 E Ordinary shares allotted and fully paid at \$121.4015 per share on 7 July 2020.

On 21 February 2020, 4,989,071 A Ordinary shares and 6,879,002 C Ordinary shares were redesignated as A Ordinary shares. On 5 June 2020, 48,239 Ordinary shares and 3,706 A Ordinary shares were redesignated as E Ordinary shares. On 19 June 2020, 4,213 Ordinary shares were redesignated as E Ordinary shares.

During the year: 18,790 Ordinary Shares were allotted and fully paid at £0.0000001 each; 57,220 Ordinary Shares were allotted and fully paid at £0.03 each; 56,527 Ordinary Shares were allotted and fully paid at £0.10 each; 19,319 Ordinary Shares were allotted and fully paid at £0.32 each; 62,522 Ordinary Shares were allotted and fully paid at £0.50 each; 9,474 Ordinary Shares were allotted and fully paid at £0.75 each; and 2,587 Ordinary shares were allotted and fully paid at £13.93 each; and 342 Ordinary shares were allotted and fully paid at £22.34 each to employees as they exercised their share options under the Group's share option schemes. Proceeds of £95k (2019: £137k) were received from the employees.

All shares have full voting and dividend rights. On a return of assets, capital distributions will be made to holders of A Ordinary, D Ordinary and E Ordinary Shares in priority to all other Shareholders.

26. Reserves

Share premium account

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

Foreign exchange reserve

The foreign exchange reserves represent the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year-end exchange rates.

Other reserves

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

Profit & loss account

This reserve records the accumulated results of the Group.

27. Share-based payments

The Group issues equity-settled share-based payment awards to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market performance vesting conditions) at the date of grant. 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 the number of awards that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

CSOP and Unapproved share option schemes

In 2019 the Group operated two share options schemes, the first is an HMRC approved Company Share Option Scheme (“CSOP”), for UK employees, and the second one, is an Unapproved Options Plan (“UOP”), for the non-UK employees.

In 2020, the Group issued share options under the unapproved options plan for both UK and non-UK employees of the Group and issued no share options under the CSOP plan.

The options are granted with a fixed exercise price, are exercisable after they have vested, and expire after 10 years.

Under both plans, options may have the following vesting periods: (i) a 4-year vesting period with the first 25% vested on the first-year anniversary of the vesting commencement date, and the remaining 75% vesting monthly over the subsequent 36 months; or (ii) a 2-year vesting period with options vesting monthly over the 2 years. Employees are required to remain in employment with the Group until the vesting period has elapsed, otherwise the awards lapse.

The fair value of the options granted during the year was determined by first valuing the total equity of the Group at the grant date. The valuation of the Group was undertaken using both a price per user basis and a revenue multiple basis using ranges of multiples based on a cohort of comparable companies to determine a range of possible equity values for the Group.

The mid-point of this range was used as an input to a Monte-Carlo simulation to determine the fair value of an ordinary share by running a large number of scenarios and attributing the resulting values to the classes of shares based on their economic rights.

The Black-Scholes option pricing model was then used to value the equity-settled share-based payment awards as the model is internationally recognised as being appropriate to value employee share schemes similar to the UOP.

In addition to awards described above, a number of employees were granted share options in exchange for a temporary reduction in salary for a twelve-month period under the UOP. These options vest monthly over a 12-month vesting period, during which time the employees must remain in employment with the Group. The options have a fixed exercise price and a maximum term of 10 years after which they expire.

In accordance with FRS 102 26.7, equity settled awards should be valued by measuring the fair value of services received directly where possible. In this case it was possible to measure the fair value of the employee services directly by reference to the value of the salary foregone.

Additional agreements are in place to grant up to 6,057,025 additional nil cost options over ordinary shares to members of senior management at the CEO’s discretion if certain conditions are met, including the completion of a qualifying fundraising or initial public offering on a recognised investment exchange, with certain share price, earnings, and operational performance targets. Such awards would be granted and vest immediately upon meeting all the required conditions, except for certain awards which may also be subject to time-based vesting requirements. No share-based payment charge has been recognised in the year ended 31 December 2020 in relation to these options as it is currently not considered to be probable that these conditions will be met.

Shares awarded to Non-executive directors

Along with certain employees, the non-executive directors of the Company agreed to forego their cash salaries in exchange for payment in shares. Whilst the issue of these shares is still subject to shareholder approval, the non-executive directors and the Company have a shared understanding of the terms and conditions of the arrangement and their services have been provided during the year and therefore a shared based payment charge has been recognised in relation to these awards, based on an estimate of the fair value of the shares at the grant date using the valuation of the shares undertaken for the employee share options issued during the year. The final grant date fair value will be determined when the shareholder approval is obtained and the share-based payment charge will be adjusted accordingly.

A reconciliation of share option movements over the year to 31 December 2020 is shown below:

	Weighted average exercise price 2020	Number 2020	Weighted average exercise price 2019	Number 2019
Outstanding at the beginning of the year	£0.69	891,765	£0.04	2,922,941
Granted during the year	£0.60	1,973,009	£1.44	420,340
Exercised during the year	£0.44	(216,583)	£0.06	(2,293,560)
Expired/sold during the year	£3.04	(201,485)	£0.07	(157,956)
Outstanding at the end of the year	£0.45	2,446,706	£0.69	891,765
Exercisable at the end of the year	£0.31	1,759,322	£0.29	484,982

The total share-based payment expense recognised in the Statement of Comprehensive Income is as follows:

	Group 2020 £000	Group 2019 £000
Equity settled schemes	40,462	8,489

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the share-based payment charge recognised in the income statement to changes in the key assumptions used to determine the fair value of the share options granted. The fair value is most sensitive to the ordinary equity value used in the Monte-Carlo simulation, which is derived from the enterprise value determined at the grant date. The fair value is not considered sensitive to reasonable changes in volatility or other assumptions used.

A 10% increase in the equity value at the valuation date for the share options granted in the year (which are not valued by reference to the salary foregone) would result in a 8.9% (£3.6m) increase in the total share-based payment expense for the year, with all other assumptions remaining unchanged. A 10% decrease in equity value assumption would result in 8.9% (£3.6m) decrease in the total share-based payment expense for the year, with all other assumptions remaining unchanged.

28. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1.4m (2019: £1.4m). Contributions totalling £0.3m (2019: £1.2m) were payable to the fund at the balance sheet date and are included in creditors.

29. Notes to the cash flow statement

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the financial year	(206,032)	(106,765)
Adjustments for:		
Tax credit on loss	(1,843)	(915)
Interest payable and similar charges	9,254	1,429
Interest receivable and similar income	(2,028)	(687)
Operating loss	(200,649)	(106,938)
Amortisation of intangible assets	174	13
Depreciation of tangible assets	3,365	1,491
Impairment of financial assets	(220)	261
Share based payment charge	40,462	8,489
Fair value gains on cryptocurrencies recognised in other comprehensive income	38,659	-
Changes in provisions less payments made	10,625	905
Net fair value losses on derivative financial instruments	1,849	-
Operating cash flows before changes in customer balances and hedging arrangements, and changes in working capital	(105,735)	(95,779)
Working capital movements:		
- Decrease/(increase) in inventories	1,759	(9,489)
- Increase in trade and other receivables	(21,100)	(12,718)
- (Increase)/decrease in trade and other creditors	(1,146)	19,425
Operating cash flows before changes in customer balances and hedging arrangements	(126,222)	(98,561)
Cash flows from customer balances and hedging activities:		
- Increase in E-Money in issue ¹	2,263,427	1,425,668
- Increase in negative customer balances ¹	(7,687)	(4,815)
- (Increase)/decrease in net settlement balances ¹	17,447	67,858
- Increase in customer liability in respect of cryptocurrencies ²	136,142	56,128
- Increase in cryptocurrencies ²	(135,970)	(56,338)
- Increase in customer liability in respect of commodities ³	49,904	14
- Increase in commodities ³	(50,366)	-
- Net increase in loans and advances to customers ⁴	(1,389)	-
- Net increase in customer deposits ⁴	49,876	-
Net cash generated from operating activities	2,195,162	1,389,954

¹ The cash flows from the increase in E-Money in issue, negative customer balances and the change in net settlement payables and receivables represents the cash flows from the Group's E-Money and payment processing business.

² The increase in the customer liability in respect of cryptocurrencies and net purchases of cryptocurrencies show the cash flow impacts for the period from 1 January 2020 to 26 July 2020, as from 27 July 2020 the legal arrangements regarding the cryptocurrencies product were amended such that the Group is now acting as agent on behalf of its customers in processing transaction and the assets and liabilities are no longer recognised on the Group's balance sheet from that date. See note 4 for further details.

³ Changes in the customer liability in respect of the Group's commodity trading product, net of changes in the Group's investment in commodities held for hedging purposes represents the net cash flows from the commodity trading product.

⁴ Net increases in customer deposits, less net cash flows from customer lending, are related to the consumer lending products offered by Revolut Bank UAB.

Analysis of changes in net debt

	1 January 2020 £000	Cash flows £000	Fair value and exchange movements £000	31 December 2020 £000
Cash and cash equivalents	2,462,986	2,586,938	5,099	5,055,023
Loans	(120,518)	44,337	(5,631)	(81,812)
Derivative financial instruments	-	-	(1,849)	(1,849)
	2,342,468	2,631,275	(2,381)	4,971,362

30. Capital and other commitments

Capital commitments

The Group had no capital commitments at 31 December 2020 (2019: nil).

Undrawn commitments

As at 31 December 2020, total committed but undrawn facilities in respect of consumer credit cards and loans were £1.2m (2019: nil).

Operating lease commitments

At 31 December 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Not later than 1 year	7,471	6,174	5,688	4,990
Later than 1 year and not later than 5 years	13,882	21,087	7,871	18,573
Later than 5 years	-	726	-	-
	21,353	27,987	13,559	23,563

31. Contingent liabilities

The Group may be subject to legal claims arising in the ordinary course of business. Any such actions are reviewed and assessed to determine whether there is a likelihood of the Group being required to make any payments resulting from such claims, and where it is considered more likely than not such a payment will have to be made a provision will be recognised for management's best estimate of the amount required to settle the obligation. Where it is not considered more likely than not that a payment will be required, any contingent liabilities are required to be disclosed. However, the Group currently has no material contingent liabilities.

32. Related party disclosures

At the balance sheet date, included in other debtors were balances of £6k and £9k (2019: £6k and £9k) owed by Revolut Ltd's directors N Storonsky and V Yatsenko respectively.

33. Post balance sheet events

Subsequent to the year end, the Group has repaid in full the €91m loan financing that was outstanding as at 31 December 2020, and entered into a new £100m revolving credit facility ("RCF") on 30 April 2021. The RCF has an initial term of two years and is extendable by a further two years if required and will cease to be available in the event that the Group is granted a UK banking licence.

Following the year end the Group announced a new share-based remuneration scheme for directors and employees that will replace the existing UOP option scheme for employees in certain jurisdictions. Under the new scheme directors and employees will be awarded growth shares in the Company which will entitle the participants to either share in the growth of the value of the Group above a hurdle that will be determined at the grant date or be entitled to the full value of a share in the event a certain growth hurdle is achieved (the "Growth Shares"). Directors and employees also had the ability to exchange any existing share options they held for Growth Shares upon the implementation of the new scheme. As part of the arrangement, a loan of £3.2m (repayable within one year) has been made to the chief executive officer, Nikolay Storonsky, to fund the purchase of Growth Shares.

34. Controlling party

The company is owned by a number of private shareholders and companies, none of whom own more than 25% of the issued share capital of the company. Accordingly, there is no parent entity nor ultimate controlling party.

35. Capital (unaudited)

As an authorised EMI, Revolut is required by the Electronic Money Regulations 2011 (EMRs) to hold a minimum amount of capital at all times to enable absorption of losses as they might arise. The capital requirement is met through Revolut's own holdings of capital resources, which is formed of Own Funds as defined by Article 4(1)(118) of the Capital Requirements Regulation.

As at 31 December 2020 Revolut Ltd had total capital resources, all of which is Common Equity Tier 1 ("CET1"), of £398.2m (2019: £85.5m), which represented a comfortable surplus over the total regulatory capital requirement of £63.1m (2019: £34.7m).

Appendix

Quarterly financial performance and other APMs (unaudited)

	3 months ended 31 March 2020 £000	3 months ended 30 June 2020 £000	3 months ended 30 September 2020 £000	3 months ended 31 December 2020 £000	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue	57,778	37,203	41,059	86,102	222,142	166,026
Revaluation gain on intangible assets (cryptocurrencies) - recognised in OCI ¹	-	13,385	25,274	-	38,659	-
Adjusted revenue	57,778	50,588	66,333	86,102	260,801	166,026
Direct costs	(48,003)	(32,555)	(35,065)	(36,789)	(152,412)	(148,932)
Add back: Net onboarding costs ²	5,909	3,895	2,562	2,013	14,379	21,408
Gross profit³	15,684	21,928	33,830	51,326	122,768	38,502
<i>Gross margin³</i>	29%	45%	54%	61%	49%	25%
Less: Net onboarding costs ²	(5,909)	(3,895)	(2,562)	(2,013)	(14,379)	(21,408)
Administrative expenses (excluding share-based payment charge)	(66,136)	(58,292)	(49,002)	(52,267)	(225,697)	(116,045)
Impairment of financial assets	58	59	54	49	220	(261)
Other operating income / (expense)	1,049	(2,720)	(67)	(2,702)	(4,440)	763
Adjusted operating loss⁴	(55,254)	(42,920)	(17,747)	(5,607)	(121,528)	(98,449)
Share-based payment charge	(9,952)	(9,823)	(10,143)	(10,544)	(40,462)	(8,489)
Less: Revaluation gain on intangible assets (cryptocurrencies) - recognised in OCI ²	-	(13,385)	(25,274)	-	(38,659)	-
Operating loss	(65,206)	(66,128)	(53,164)	(16,151)	(200,649)	(106,938)

The above unaudited quarterly operating loss is provided for use in the analysis of the Group's performance within the strategic report in order to provide greater detail on the financial performance of the business. The non-GAAP measures used by management include gross profit and adjusted operating loss. The reconciliation of these metrics to the statutory income statement is shown above, and the definitions and explanations of the adjustments are as follows:

1 Revaluation gain on cryptocurrencies

The Group's accounting policy for cryptocurrencies prior to the change in contractual arrangements on 27 July 2020 (as explained in note 4), was to recognise them as intangible assets using the revaluation model. This requires any changes in the fair value of the cryptocurrencies below the original cost of the assets to be recognised in profit or loss, and any changes in fair value above the original cost to be recognised in other comprehensive income. All changes in the fair value of the customer liability in respect of cryptocurrencies is recognised in profit or loss in accordance with IFRS 9.

Whilst in previous years the fair value of the Group's cryptocurrencies had not exceeded their original cost, between 1 April 2020 and 27 July 2020 as the market value of cryptocurrencies increased the value of the Group's cryptocurrencies exceeded their original cost, and a net gain of £38.7m was recognised prior to the derecognition of the cryptocurrencies (and associated customer liabilities). Whilst the requirements under FRS 102 Section 18 are that this gain should be recognised in other comprehensive income in the statutory financial statements, for management purposes this gain is recognised within revenue as with all fair value movements on cryptocurrencies and associated customer liabilities as the Group used the cryptocurrencies to hedge the customer liabilities.

This adjustment results in the inclusion of the £38.7m gain within the non-GAAP adjusted revenue, gross profit and adjusted operating loss as shown above.

2 Net onboarding costs

Net onboarding costs represent the net costs of opening new customer accounts, including the cost of production, delivery and activation of customer cards, and is net of fees charged to customers for the issuance of new cards. These fees and costs are included in revenue and direct costs in the statutory statement of comprehensive income, however for management reporting purposes these net costs are excluded from gross margin in assessing the performance of the business as it enables management to assess the performance of the underlying business separately from the impacts of growth in users. Total onboarding revenue for the year was £10.6m (£2.9m in Q1, £1.5m in Q2, £3.5m in Q3 and £2.7m in Q4) and total onboarding costs were £25.0m.

3 Gross profit/gross margin

Gross profit is defined as adjusted revenue (including revaluation gains on cryptocurrencies) less direct costs, excluding net onboarding costs. Gross margin is defined as gross profit divided by adjusted revenue (excluding onboarding income).

4 Adjusted operating loss

Adjusted operating loss is a non-GAAP performance measure and is defined as operating profit/loss for the period excluding equity settled share-based payments charges (which are non-cash costs) and including revaluation gains on cryptocurrencies that are recognised in other comprehensive income.

Company information

Directors

Martin Gilbert, Chairman

Nikolay Storonsky, CEO & co-founder

Vlad Yatsenko, CTO & co-founder

Michael Sherwood, Non-executive director, chair, Remuneration Committee

Caroline Britton, Non-executive director, chair, Audit Committee

Ian Wilson, Non-executive director (chair Risk & Compliance Committee from 21/02/21)

Bruce Wallace, Non-executive director, chair Risk & Compliance Committee

Company Secretary

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