Revolut Ltd

Annual Report and Financial Statements
For the year ended 31 December 2022

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Company Information

Company Name	Revolut Ltd
Directors	Martin Gilbert (Chair) Nikolay Storonsky (Nik) (CEO & Co-Founder) Vladyslav Yatsenko (Vlad) (CTO & Co-Founder) Michael Sherwood (Independent Non-Executive Director and Chair, Remuneration Committee) Caroline Britton (Independent Non-Executive Director and Chair, Audit Committee) Ian Wilson (Independent Non-Executive Director) John Sievwright (Independent Non-Executive Director and Chair, Risk & Compliance Committee) Dan Teodosiu (Independent Non-Executive Director)
Company Secretary	Thomas Hambrett
Registered Number	08804411
Registered Office	7 Westferry Circus Canary Wharf London England E14 4HD
Independent Auditors	BDO LLP 55 Baker Street London England W1U 7EU

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2022 for Revolut Ltd (the 'Company').

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The directors have chosen to prepare the Company Financial Statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The law provides that the directors may only approve the financial statements if they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the financial year to which they relate.

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

- Maintain appropriate accounting records, which enable the directors to understand the Company's transactions and financial position;
- Select appropriate accounting policies and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgments and accounting estimates that are reasonable and prudent;
- Provide additional disclosures in certain circumstances to ensure that readers of the financial statements can understand the impact of particular transactions and matters on the Company's financial position and financial performance;
- Ensure that the financial statements comply with the requirements of the Companies Act 2006;
- Make an assessment of the Company's ability to continue as a going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard assets of the Company and to prevent and detect 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.

Directors

The directors who served during the period and to the date of this report were:

- Nik Storonsky
- Vlad Yatsenko
- Martin Gilbert
- Michael Sherwood
- Caroline Britton
- Ian Wilson
- John Sievwright

Directors' Liabilities

Revolut indemnifies Company directors against third-party liability, 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 2022 financial year.

Financial Instruments

The Company enters into a series of financial instruments for the purposes of its business operations, comprising cash and cash equivalents, financial investments held to collect and sell, derivatives, customer liabilities, intercompany and other payables and receivables measured at amortised cost. Details of the Company's financial instruments are set out in note 24 of the financial statements.

The Company is exposed to foreign exchange and interest rate risk. The Company undertakes fair-value hedge accounting using interest rate swaps for its non-interest-bearing core deposits. Details of the Company's Hedge Accounting are set out in note 24.4 of the financial statements.

Principal Risks and Uncertainties

The Company's risk management strategy is to identify potential events that may impact the business and to manage these within the risk appetite set by the Board. The risk appetite of the Company is aligned with that of the Revolut Group Holdings Ltd and subsidiaries (the 'Group') to the extent that it follows a consistent risk taxonomy and appetite/tolerance levels are set so that the Company does not exceed that of the Group. The principal risks facing the Company can be categorised into financial risk and operational risk, as summarised below:

Financial Risk

The Company is exposed to various financial risks in the ordinary course of business. The Company divides these risks into the following categories: Credit Risk, Liquidity and Funding Risk, Market Risk and Capital Risk.

- Credit Risk is the risk of financial loss should the Company's counterparties fail to fulfil their contractual obligations in full and on time. The Company is exposed to various credit risks in the course of its operations, the majority of which arise from the placements of corporate and client safeguarded funds with financial institutions. These are typically investment-grade-rated institutions.
- Liquidity Risk is the risk that the Company cannot meet its financial obligations when they fall due or is only able to do so at excessive cost. Funding Risk is the risk that the Company 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. To manage these risks, the Company maintains 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.
- Market Risk is the risk that the Company's earnings, capital or ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices, specifically foreign exchange rates, commodities, cryptocurrencies and interest rates. The Company undertakes hedging transactions for these risks where appropriate.
- Capital Risk is the risk that the Company does not hold adequate capital to support its business activities based on its regulatory requirements and risk profile. The Company is an FCA regulated e-money institution, and its capital requirements is subject to the Payment Services Regulations 2017, and regular Financial Resources Review by the FCA.

Operational Risk

Operational risk is defined as the risk of loss as a result of inadequate or failed internal processes, people and systems or from external events. Revolut manages operational risk under its Enterprise Risk Management Framework which is supported and underpinned by the Operational Risk Management Policy. Tools and minimum standards for operational risk management are defined and applied across the Group. Important elements include operational risk and control identification and assessment, control testing and assurance, incident and issue management and monitoring and alerting through an extensive suite of risk and control metrics and indicators.

Financial Services firms face a broad range of operational risks, depending on the size and complexity of their operations. Examples of key operational risks that Revolut actively manages include:

- Those relating to operational resilience, for which Revolut operates an extensive framework to ensure stability of our services to our growing customer base.
- Third Party Risks, where Revolut relies on the provision of products and services from third parties for the delivery of its business activities. Processes are operated to identify, assess, monitor and manage risk throughout the third-party lifecycle.
- The risk of Revolut's services being exploited for illicit purposes, including fraud. Revolut operates a framework of standards and controls, designed to deter, prevent, detect, manage and disclose to the relevant authorities those suspected of committing fraud against Revolut or Revolut Customers.
- The risk that Revolut is unable to retain or attract key talent, impacting our growth path or leading to operational disruption. Revolut operates a number of processes and controls designed to develop and retain our staff, as well as to ensure that key staff are identified and succession plans established to avoid single points of failure within the organisation.

Specialist and dedicated operational risk management capability is deployed across Revolut's Three Lines of Defence Model and governed under our Compliance, Operational and Conduct Risk Committee.

Going Concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the available resources to continue in business for a period of at least twelve months from the date of approval of the financial statements.

The going concern assessment is based on the detailed forecast prepared by management. In the base case forecast, appropriate assumptions have been made in respect to user growth, revenue growth and profitability, based on the historical performance of the business and expected changes to the business over the forecast period.

As part of the going concern review, the Directors have considered the same severe, but plausible, downside scenarios as used in the Group detailed Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to stress test the viability of the business. The scenarios tested are shared below and were tested before and after actions from Group management.

Type	Scenario	Description
Market	Interest Rates Decrease	• In this scenario, a global stock market crash results in a sharp rise in unemployment and fall in real GDP. • Inflationary pressures ease and central banks respond to the crisis by cutting interest rates, which fall back to levels seen before recent increases.
	Interest Rates Increase	• Inflation continues to increase globally. Central banks continue to raise interest rates (beyond current levels). • Real GDP growth stagnates for a protracted period. • This is based on the September 2022 Bank of England Annual Cyclical Scenario.
Idiosyncratic	Reputational Damage	• An operational event occurs which results in a severe reputational damage. • Many customers withdraw funds and stop using Revolut. • It takes considerable time before trust is restored.

In all of these scenarios the Company is able to meet its regulatory capital and liquidity requirements without the need for external financing.

The Directors have considered forecasts for the Company and have, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operation for a period of at least twelve months from the date of approval of the financial statements.

Events After the Reporting Date

In April 2023, the Company entered into a liquidity facility with an external lender to provide diversification in funding as the business grows globally. Security was provided to the lender in the form of a debenture. The facility remains undrawn and there are no plans to draw upon it.

Disclosure of Information to the Auditor

Each of the Revolut Ltd directors as of the date of approval of this Directors' Report has confirmed that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- Each of the directors has taken all of 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'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 19 December 2023 and signed on its behalf.

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Nikolay Storonsky

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Nikolay Storonsky

Director

19 December 2023

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 Company's affairs as at 31 December 2022 and of its profit 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 Company") for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, 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 101 Reduced Disclosure Framework (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

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 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 matter

The corresponding figures presented in the Company Statement of Comprehensive Income are unaudited.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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 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 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 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:

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- 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 relevant regulatory bodies, pension legislation and tax legislation. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements.
- The susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the nature of the industry, sector and control environment and controls established by the Company to address risks identified by the Company or that otherwise seek to prevent, deter or detect fraud.
- Due to the acute dependency of the Company on its IT infrastructure we performed an assessment of the IT landscape, performed bidirectional data flow assessments across product cycles identified as key, and assessed the design of the IT environment and relevant activity level controls across the customer lifecycle for those products and services.

Audit response to the risks identified

As a result of assessing the above we identified the developing financial control environment as the key risk in respect of how the audit was capable of detecting irregularities including fraud.

As we were able to place reliance on relevant IT controls, we followed a combined audit approach to obtain evidence from controls and substantive procedures. Due to the nature of the entity's operations, we focused our procedures on the existence of own cash balances, the existence of cash and commodities held in client designated bank accounts, and the completeness and accuracy of client liabilities associated with those cash and commodities balances held in third party bank accounts.

Risk – Existence of own and client cash and commodities held by the entity as at the year end

Our procedures included the following:

- We obtained independent confirmation of 100% of cash balances held on behalf of customers with third parties.
- We obtained independent confirmation of 100% of commodities held with third parties.
- We obtained independent confirmation of 99.99% of own cash, other high quality liquid assets (HQLAs), and short-term financial assets held with third parties, with appropriate rationalisation and alternative procedures performed on the remaining immaterial 0.01%.

Risk – Completeness and accuracy of customer liabilities recognised as at the year end

Our procedures included the following:

- Interrogation procedures in respect of the completeness and accuracy of data integrations and reconciliations relevant to revenue recognition and client liabilities, including assessment and test of effectiveness of IT general and automated controls relating to the core operating platforms and general ledger.
- We performed a reconciliation of brought forward and year end client liabilities via recalculation of transactional e-money activity in the year.
- We used data analytics techniques to independently recalculate total e-money in issue at an individual user level by direct interrogation of the Company's IT environment for evidence of understatement of customer liabilities.
- We performed analytics over e-money transactional revenues to identify anomalies and outliers in fees levied for indications of fraudulent revenue recognition.
- We performed analytics over certain third-party internet review sites for customer sentiment.
- We performed analytics of customer account activity behaviours and tested a sample based on risk criteria for evidence of misallocation and/or misappropriation of customer liabilities.
- We reviewed available external complaints data and compared to internal data source(s) to assess potential incompleteness of customer complaints recorded by the entity.

- We reviewed and performed analytics over customer complaints and tested a sample based on a number of risk criteria for indications of systemic evidence of understatement of customer liabilities.
- We included as part of our substantive procedures in respect of the revenue and treasury cycles verification of customer existence procedures (onboarding) for indicators of fictitious customers and accounts.
- We obtained confirmations over a number of customer balances and year end transactions direct from customers based on specific risk criteria and characteristics.
- Certain BDO team members opened accounts for the purposes of the audit to initiate customer transactions which we then verified in the entity's systems to identify contra-indicators in respect of the completeness and accuracy of transactional behaviours in Revolut's internal systems and the completeness, accuracy and existence of transactional flows initiated in the app.

In addition to the above our procedures to respond to risks included, but were not limited to:

- Review of correspondence with and reports to the regulators, including the FCA and other regulatory bodies;
- Review of management's reporting to the Board Audit and Risk Committee in respect of compliance and legal matters;
- Enquiring of management and review of internal audit reports in so far as they related to the financial statements;
- Identifying and testing journal entries to respond to the risk of management override of control;
- Reviewing dispute logs, breaches/incidents log, legal expenses and whistleblowing reports.

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.

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

DocuSigned by:

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Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
19 December 2023

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

Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022	2021
			Unaudited
	Note	£000	£000
Revenue		**743,867**	**419,838**
Fee income	6	400,493	403,414
Interest income	7	47,133	682
Other income	8	296,241	15,742
Cost of sales		**(132,246)**	**(100,607)**
Fee expense		(117,928)	(80,823)
Interest expense	7	(5,463)	(9,070)
Net change in expected credit losses		(50)	(218)
Other operating expenses		(8,805)	(10,496)
Gross profit		**611,621**	**319,231**
Administrative expenses	9	(634,787)	(306,029)
(Loss)/profit before tax		**(23,166)**	**13,202**
Tax credit/(expense)	11.1	39,031	(3,489)
Net profit for the year		**15,865**	**9,713**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	23	(40)	109
Fair value gain on financial assets held at fair value through OCI	23	(13,519)	(258)
Total tax on components of other comprehensive income	11	3,444	—
Other comprehensive loss, net of tax		**(10,115)**	**(149)**
Total comprehensive income for the year		**5,750**	**9,564**

As set out in Note 2, for the year ended 31 December 2022, the Company has prepared for the first time an individual Statement of Comprehensive Income and therefore comparative figures for the previous period are presented for the first time.

The accompanying notes form an integral part of this financial statement.

Statement of Financial Position

As at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Cash and cash equivalents	18	4,258,584	3,984,868
Treasury investments	16	1,712,270	383,670
Investment in commodities	17	94,221	66,356
Trade and other receivables	15	397,193	200,228
Inventories	14	18,430	7,101
Derivative financial assets	24.3	10,158	16,255
Current tax assets	11	7,412	6,427
Deferred tax assets	11.3	88,743	470
Property, equipment, and right-of-use assets	12	19,485	23,164
Intangible assets		—	204
Investments in subsidiaries and group undertakings	13	15,457	264,886
Total assets		**6,621,953**	**4,953,629**
Liabilities			
Customer liabilities	19	5,371,960	3,516,981
Trade and other payables	20	404,868	320,135
Derivative financial liabilities	24.3	91,133	6,434
Lease liability		8,187	12,714
Provisions for liabilities	21	14,043	1,801
Current tax liabilities	11	2,134	432
Deferred tax liabilities	11.3	—	240
Total liabilities		**5,892,325**	**3,858,737**
Equity			
Share capital	22	—	—
Share premium		87,803	1,287,452
Retained earnings / (Accumulated deficit)		477,466	(306,830)
Other reserves	23	164,359	114,270
Total equity		**729,628**	**1,094,892**
Total liabilities and equity		**6,621,953**	**4,953,629**

The accompanying notes form an integral part of these financial statements. The financial statements on pages 13 to 67 were approved and authorised for issue by the Board and were signed on its behalf on 19 December 2023;

DocuSigned by:
Nikolay Storonsky
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Nikolay Storonsky
Director

Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2021	**—**	**697,444**	**—**	**67,523**	**(316,543)**	**448,424**
Net profit for the year	—	—	—	—	9,713	9,713
Other comprehensive loss for the year	—	—	—	(149)	—	(149)
Total comprehensive income for the year	**—**	**—**	**—**	**(149)**	**9,713**	**9,564**
Transactions with owners						
Shares issued during the year	—	590,008	—	—	—	590,008
Equity-settled share-based compensation	—	—	—	47,341	—	47,341
Purchase of own shares within Employee Benefit Trust	—	—	—	(445)	—	(445)
Total transactions with owners	**—**	**590,008**	**—**	**46,896**	**—**	**636,904**
At 31 December 2021	**—**	**1,287,452**	**—**	**114,270**	**(306,830)**	**1,094,892**
At 1 January 2022	—	1,287,452	—	114,270	(306,830)	1,094,892
Net profit for the year	—	—	—	—	15,865	15,865
Other comprehensive loss for the year	—	—	—	(10,115)	—	(10,115)
Total comprehensive income for the year	**—**	**—**	**—**	**(10,115)**	**15,865**	**5,750**
Transactions with owners						
Share premium reduction and transfer to retained earnings	—	(1,200,000)	—	—	1,200,000	—
Shares issued during the year	—	86	—	—	—	86
Adjustment to accrued expenses related to issuance of shares	—	265	—	—	—	265
Merger reserve on reorganisation	—	—	(202,779)	445	—	(202,334)
Transfer of share-based payment reserve on reorganisation	—	—	—	(17,688)	17,688	—
Equity-settled share-based payment charge	—	—	—	34,083	—	34,083
Dividends	—	—	—	—	(246,478)	(246,478)
Transfer of merger reserve following dividend in specie	—	—	202,779	—	(202,779)	—
Purchase of own shares within Employee Benefit Trust	—	—	—	—	—	—
Tax impact of equity-settled share-based payment charge	—	—	—	43,364	—	43,364
Total transactions with owners	**—**	**(1,199,649)**	**—**	**60,204**	**768,431**	**(371,014)**
At 31 December 2022	**—**	**87,803**	**—**	**164,359**	**477,466**	**729,628**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. General Information

Revolut Ltd (the 'Company') provides electronic money and payment services through a prepaid card, currency exchange, peer-to-peer payments, and cryptocurrency, amongst other products. The Company 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.

Following the migration of customers in the EEA to Revolut Bank UAB, the Company now provides intercompany services to facilitate the operation of Revolut Bank UAB.

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, Canary Wharf, London, England, E14 4HD.

The ultimate and immediate parent of the Company is Revolut Group Holdings Ltd, whose registered address is 7 Westferry Circus, Canary Wharf, London, England, E14 4HD. The largest and smallest group that prepares consolidated accounts is that headed by Revolut Group Holdings Ltd, and those consolidated accounts are publicly available from the above address.

2. Basis of Preparation

The financial statements of Revolut Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006.

As permitted under section 400 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly-owned subsidiary of the ultimate parent, Revolut Group Holdings Ltd, a company incorporated in England and Wales, which prepares consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom. The Company meets the criteria for exemption from the obligation to prepare and deliver group accounts that is available to a company included in UK group accounts of a larger group. These financial statements therefore present information about the Company as an individual undertaking and not about its group. Revolut Group Holdings Ltd makes it financial statements available to the public annually.

The financial statements are prepared on a going concern basis (as disclosed in Note 3), under the historical cost convention, as modified by the recognition of certain financial assets at fair value as disclosed in Note 4.

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 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 5.

Following the group reorganisation that took place during 2022 as set out in Note 2.1, Revolut Ltd has presented its financial statements for the year ended 31 December 2022 on an individual basis only as Revolut Group Holdings Ltd has presented its consolidated financial statements for the year ended 31 December 2022 as an in-substance continuation of the existing Group, headed by Revolut Ltd. For the year ended 31 December 2021 the Company took advantage of the exemption in section 408 of the Companies Act from presenting its individual Statement of Comprehensive Income. For the year ended 31 December 2022 the exemption under section 408 of the Companies Act is not available and therefore the Company has presented its individual Statement of Comprehensive Income and related Notes 6 to 11 for the first time including comparatives for the year ended 31 December 2021.

Further details of the basis of consolidation adopted by Revolut Group Holdings Ltd for the year ended 31 December 2022 and for the comparative year ended 31 December 2022 are set out in Note 2 of Revolut Group Holdings Ltd consolidated financial statements for the year ended 31 December 2022.

2.1. Restructuring of the Group

During 2022, the Revolut group of companies underwent a business combination under common control as follows.

On 29 April 2022, Revolut Group Holdings Ltd, a company incorporated and domiciled in the United Kingdom acquired the ownership interest of Revolut Ltd, a company incorporated and domiciled in the United Kingdom via a share-for share exchange.

On 7 June 2022, Revolut Ltd transferred its direct 100% ownership interests in the following companies via a share-for-share exchange to Revolut Holdings Europe UAB, a company incorporated and domiciled in Lithuania, to establish a European Union sub-group headed by Revolut Holdings Europe UAB:

- Revolut Bank UAB, a company incorporated and domiciled in Lithuania
- Revolut Insurance Europe UAB, a company incorporated and domiciled in Lithuania
- Revolut Payments UAB, a company incorporated and domiciled in Lithuania
- Revolut Securities Europe UAB, a company incorporated and domiciled in Lithuania

On 25 July 2022, Revolut Ltd transferred its direct 100% ownership interests in the following companies via a dividend in specie to Revolut Group Holdings Ltd:

- Revolut Holdings International Ltd, a company incorporated and domiciled in the United Kingdom
- Revolut Holdings US Inc, a company incorporated and domiciled in the United States of America
- Revolut NewCo UK Ltd, a company incorporated and domiciled in the United Kingdom
- Revolut Corporate Services Ltd (formerly known as Revolut FIC Ltd) a company incorporated and domiciled in the United Kingdom

On 2 September 2022, Revolut Ltd transferred its direct 100% ownership interest in Revolut Travel Ltd, a company incorporated and domiciled in the United Kingdom, to Revolut NewCo UK Ltd via a share-for-share exchange.

On 25 October 2022, Revolut Ltd transferred its direct 100% ownership interests in the following companies via a dividend in specie to Revolut Group Holdings Ltd:

- Revolut Holdings Europe UAB
- RT Digital Securities Cyprus Ltd, a company incorporated and domiciled in Cyprus

On 25 October 2022 Revolut Ltd transferred its entire ownership interest in Revolut Payments India Private Ltd, a company incorporated and domiciled in India via a dividend in specie to Revolut Group Holdings Ltd.

2.2 Individual financial statement of the Company Exemption under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of individual financial statements of Revolut Ltd, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share-based Payment*, because the share-based payment arrangement concerns the instruments of another group entity
- The requirements of IFRS 7 Financial Instrument Disclosure
- The requirements of paragraph 91 to 99 of IFRS 13 *Fair Value Measurement*
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*
- The requirements of paragraphs 79(a)(iv) and 111 of IAS 1 *Presentation of Financial Statements*
- The requirements of IAS 7 *Statement of Cash Flows*
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*

- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135c to 135e of IAS 36 *Impairment of Assets*

2.3 Modifications to Presentation

Statement of Financial Position
The Company has elected to modify the presentation of the Statement of Financial Position, as a presentation based on liquidity provides information that is reliable and more relevant. All assets and liabilities are presented in order of liquidity.

Financial assets measured at FVOCI have been presented as treasury investments in order to facilitate the inclusion of new financial assets measured at amortised cost for the year ended 31 December 2022, within the same financial statement caption, while maintaining accuracy with regards to the classification of financial assets. The Company has made other minor modifications to presentation of financial statement captions in order to enhance user understanding of the Company's assets and liability positions.

Investments in subsidiaries have been presented to include group undertakings to accurate reflect in impact of the Group's restructuring efforts in 2022.

	2021 (published)	Presentation adjustments	2021 (revised)
	£000	£000	£000
Assets			
Current assets			
Cash and cash equivalents	3,984,868	—	3,984,868
Financial assets at FVOCI	383,670	(383,670)	—
Treasury investments	—	383,670	383,670
Investment in commodities at FVTPL	66,356	(66,356)	—
Investment in commodities	—	66,356	66,356
Trade and other receivables	200,228	—	200,228
Inventories	7,101	—	7,101
Current tax assets	6,427	—	6,427
Derivative financial assets	16,255	—	16,255
Total current assets	**4,664,905**	—	
Non-current assets			
Property, equipment, and right-of-use assets	23,164	—	23,164
Intangible assets	204	—	204
Deferred tax assets	470	—	470
Investments in subsidiaries	264,886	(264,886)	—
Investments in subsidiaries and group undertakings	—	264,886	264,886
Total non-current assets	**288,724**	—	
Total assets	**4,953,629**	—	**4,953,629**
Liabilities and equity			
Current liabilities			
Trade and other payables	320,135	—	320,135
Loans at amortised cost	—	—	—
Customer liabilities	3,516,981	—	3,516,981
Current tax liabilities	432	—	432
Lease liability	4,798	7,916	12,714
Derivative financial liabilities	6,434	—	6,434
Total current liabilities	**3,848,780**	**7,916**	
Non-current liabilities			
Provisions for liabilities	1,801	—	1,801
Lease liability	7,916	(7,916)	—
Deferred tax liabilities	240	—	240
Total non-current liabilities	**9,957**	**(7,916)**	
Total liabilities	**3,858,737**	—	**3,858,737**
Equity			
Share capital	—	—	—
Share premium	1,287,452	—	1,287,452
Accumulated losses	(306,830)	306,830	—
Retained earnings / (Accumulated deficit)	—	(306,830)	(306,830)
Other reserves	114,270	—	114,270
Total equity	**1,094,892**	—	**1,094,892**
Total liabilities and equity	**4,953,629**	—	**4,953,629**

3. Going Concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the available resources to continue in business for a period of at least twelve months from the date of approval of the financial statements.

The going concern assessment is based on the detailed forecast prepared by management. In the base case forecast appropriate assumptions have been made in respect to user growth, revenue growth, and profitability, based on the historical performance of the business and expected changes to the business over the forecast period.

As part of the going concern review, the Directors have considered the same severe, but plausible, downside scenarios as used in the Group detailed ICAAP and ILAAP to stress test the viability of the business. The scenarios tested are shared below and were tested before and after actions from Group management.

Type	Scenario	Description
Market	Interest Rates Decrease	• In this scenario, a global stock market crash results in a sharp rise in unemployment and fall in real GDP. • Inflationary pressures ease and central banks respond to the crisis by cutting interest rates, which fall back to levels seen before recent increases.
	Interest Rates Increase	• Inflation continues to increase globally. Central banks continue to raise interest rates (beyond current levels). • Real GDP growth stagnates for a protracted period. • This is based on the September 2022 Bank of England Annual Cyclical Scenario.
Idiosyncratic	Reputational Damage	• An operational event occurs which results in a severe reputational damage. • Many customers withdraw funds and stop using Revolut. • It takes considerable time before trust is restored.

In all of these scenarios, the Company is able to meet its regulatory capital and liquidity requirements without the need for external financing.

The Directors have considered forecasts for the Company and have, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operation for a period of at least twelve months from the date of approval of the financial statements.

4. Significant Accounting Policies

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

4.1 Adoption of New and Revised Standards

(a) New standards, interpretations, and amendments adopted from 1 January 2022

New standards impacting the Company that have been adopted in the financial statements for the year ended 31 December 2022 are:

- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020 — Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16
- Reference to the Conceptual Framework — Amendments to IFRS 3

The adoption of the new standards listed above have not had a significant impact on the individual financial statements of the Company for the year ended 31 December 2022.

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

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

New standards or amendments	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts*	1-Jan-23
Disclosure of Accounting Policy — Amendments to IAS 1 and IFRS Practice Statement 2	1-Jan-23
Definition of Accounting Estimate — Amendments to IAS 8	1-Jan-23
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction — Amendments to IAS 12 and IFRS 1	1-Jan-23
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	1-Jan-24

Management does not expect that the adoption of the standards listed above will have a material impact on the annual financial statements of the Company in future periods.

4.2 Foreign Currency Translation

Functional and presentation currency
The Company's functional and presentation currency is the pound sterling.

Transactions and balances
Transactions are recorded at the rate prevailing on the date 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 profit or loss. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

4.3 Fee Income

The Company recognises revenue according to the principles of IFRS 15 using the five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction to the performance obligations in the contract
5. Recognise the revenue when (or as) the entity satisfies the performance obligation

The Company derives its revenue from contracts with customers by transferring the following services:

Card and interchange
Card and payments revenue represents transactional related fees, including interchange fees receivable from the Company's card issuing partners, merchant acquiring fees, fair usage fees for cash withdrawals outside of customer plans allowances and top-up fees.

Card and interchange fees are deemed to include a single performance obligation under IFRS 15 *Revenue from*

Contracts with Customers; namely, the completion of a card transaction for a customer and as such, revenue is recognised at the time of the transaction.

Foreign exchange
Foreign exchange revenue represents markup fees charged 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.

Foreign exchange revenue has a single performance obligation; namely, the exchange of one currency for another between customer's currency pockets. Revenue is recognised at the point of this exchange.

Wealth
Wealth comprises revenues from the Company's cryptocurrency and commodities products.

The Company acts as an agent on behalf of its customers to buy or sell cryptocurrencies. Buying or selling cryptocurrencies has a single performance obligation; namely, the execution of a customer's order and as a result, revenue is recognised at the time of the transaction.

When entering into commodity contracts with customers the Company charges a markup on the market exchange rate for the exchange of e-money, and similarly when the customer settles the contract and receives e-money. Entering into or closing commodity contracts comprises two performance obligations; namely, one when the contract is entered into and one when it is settled. Each of these obligations incurs a separate fee and as such the relevant markup is recognised as revenue when the contract is entered into and when it is settled.

While open, the customer contracts are accounted for at fair value through profit or loss within revenue.

The Company hedges its exposure to customer commodity contracts through holding its own investments in commodities. The net amount representing the change in fair value of the contracts with customers and the associated hedging investments are presented net in the foreign exchange and wealth line within fee income. The policies and methodologies associated with the determination of fair value are included in Note 24.2.

Subscriptions
Subscription revenue represents monthly and annual subscription fees charged to retail and business customers. The subscription service has two distinct performance obligations: a card delivery service (which is recognised in other fee income) and an ongoing payment processing service. Revenue for the subscription service is recognised in the month to which the subscription relates. Where subscription fees are received in advance (namely annual subscription fees) they are initially recognised as contract liabilities and are recognised as revenue in the Statement of Comprehensive Income on a straight-line basis over the period of the subscription.

Any termination fees for existing subscriptions services ending early are recognised upon the termination date.

Other
Other revenue mainly comprises:

- Revenue earned for the delivery of cards, which is recognised on the day the card is delivered to the customer
- Fees charged to customers in respect of remittances facilitated at customers request

Remaining performance obligations
IFRS 15 allows the Company to exclude from its remaining performance obligations disclosure any performance obligations which are part of a contract with an original expected duration of one year or less. Additionally, any variable consideration, for which it is probable that a significant reversal in the amount of cumulative revenue recognised will occur when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because such variable consideration is not included in the transaction price (e.g., investment management fees).

4.4 Fee Expense

Fee expenses primarily relates to fees incurred by the Company 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.

Processing and settlement of transactions
These are costs primarily payable to the card schemes of which the Company is a member. Processing and settlement of transaction costs are presented net of rebates received from payment scheme providers for scheme fee costs.

Providing cards to customers
These are the costs incurred by the Company to purchase, personalise, and distribute cards to customers. Card stock is initially recognised as inventory until the card is shipped to a customer at which point it is expensed.

Redress payments
These are amounts that the Company incurs where customers have been subject to fraudulent transactions or where charges have caused a customer's account to have a negative balance.

4.5 Interest Income and Expense

Interest income
Interest income is recognised using the effective interest rate on: financial assets held at fair value through other comprehensive income; safeguarded funds; and cash and cash equivalents.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses).

Interest income from non-credit-impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit-impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses.

Interest expense
Interest expenses are charged to interest expense in the Statement of Comprehensive Income over the term of the debt using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

Issue costs are initially recognised as a reduction in the proceeds of the associated instrument, when considered incremental and directly attributable to the instrument issued.

4.6 Transactions Between Entities Under Common Control

The Group's transfer pricing policy is determined with reference to local tax legislations, the OECD Guidelines, and in line with the arm's length principle. Return on Capital ('ROC') is used as a proxy to determine the arm's length return in which entities under common control should receive for the activities they perform. The ROC is presented as a range of results.

For the transaction between Revolut Ltd and Bank UAB the target ROC for the Bank UAB is 8.5% (mid-way between the median and lower quartile of the range of results). Other entities under common control have their own ROC targets. Any additional profit, on top of target ROC's is paid back by the local entities to Revolut Ltd for its provision of the Banking Operations Services.

Revolut Bank UAB is currently the only entity paying its residual profit back to Revolut Ltd. All other entities under common control are still in the start-up-phase and they receive a market development fee from Revolut Ltd to breakeven.

Revolut Ltd also engages non UK entities under common control and Revolut Ltd branches, to perform limited risk services for the cost and benefit of Revolut Ltd. These services are remunerated on a cost plus basis, with the mark-ups on cost determined by benchmarks.

4.7 Staff Costs

The Company 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. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plan
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.
The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Share-based payments
During the current financial year, as part of the group-wide reorganisation, share-based payment arrangements previously issued by Revolut Ltd and settled in equity instruments of Revolut Ltd were replaced by share-based payment arrangements issued by Revolut Group Holdings Ltd and settled in equity instruments of Revolut Group Holdings Ltd. Further details of the group-wide reorganisation are set out in Note 2.1.

The Group operates a number of share-based payment award schemes. The purpose of these schemes is to incentivise and remunerate the Company's employees. These schemes meet the definition of equity-settled share-based payment schemes.

Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. Revolut use third party valuation specialists to estimate the fair value of each grant based on the terms of that grant as well as internal and market data. The Black-Scholes option pricing model was 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.

The fair value of the awards is recognised as an expense in the Statement of Comprehensive Income over the vesting period with a corresponding increase in the share-based payment reserve in equity. 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 share-based payment awards that eventually vest. The Company has to estimate the expected yearly percentage of employees that will stay within the Company at the end of the vesting period of the share-based payment awards in order to determine the amount of share-based compensation expense charged to the Statement of Comprehensive Income.

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

Prior to Revolut Group Holdings Ltd becoming the immediate parent of Revolut Ltd on 29 April 2022, where the Company granted share-based payment awards to employees of subsidiary companies, the relevant charge was recognised as an increase in cost of investment in subsidiaries with a corresponding increase in the share-based payment reserve in equity. Following share awards previously issued by the Company being replaced with share awards issued by, and settled in, equity instruments of Revolut Group Holdings Ltd, the Company transferred the component of the share-based payment reserve in equity to retained earnings relating to outstanding share-based payment awards previously made by the Company to employees of other other group subsidiaries as the Company will no longer be settling these share-based payment awards.

4.8 Current and Deferred Taxation

The tax expense/(credit) comprises current and deferred tax. Tax is recognised in profit or loss, 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 Statement of Financial Position date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 Company 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 Statement of Financial Position date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.9 Property, Equipment, and Right-of-use 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 annually, 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 Administrative expenses in the Statement of Comprehensive Income.

4.10 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 31 December 2022 and 2021 the Company is a lessee in its lease arrangements, and is not a lessor.

The Company applies a single recognition and measurement approach for all lessee leases, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low-value assets. The Company recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset, otherwise the right of use asset is amortised over the duration of the lease agreement. The depreciation starts at the commencement date of the lease.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 4.12, Impairment of non-financial assets.

The right-of-use assets are presented along with property and equipment in the Statement of Financial Position.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line administrative expense in the Statement of Comprehensive Income (unless they are incurred to produce inventories, whereby they will be included as part of fee expense).

In calculating the present value of lease payments, the Company uses the rate implicit in the lease if it is readily determinable. However, if the rate implicit in the lease is not readily determinable, the Company uses its Incremental Borrowing Rate (IBR) at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has elected this practical expedient and will not separate lease and non-lease components.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the

lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The Company recognised £0.8 million in lease expense related to short-term and low-value assets for the period (2021: £1.7 million).

4.11 Intangible Assets

Intangible assets acquired separately — 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.

Derecognition of intangible asset
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4.12 Impairment of Non-Financial Assets

At each date of a Statement of Financial Position, 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 or 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 profit or loss.

4.13 Financial Instruments

Recognition of financial assets
Financial assets are recognised when the Company enters into a contract that results in current or future economic value to the Company. Financial assets are initially measured at fair value and are accounted for on a trade date basis.

Classification and measurement of financial assets
The Company 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 Company assesses the objective of the business model in which the financial asset is held, and for those measured at amortised cost whether the contractual cash flows of the financial asset are solely payments of principal and interest ('SPPI').

The Company 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 reclassified when, and only when, the Company 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 Company 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.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

Financial assets at fair value through other comprehensive income
Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flow or to be sold and where those cash flows represent solely payments of principal and interest.
Financial assets measured at fair value through other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently measured at fair value.

Unrealised gains or losses, other than loss allowances for expected credit losses, arising from financial investments measured at fair value through other comprehensive income are reported in equity (in the financial investment reserve) and in other comprehensive income in the Statement of Comprehensive Income, until such investments are sold, collected or otherwise disposed of.

On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in Other operating (expense)/income. Gains and losses on disposal are determined using the fair value of the investment at the date of derecognition.

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 Statement of Comprehensive Income. These financial instruments include derivative financial instruments.

Derecognition
Financial assets are derecognised when the contractual right to receive cash flows has expired or when the Company 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 Company has neither retained nor transferred substantially all of the risks and rewards but has transferred control.

Impairment of financial assets
In accordance with IFRS 9, the Company recognises impairment loss allowances for expected credit losses ('ECL') 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.

Changes to the IFRS 9 model for impairment of financial assets are approved by the Group Credit Risk Committee or Group Model Risk Committee depending on the nature of the change. Material changes are escalated to the Group Asset and Liability Committee and to the Group and Company Board where applicable.

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 Company'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 Company 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 - when a financial asset is first recognised it is assigned to Stage 1;
- **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 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 forborne 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; and
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 Revolut's internal rating scale).
   (b) The PD has increased 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. Any changes in the criteria used to determine SICR follow the same approval pathway described for the overall IFRS 9 model.

Definition of default and credit-impaired asset
Assets which are past due by more than 90 days, or where the Company considers it unlikely that the obligor will be able to pay its obligations, are considered to be in default for IFRS 9. Events that trigger inclusion in default include:

- The customer filing for bankruptcy or Individual Voluntary Agreement.
- The customer is deceased.
- The overdraft or loan has been renegotiated because the customer's condition has deteriorated. As an example, this includes cases where a specific repayment plan has been agreed and interest has been frozen.
- The customer has requested 'breathing space' (i.e., when the Company agrees to give the customer some time in which they won't be contacted about their arrears at all and fees or interest is frozen).

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). PD is determined with reference to internal and external scorecards based on customer characteristics at origination and are subsequently measured based on client behaviour;
- **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. EAD is determined as the gross carrying amount for drawn balances and a fraction of the available credit based on the utilisation of credit lines for undrawn balances.

The expected credit loss provision on the outstanding financial assets at the Statement of Financial Position 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 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
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 Statement of Comprehensive Income.

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 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 the Statement of Comprehensive Income. 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 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.

Interest expense is charged to the Statement of Comprehensive Income using the effective interest rate method.

Financial liabilities are derecognised when the Company 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.

Reclassification of financial assets and liabilities
The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of or terminates a business line.

Offsetting of financial instruments
Financial assets and liabilities are offset, and the net amount is reported in the Statement of Financial Position 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.

Hedge accounting
The Company elected, as a policy choice permitted under IFRS 9, to continue to apply the requirement of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Company applies fair value hedge accounting as appropriate to the risks being hedged.

At inception, the Company formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis. In order to qualify for hedge accounting, a hedging relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective in the previous designated period (i.e., one month). A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. It is also necessary to assess, retrospectively, whether the hedge was highly effective over the previous one-month period. The hedge accounting documentation includes the method and results of the hedge effectiveness assessments.

Fair value hedges
The Company currently only applies fair value hedging for interest rate risk. For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised immediately in the income statement in Fair value gains / (loss). In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement in Fair value gains / (loss), and for hedged item that would otherwise be measured at cost or amortised cost, the carrying amount of the hedged item is adjusted accordingly.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Company's own credit risk on the fair value of the interest rate swaps, which is not reflected in the fair value of the hedged item attributable to the change in interest rate;
- differences in the magnitude or timing of future expected cash flows in the hedged item and hedging instrument; and
- the ongoing amortisation of any existing balance sheet mismatch between the fair value of the hedged item and hedging instrument.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For items classified as fair value through other comprehensive income, the hedge accounting adjustment is included in other comprehensive income.

4.14 Investments in Subsidiaries and Group Undertakings

The Company's investments in subsidiaries and group undertakings are initially stated at cost. Subsequently, investments in subsidiaries and group undertakings are stated at cost less provision for impairment. An investment in a subsidiary or group undertaking is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the Statement of Comprehensive Income as they occur. The carrying cost is reviewed at each Statement of Financial Position date by reference to the income that is projected to arise there from.

When the Company acquires a Revolut investee entity transferred from another Revolut group company, the Company recognises as the cost of investment in the investee entity at the transferring entity's book value ('carry-over basis') as the investee entity has only moved within the Revolut group. Any difference between the consideration paid and the capital of the acquiree is reflected in a merger reserve within equity.

Where the Company transfers ownership of a Revolut investee entity to another Revolut group company, the disposal is treated as an in-substance demerger rather than a loss of control in the scope of IFRS 10 as the investee entity has only moved within the Revolut group. Any difference between the book value derecognised, and the consideration received is reflected in equity by the Company as a distribution made/contribution received.

4.15 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.

Client funds are held in segregated accounts with authorised credit institutions as part of the Company's safeguarding policy.

4.16 Investment in Commodities

These investments represent holdings in precious metals that are held to hedge the Company'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 Statement of Financial Position, and as they are highly liquid assets, which are frequently traded in an active market, with an observable market price, the Company'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 4.20).

4.17 Trade and Other Receivables and Payables

Collateral
Where cash collateral is given, to mitigate the risk inherent in amounts due from the Company, it is included as an asset in Trade and other receivables. Cash collateral includes amounts held with our partners on a long-term basis to support customers' transaction volumes.

Settlement receivables and payables
Settlement receivables and payables include balances arising from timing differences in the Company'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 cryptocurrencies via our cryptocurrency exchange partners, there is a clearing period before the cash is received or settled. This period is usually within five business days.
As the Company acts as an agent on behalf of its customers on a custodian basis to buy or sell cryptocurrencies, the Company does not recognise positions in cryptocurrencies on the Statement of Financial Position.

Trade receivables and payables
Trade receivables are amounts owed to the Company from business partners following the provision of services on credit. Trade payables are any unsettled expenses billed to the Company from vendors, suppliers or other third parties for services provided.

Negative customer balances
Negative customer balances represent customers with overdrawn electronic money balances net of impairment loss allowances for expected credit losses.

4.18 Inventories

Inventories are stocks of cards for new and existing users as well as card readers which are held at the Company's fulfilment partner warehouses. Inventories are stated at the lower of cost (adjusted for loss of service potential if applicable) and net realisable value ('NRV' or replacement cost). Inventories are recognised as an expense when the card or card reader 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 Statement of Financial Position 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.

4.19 Provisions and Contingencies

Provisions
Provisions are made where an event has taken place that gives rise for the Company to 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 Statement of Comprehensive Income in the year that the Company 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 an interest expense.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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 reliably 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 Company'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. Where an inflow of economic benefits from a contingent asset is probable, it is disclosed in the notes to the financial statements.

4.20 Customer Liabilities

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

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

4.21 Share Capital

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

Shares held by trusts
Shares in the Company that are held by the Employee Benefit Trust ('EBT') are treated as 'own shares' or Treasury shares. Shares are held and purchased by the EBT for delivery to employees under the employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

During the year, as part of the group wide reorganisation, the EBT entered into a share-for-share exchange with Revolut Group Holdings Ltd to exchange all the equity instruments in the Company it held for equity instruments issued by Revolut Group Holdings Ltd. For further details on the group wide restructuring, refer to note 2.1.

4.22 Reserves

The Company reserves are as follows:

- Merger reserve arising from the reorganisation of the Group.
- Other reserves represent the revaluation of foreign currency at the Statement of Financial Position date, cumulative share-based payments charges, gains and losses recognised upon corporate hedging activities, unrealised gains and losses on financial instruments at fair value through OCI, the cost of shares held for awards granted to employees, and the impact of taxes for any of the above items.
- Retained earnings or accumulated deficit, as applicable, represent cumulative profits or losses, net of dividends paid to shareholders, and any other adjustments

5. 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 Company's accounting policies

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Management regularly evaluates whether deferred tax assets can be realised. In evaluating whether deferred tax assets can be realised, management considers projected future taxable income and the scheduled reversal of deferred tax liabilities. This evaluation requires significant management judgment, primarily with respect to projected taxable income. The future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial adverse variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits, could lead to changes in deferred tax assets being realisable, or considered realisable, and would require a corresponding adjustment to the amount of the deferred tax asset that is recognised.

The Company has considered their carrying value as at 31 December 2022 and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets. These estimates are based on forecast performance and take into account the continued profitability of the existing business as well as its continued growth in FY2023 and beyond.

Deferred tax assets of £89.1 million were recognised as at 31 December 2022 (2021: £0.5 million). As at 31 December 2022, the Company had £nil unrecognised deferred tax assets (2021: £185.0 million). Further details about the Company's deferred tax assets are given in Note 11.

Key accounting estimates and assumptions

The Company 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 appropriate estimations of share forfeiture rates.

Investments in subsidiaries and group undertakings
The carrying value of investments in subsidiaries and group undertakings requires management to select an appropriate discount rate and terminal growth rate for the valuation of future cash flows in assessing each investment for impairment. The key assumptions used in making this assessment and the sensitivity analysis of the impact of varying these assumptions are disclosed in Note 13.

Hedge accounting
The Company's hedge accounting policies include an element of judgment and estimation, in particular, in respect of the projected portfolio repricing time bucket of the underlying non-maturing core customer deposits in the macro fair value hedges.

Core deposits within the Identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The repricing dates are estimated at the inception of the hedge and throughout the term of the hedge, based on historical experience and other available information, including information and expectations regarding interest rates, withdrawal rates, and the interaction between them.

The estimates are reviewed periodically and updated in the light of experience, and it will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships.

Additionally, for the portfolio fair value hedges of the Company's core e-money deposits portfolio, the Company follows a dynamic hedging strategy, and the period for which the Company designates these hedges is only one month. At the end of every month, the Company voluntarily de-designates the hedge relationships and re-designates them as new hedges. The one-month repricing time period duration is deemed to be most appropriate in order to minimise the ineffectiveness and accommodate new exposures.

6. Fee Income

	2022	2021
		Unaudited
	£000	**£000**
Nature of fee income		
Foreign exchange and wealth	201,453	300,459
Cards and interchange revenue	110,960	55,507
Subscription revenue	55,177	38,944
Others	32,903	8,504
Total fee income	**400,493**	**403,414**

Type of fee income		
Transferred at a point in time	340,992	363,774
Transferred over time	59,501	39,640
Total fee income	**400,493**	**403,414**

Remaining performance obligations
Due to the nature of its commercial arrangements, the Company does not have any material remaining performance obligations related to contracts with duration over one year.

7. Interest Income and Expense

	2022	2021
		Unaudited
	£000	£000
Interest income		
Cash and bank balances	302	93
Interest accretion on financial investments	26,095	260
Interest income on customer funds	14,014	208
Total interest income using EIR method	**40,411**	**561**
Other interest income	6,722	121
Total interest income	**47,133**	**682**
Interest expense		
Negative interest on customer funds	(4,970)	(5,171)
Other borrowed funds	—	(3,142)
Interest expense on lease liabilities	(493)	(757)
Total interest expense using EIR method	**(5,463)**	**(9,070)**
Net interest income/(expense)	**41,670**	**(8,388)**

The incremental borrowing rate of the Group is used to calculate the initial measurement of lease liabilities at the inception of the lease.

The interest expense on other borrowed funds for 2022 of £nil (2021: £3.1 million) represents the interest cost on a revolving credit facility which was terminated during the year ended 31 December 2021.

8. Other Income

	2022	2021
		Unaudited
	£000	£000
Net intragroup recharges	251,483	9,230
Net yield on foreign exchange derivatives	37,349	6,512
Net gain on changes in the fair value of hedging derivatives and hedged items	7,409	—
Total other income	**296,241**	**15,742**

Net intragroup recharges are primarily driven by the charges paid to Revolut Ltd by Revolut Bank UAB.

9. Administrative Expenses

	Note	2022	2021
			Unaudited
		£000	£000
Total staff costs	10	276,391	175,017
Advertising and marketing		91,299	32,110
Outsourced support		38,026	16,063
Foreign currency translation		34,897	8,061
IT and communications		30,030	17,069
Legal and professional costs		23,677	12,237
Intercompany charges		62,091	5,400
Impairment losses other than expected credit losses		12,893	11,360
Depreciation and amortization expense	, 12	8,238	8,198
Other costs		57,245	20,514
Total administrative expenses		**634,787**	**306,029**

The (loss)/profit before tax of the Company are stated after charging the following individual expenses, which are to be disclosed separately.

	2022	2021
		Unaudited
	£000	£000
Research and development charged as an expense	87,954	58,720
Amortisation of intangible assets	144	176
Depreciation of property, equipment, and right-of-use assets	8,238	8,903
Inventory recognised as expense	21,906	16,156
Operating lease costs	750	1,695
Impairment of acquired intangible assets* and other non-financial assets	804	7,278

*During 2021, Revolut Ltd acquired all the issued share capital of Global Retail Technology Limited ('Nobly') a developer of the electronic point of sale (ePOS) system for the total consideration of £7.4 million, including £2.6 million as a non-cash element. The Company has not treated this as a business combination; instead, it recognised acquired software and subsequently impaired the related cost to nil due to the delays with integration of the acquired technology into the existing Company's infrastructure.

During the year the Company obtained the following services from the Company's auditors.

	2022	2021
	£000	£000
Fees payable for the audit of the Company's financial statements	3,767	3,196
Fees payable to the Company's auditors with respect of the prior year	—	225
Fees payable to the Company's auditor for other assurance services	49	111

10. Total Staff Costs

	2022	2021
		Unaudited
	£000	£000
Wages, salaries, and bonuses	188,326	107,456
Share-based payments	29,649	41,581
Social security costs	26,620	13,547
Professional employer organisation costs	7,439	1,411
Cost of defined contribution scheme	4,215	2,861
Staff recruitment costs	4,709	2,363
Other staff costs	15,433	5,798
Total staff costs	**276,391**	**175,017**

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

	2022	2021
		Unaudited
	No.	No.
Corporate functions	607	389
Products	507	262
Sales	299	49
Customer operations	24	1
Regions	7	3
Executive Directors	2	2
	1,446	**706**

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

10.1. Directors' Remuneration

	2022	2021
		Unaudited
	£000	£000
Director emoluments	1,108	652
Share-based payments	18,621	10,361
Social security cost and other benefits	215	34
Contributions to defined contribution pension schemes	2	3
Total Directors' remuneration	**19,946**	**11,050**

From April 2020 until May 2021, the Non-Executive Directors agreed to forego their cash remuneration in exchange for compensation in the form of shares in the Company. In 2022, no Directors (2021: five Directors) received compensation in the form of shares in the Company or Revolut Group Holdings Ltd.

During the year, one Director (2021: none) exercised share options during the year for a gain of £1.2 million (2021: £nil).

	2022	2021
		Unaudited
	£000	£000
Highest paid director		
Director emoluments	100	100
Share-based payments	17,693	10,146
Company contributions to defined contribution pension schemes	13	9
Total compensation for highest paid Director	**17,806**	**10,255**

11. Taxation

11.1. Income Tax Expense

	2022	2021
		Unaudited
	£000	£000
UK corporation tax		
Current tax at 19% (2021:19%) on the profit/loss for the year	475	3,424
Adjustment in respect of previous years	1,228	117
Foreign tax suffered	2,220	—
Total current tax charge / (credit)	**3,922**	**3,541**
Deferred tax		
Current year credit recognised	(686)	(52)
Previously unrecognised deferred tax	(42,268)	—
Adjustments in respect of previous periods	—	—
Impact of change in tax rates	—	—
Total deferred tax (credit)	**(42,953)**	**(52)**
Total tax charge / (credit) on continuing operations	**(39,031)**	**3,489**

11.2. Reconciliation of Effective Tax Rate

The tax assessed in each year differs from the standard rate of corporation tax in the UK for the relevant year. The differences are explained below:

	2022	2021
		Unaudited
	£000	£000
(Loss)/profit before tax	(23,166)	13,202
Tax calculated at UK tax rates applicable of 19% (2021: 19%)	(4,402)	2,508
Effects of:		
Expenses not deductible for tax purposes	4,292	6,244
Adjustments in respect of previous periods	1,228	117
Difference in overseas tax rates and overseas tax credits	1,774	(154)
Impact of change in tax rates	—	—
Tax provisions	451	—
Losses and other timing differences	(44,271)	(4,333)
Movements in other comprehensive income	—	—
Unrecognised deferred tax	—	(893)
Total tax (credit)/expense	**(40,926)**	**3,489**

11.3. Tax on Items not Recognised in Profit or Loss Statement

	2022	2021
		Unaudited
	£000	£000
Current tax (credit)/charge on:		
Share-based payments	(1,249)	—
Total current tax not recognised in statement of comprehensive income	**(1,249)**	**—**
Deferred tax (credit)/charge on:		
Share-based payments	(37,550)	—
Losses and other deductions	(4,565)	—
(Gains)/losses on financial assets at fair value through OCI	(3,444)	—
Total deferred tax not recognised in statement of comprehensive income	**(45,559)**	**—**

11.4. Deferred Tax

The following tables show deferred tax recorded in the Statement of Financial Position and changes recorded in the tax (credit)/expense.

The amounts are different from those disclosed on the Statement of Financial Position as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

31 December 2022	Deferred tax assets	Deferred tax liabilities	Profit or loss	OCI	Equity
	£'000	£'000	£'000	£'000	£'000
Fixed asset differences	—	(396)	(156)	—	—
Financial assets at fair value through OCI	3,444	—	—	3,444	—
Losses and other deductions	37,120	—	32,555	—	4,565
Share-based payments	47,408	—	9,858	—	37,550
Other temporary differences	1,167	—	696	—	—
Total	**89,139**	**(396)**	**42,953**	**3,444**	**42,115**

31 December 2021	Deferred tax assets	Deferred tax liabilities	Profit or loss (unaudited)	OCI	Equity
	£'000	£'000	£'000	£'000	£'000
Fixed asset differences	—	(240)	(189)	—	—
Financial assets at fair value through OCI	—	—	—	—	—
Losses and other deductions	—	—	—	—	—
Share-based payments	—	—	—	—	—
Other temporary differences	470	—	241	—	—
Total	**470**	**(240)**	**52**	—	—

Reconciliation of deferred tax asset

	2022	2021
	£'000	£'000
Provision at start of period	230	186
Adjustment in respect of previous periods	—	—
Deferred tax charge to I/S for the period	42,953	52
Deferred tax charge in equity for the period	42,115	
Deferred tax charge in OCI for the period	3,444	
Foreign exchange movements	1	(8)
Net deferred tax asset at end of period	**88,743**	**230**

Deferred tax recognition and future tax rates

The main rate of corporation tax in the UK has been 19% since 1 April 2017. The Company is not subject to the UK banking surcharge.

On 24 May 2021, the date of substantive enactment, an increase in the UK corporation tax rate from 19% to 25% will be applicable from 1 April 2023. On 14 October 2022, and again on 17 November 2022 in the Chancellor's Autumn Statement, the UK Government reiterated this.

The Company recognised deferred tax assets, including on carried forward losses and share-based payments in the period for the first time, based on their value at 31 December 2022. In assessing the probability of recovery, the Company has relied upon a recent history of Company taxable profits, together with the Group's three-year plan that has been used for the going concern assessment, and which demonstates positive profit forecasts throughout the remainder of the forecast period.

The UK deferred tax assets and liabilities, which are expected to unwind after 1 April 2023, have been measured in the current reporting period based on the increased UK corporation tax rate (25%, time apportioned where required) and reflected accordingly in the Statement of Comprehensive Income and Statement of Changes in Equity, as this is the rate that has been substantively enacted as at 31 December 2022.

The tax losses do not have a time period by which they will expire.

12. Property, Equipment, and Right-of-use Assets

The Company's property, equipment, and right-of-use assets consisted of the following as of 31 December:

	Fixtures & fittings	Office equipment	Computer equipment	Right-of-use assets	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 January 2021	11,808	1,410	5,635	23,409	42,262
Additions	108	9	1,268	104	1,489
Disposal and derecognition	-	-	-	(3,103)	(3,103)
Foreign exchange movements	(62)	(149)	(169)	(535)	(915)
At 31 December 2021	**11,854**	**1,270**	**6,734**	**19,875**	**39,733**
At 1 January 2022	11,854	1,270	6,734	19,875	39,733
Additions	-	2	4,170	682	4,854
Disposal and derecognition	-	-	-	(1,574)	(1,574)
Foreign exchange movements	47	29	161	280	517
At 31 December 2022	**11,901**	**1,301**	**11,065**	**19,263**	**43,530**
Accumulated depreciation and impairment losses					
At 1 January 2021	(1,700)	(424)	(2,385)	(4,991)	(9,500)
Charge for the year	(1,188)	(297)	(1,910)	(4,656)	(8,051)
Disposal and derecognition	-	-	-	629	629
Foreign exchange movements	2	63	130	158	353
At 31 December 2021	**(2,886)**	**(658)**	**(4,165)**	**(8,860)**	**(16,569)**
At 1 January 2022	(2,886)	(658)	(4,165)	(8,860)	(16,569)
Charge for the year	(1,184)	(283)	(2,425)	(4,346)	(8,238)
Disposal and derecognition	-	-	-	1,574	1,574
Foreign exchange movements	(20)	(34)	(85)	(673)	(812)
At 31 December 2022	**(4,090)**	**(975)**	**(6,675)**	**(12,305)**	**(24,045)**
Carrying value					
At 31 December 2022	**7,811**	**326**	**4,390**	**6,958**	**19,485**
At 31 December 2021	8,968	612	2,569	11,015	23,164
At 1 January 2021	10,108	986	3,250	18,418	32,762

Right-of-use assets primarily represent leases for office locations.

13. Investments in Subsidiaries and Group Undertakings

	£000
Cost or valuation	
At 1 January 2021	**90,875**
Additions	174,548
Impairment	(537)
At 31 December 2021	**264,886**
Additions	171,336
Reorganisation	(409,257)
Impairment	(11,508)
At 31 December 2022	**15,457**

Net book value	
At 31 December 2022	**15,457**
At 31 December 2021	**264,886**

The Company's investment in subsidiaries and group undertakings comprise both share capital-related investments and other capital contribution investments.

When the Company's investments in subsidiaries and group undertakings are not supported by their net assets, the Company assesses the net present value of the future cash flows of the subsidiary and group undertaking. Where this occurs, management forecasts of the subsidiary's or group undertaking's financial performance are extrapolated to produce a terminal value. Terminal values are calculated using a growth rate and discount rate from year five to perpetuity.

During the year, the Company incurred impairment charges on its investments in subsidiaries and group undertakings was £11.5 million (2021: £0.5 million) to write down carrying values to their respective net asset values. The Directors consider the carrying value of the Company's remaining investments to be supported by either the net assets or net present value of future cash flows of the respective subsidiary or group undertaking.

The list of subsidiary undertakings of the Company is set out below.

				Effective interest held	
Company	**Class of share**	**Principal activity**	**Registered address**	**2022**	**2021**
Revolut Technologies Ukraine LLC	**Ordinary**	**Software development**	**Ukraine, 03038, Kyiv city, Mykola Hrinchenko str., Building 4**	**100 %**	**100 %**
Revolut Trading Ltd	Ordinary	Security dealing activities	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100 %	100 %
Global Retail Technology LLC*	**Ordinary**	**Software development**	**The Corporation Trust Company 1209 Orange Street Wilmington, DE 19801**	**100 %**	**100 %**
Global Retail Technology Limited	**Ordinary**	**Software development**	**7 Westferry Circus, Canary Wharf, London, England, E14 4HD**	**100 %**	**100 %**
Revolut Technologies S.A.	Ordinary	Dormant at reporting date	19 rue du Bitbourg 1273 Luxembourg	100 %	100 %
Revolut Technologies Russia LLC	Ordinary	Dormant at reporting date	125047, Moscow, Butyrskiy Val street, bld. 10, office 05-155 Total	100 %	100 %
Revolut Technologies Limited	Ordinary	Dormant at reporting date	13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong	100 %	100 %
Revolut Trading Nominees Ltd*	Ordinary	Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100 %	100 %

Revolut Operations India Private Limited	**Ordinary**	**Business Development**	**912, Sureshwari Techno IT Park, Village Eskar, Link Road, Borivali West, Mumbai, Mumbai City, Maharashtra, India, 400092**	**100 %**	**— %**
Ultimately Limited	**Ordinary**	**Dormant at reporting date**	**Trinity Chambers, PO Box 4301, Road Town, Tortola, British Virgin Islands**	**100 %**	**— %**
Revolut Technologies Poland Sp z o.o	**Ordinary**	**Currently in liquidation**	**Konfederacka 23/1 30-306 Kraków-Podgórze**	**100 %**	**100 %**
Revolut Holdings Europe Limited	**Ordinary**	**Holding company**	**Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland**	**100 %**	**100 %**
Revolut Securities Europe Limited*	Ordinary	Payments services, e-money issuance and insurance brokerage	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland	100 %	100 %
Revolut Payments Ireland Limited*	**Ordinary**	**Financial Services**	**Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland**	**100 %**	**100 %**
Revolut Holdings Europe UAB**	**Ordinary**	**Holding company**	**Konstitucijos ave. 21B, Vilnius, LT-08130**	**— %**	**100 %**
Revolut Securities UAB**	**Ordinary**	**Security dealing activities**	**Konstitucijos ave. 21B, Vilnius, LT-08130**	**— %**	**100 %**
Revolut Insurance Europe UAB**	**Ordinary**	**Insurance Intermediary**	**Konstitucijos ave. 21B, Vilnius, LT-08130**	**— %**	**100 %**
Revolut Bank UAB** (formerly Revolut Technologies UAB and merged with Revolut Payments UAB)	Ordinary	Deposits acceptance and consumer lending	Konstitucijos ave. 21B, Vilnius, LT-08130	— %	100 %
Revolut Travel Ltd**	**Ordinary**	**Insurance Intermediary**	**7 Westferry Circus, Canary Wharf, London, England, E14 4HD**	**— %**	**100 %**
Revolut Technologies Singapore Pte. Ltd**	Ordinary	Payments services, e-money issuance and insurance brokerage	30 Cecil Street, #19-08, Prudential Tower, S049712	— %	100 %
Revolut Technologies Ltd**	Ordinary	Technology Services, payments services through Metropolitan Commercial Bank	Suite 2300, Bentall 5, 550 Burrard Street Vancouver, British Columbia V6C 2B5	— %	100 %
Revolut Technologies Japan, Inc.**	Ordinary	Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032	— %	100 %
Revolut Securities Japan, Inc**	Ordinary	Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032	— %	100 %
Revolut Holdings US Inc.**	**Ordinary**	**Technology Services, payments services**	**1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware**	**— %**	**100 %**
Revolut Securities Inc.**	**Ordinary**	**Anticipates licence as broker-dealer for trading services**	**1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware**	**— %**	**100 %**

Revolut Technologies Inc**	**Ordinary**	**Business Development**	**1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware**	**— %**	**100 %**
Revolut Australia NOHC Pty Ltd**	Ordinary	Financial Services	Level 6, 152 Elizabeth Street, Melbourne VIC 3000	— %	100 %
Revolut Payments Australia Pty Ltd**	**Ordinary**	**Financial services**	**Level 6, 152 Elizabeth Street, Melbourne VIC 3000**	**— %**	**100 %**
Revolut Holdings International Ltd**	**Ordinary**	**Holding company**	**7 Westferry Circus, Canary Wharf, London, England, E14 4HD**	**— %**	**100 %**
Revolut NewCo UK Ltd**	**Ordinary**	**Dormant at reporting date**	**7 Westferry Circus, Canary Wharf, London, England, E14 4HD**	**— %**	**100 %**
Revolut Payments New Zealand Pty Ltd**	**Ordinary**	**Dormant at reporting date**	**Level 6, 152 Elizabeth Street, Melbourne VIC 3000**	**— %**	**100 %**
Revolut Tecnologia Brasil LTDA**	Ordinary	Business Development	Av Dra Ruth Cardoso 8501 - Sala 1750 Andar 17 - Pinheiros, São Paulo - SP, 05425-070, Sao Paulo, Brazil	— %	100 %
Revolut Payments India Private Limited * **	Ordinary	Business Development	1B - 1003, Parinee Crescenzo G Block BKC, Bandra Kurla Comple, Bandra East Mubai, Maharashtra MH400051	— %	100 %
Revolut Securities Singapore Pte. Ltd.**	Ordinary	Anticipates licence for trading services	1 Marina Boulevard #28- 00 One Marina Boulevard, Singapore, 018989	— %	100 %
Revolut de México SA de CV**	Ordinary	Money transmitter and related commercial activities	"Avenida Paseo de las Palmas 405, Int. 1702 Miguel Hidalgo Lomas de Chapultepec 11000, Ciudad de México"	— %	100 %
Revolut Corporate Services Ltd (formerly Revolut FIC Ltd)**	Ordinary	Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	— %	100 %

*held indirectly
** These subsidiaries were held by Revolut Ltd (either directly or indirectly) as at year end 31 December 2021. During 2022, as part of a group reorganisation, these entities became direct or indirect subsidiaries of Revolut Group Holdings Ltd, the new group top company, and by 31 December 2022 were no longer direct or indirect subsidiaries of Revolut Ltd. See Note 2.1 Restructuring of the Group for more details.

The following entities were struck off during 2022:

- Revolut Technologies Poland Sp z o.o — non-operating, Konfederacka 23/1 30-306 Kraków-Podgórze
- Revolut Holdings Europe Limited — non-operating holding company. Registered address: Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland
- Revolut Securities Europe Limited — non-operating. Registered address: Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland
- Revolut Payments Ireland Limited — non-operating. Registered address: Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland

Branches
Revolut Ltd conducts business through branches in Ireland, Germany, Lithuania, Poland, Portugal, Romania, Germany, and France. The following branches were in existence as at 31 December 2022:

- 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: Avenida Menéres 612, 4450-189 Matosinho, Portugal
- Revolut Ltd filialas. Registered address - Konstitucijos ave. 21B, Vilnius, LT-08130
- Revolut Ltd Zweigniederlassung Deutschland. Registered address: Friedrichstrasse 76, c/o WeWork, 10117 Berlin, Germany
- Revolut Ltd Londra Sucursala Bucuresti. Registered address: Bucuresti Sectorul 2, Bulevardul Dimitrie Pompeiu, Nr. 5-7, Corp B, Birou 229A, Cladirea Hermes Business Campus, Etaj 2
- Revolut Ltd succursale de France. Registered address: Patchwork SAS, 3 rue de Stockholm, 75008 Paris

- Revolut Ltd (Irish Branch). Registered address: Dublin landings, North dock, Dublin 1, Ireland.

14. Inventories

	31 December 2022	31 December 2021
	£000	£000
Inventory — Cards, packaging & other	17,664	7,101
Inventory — Card readers	766	—
Total inventories	**18,430**	**7,101**

Inventories comprise cards, packaging and card readers 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 £21.9 million (2021: £16.3 million, unaudited).

There were £0.2 million of losses recognised in cost of sales during the year in respect of obsolete inventory (2021: £nil, unaudited).

15. Trade and Other Receivables

	31 December 2022	31 December 2021
	£000	£000
Amounts falling due within one year		
Financial assets:		
Cash collateral	93,120	-
Amounts due from card schemes	37,049	66,567
Amounts recoverable on card scheme contracts*	21,714	21,488
Settlement receivables	39,859	48,372
Trade receivables	27,468	419
Negative customer balances	1,779	1,058
Amounts owed by group undertakings	129,141	30,761
Other receivables	11,469	5,543
Total financial assets	**361,599**	**174,208**
Non-financial assets:		
Prepayments and accrued income	8,496	5,212
Other non-financial assets	27,098	20,808
Total non-financial assets	**35,594**	**26,020**
Total trade and other receivables	**397,193**	**200,228**

*Amounts recoverable on card scheme contracts represents the collateral held with our partners for the settlement process.

Capitalised costs

During the year, the Company capitalised £27.6 million (2021: £19.1 million) as costs to obtain customer contracts, determined based on referral campaign rewards paid for new customer sign ups less rebates received from vendors. Of the total capitalised cost, £9.2 million was released in 2022 (2021: £2.4 million). The capitalised cost to obtain customer contracts is amortised over three years which reflects management's estimate of the average life of a customer contract based on historical customer retention data. There were £0.8 million impairment losses recognised on the capitalised costs in 2022 (2021: nil).

The Company does not recognise any contract assets as at 31 December 2022 (2021: £nil).

Management assessed that the carrying amounts of debtors approximate their fair values.

16. Treasury Investments

		Note	31 December 2022	31 December 2021
Financial assets measured at FVOCI	**Source of funds**		**£000**	**£000**
Government bonds — held to collect and sell	Restricted cash held at central banks and other banks in respect of customers	24.2	1,712,270	383,670
Total treasury investments			**1,712,270**	**383,670**

Government bonds — held to collect and sell — represents holdings in investment in High Quality Liquid Assets ('HQLA'). These investments are accounted for at fair value through other comprehensive income ('FVOCI'). Restricted bonds held in respect of customers represent safeguarded funds related to the Company's regulated e-money services.

17. Investment in Commodities

	31 December 2022	31 December 2021
	£000	**£000**
Commodities	94,221	66,356
Total investment in commodities	**94,221**	**66,356**

Investment in commodities represent holdings in precious metals that are held to hedge the Company'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.

18. Cash and Cash Equivalents

	31 December 2022	31 December 2021
	£000	**£000**
Own cash and cash equivalents	589,526	587,242
Restricted cash held at central banks and other banks in respect of customers	3,526,906	3,197,624
Restricted term deposits in respect of customers classified as cash equivalents	142,152	200,002
Total cash and cash equivalents	**4,258,584**	**3,984,868**

Own cash and cash equivalents represent the Company's own funds held for liquidity requirements, including cash from customer deposits, and its own operating cash balances for general corporate purposes.

Restricted cash held at central banks and other banks and term deposits held in respect of customers represents safeguarded funds related to the Company's regulated e-money services. In the UK, client funds with respect to e-money services are held in segregated accounts with authorised credit institutions as part of the Company's safeguarding policy. In other jurisdictions the funds are held separately from the Company's own cash resources and are safeguarded through the provision of a bank guarantee from a third-party authorised credit institution.

The Company has decided to safeguard a portion of the funds in respect of customers in the form of bonds which are disclosed in Note 16.

19. Customer Liabilities

	31 December 2022 £000	31 December 2021 £000
E-money in issue	5,335,185	3,451,682
Customer liabilities in respect of commodities	94,484	65,299
Customer liabilities before changes in fair value	**5,429,669**	**3,516,981**
Changes in the fair value of hedged liabilities in portfolio hedges of interest rate risk	(57,709)	—
Total customer liabilities	**5,371,960**	**3,516,981**

20. Trade and Other Payables

	31 December 2022 £000	31 December 2021 £000
Amounts owed to group undertakings	272,575	188,054
Accruals	56,915	60,479
Settlement payables	41,463	26,413
Contract liabilities	12,095	8,729
Other taxation and social security	10,070	10,262
Trade payables	8,615	4,908
Other creditors	3,135	21,290
Total trade and other payables	**404,868**	**320,135**

The contract liabilities balance recognised at the beginning of each period is fully released into fee revenue during the year, as these liabilities have a duration of less than one year.

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

21. Provisions for Liabilities

	£000
At 1 January 2021	1,788
Provided during the year	13
At 31 December 2021	**1,801**
At 1 January 2022	1,801
Provided during the year	12,242
At 31 December 2022	**14,043**

Provisions for liabilities include the provision for settlement of the VAT liability with HMRC as well as the property dilapidation provision for leased office locations. The property dilapidation provision is based on management's best estimate for the leases to which the Company is party. 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 one to five years.

22. Share Capital

	31 December 2022	31 December 2021
	£	£
Allotted, called up and fully paid		
59,144,624 (2021: 32,261,388) ordinary shares	5.91	3.23
Nil (2021: Nil) ordinary shares A	—	—
Nil (2021: 6,044,294) ordinary shares D	—	0.60
Nil (2021: 4,828,923) ordinary shares E	—	0.48
Nil (2021: 1,695,374) ordinary shares F	—	0.17
Nil (2021: 1,770,754) ordinary shares G	—	0.18
Nil (2021: 12,508,401) ordinary shares H	—	1.25
	5.91	**5.91**

	1 Jan 2021	Shares issued	Shares converted	Share options exercised	31 Dec 2021	Shares issued	Shares converted	Share options exercised	31 Dec 2022
	000s	000s	000s	000s	000s	000s	000s	000s	000s
ordinary shares	13,828	—	18,150	283	**32,261**	—	26,848	36	**59,145**
ordinary shares A	18,052	—	(18,052)	—	**—**	—	—	—	—
ordinary shares D	6,085	—	(41)	—	**6,044**	—	(6,044)	—	—
ordinary shares E	4,834	—	(5)	—	**4,829**	—	(4,829)	—	—
ordinary shares F	—	1,312	384	—	**1,696**	—	(1,696)	—	—
ordinary shares G	—	1,783	(12)	—	**1,771**	—	(1,771)	—	—
ordinary shares H	—	12,934	(426)	—	**12,508**	—	(12,508)	—	—
Total shares	**42,799**	**16,029**	**(2)**	**283**	**59,109**	**—**	**—**	**36**	**59,145**

All shares had a nominal value of £0.0000001 each as at 31 December 2022. The G Shares and H Shares were issued to fulfil the Group's growth shares scheme at the time the Group was headed by Revolut Ltd. As set out in Note 2.1, on 29 April 2022, Revolut Ltd's shareholders exchanged their shares in the Company via a one-for-one exchange of shares in Revolut Group Holdings Ltd.

Rights attaching to the shares
The ordinary shares have full voting, dividend, and capital distribution rights.

23. Other Reserves

	Foreign exchange reserve	Share-based payment reserve	Financial investment reserve	Own shares held in Employee Benefit Trust*	Total
	£000	£000	£000	£000	£000
At 1 January 2021	(28)	67,551	—	—	67,523
Equity-settled share-based payment charge	—	47,341	—	—	47,341
Foreign currency translation adjustment	109	—	—	—	109
Revaluation loss on financial investment	—	—	(258)	—	(258)
Purchase of own shares within Employee Benefit Trust	—	—	—	(445)	(445)
At 31 December 2021	**81**	**114,892**	**(258)**	**(445)**	**114,270**
At 1 January 2022	81	114,892	(258)	(445)	114,270
Transfer of reserve on reorganisation		(17,688)	—	445	(17,243)
Equity-settled share-based payment charge	—	34,083	—	—	34,083
Foreign currency translation adjustment	(40)	—	—	—	(40)
Revaluation loss on financial investment	—	—	(13,519)	—	(13,519)
Tax impact of changes to other reserves	—	43,364	3,444	—	46,808
At 31 December 2022	**41**	**174,651**	**(10,333)**	**—**	**164,359**

*The Company consolidated an Employee Benefit Trust (Fiduchi) which held shares in the Company for the purposes of fulfilling obligations in respect of the Group's share awards. As part of the reorganisation of the Group as set out in Note 2.1 , on 29 April 2022 the Employee Benefit Trust as a shareholder of the Company exchanged their shares in the Company for shares in Revolut Group Holdings Ltd.

The following describes the nature and purpose of the reserves within equity.

Foreign exchange reserve	The foreign exchange reserves represents the cumulative foreign currency translation movement on the assets and liabilities of the Company's international operations at year-end exchange rates.
Share-based payment reserve	The share-based payment reserve records the cumulative charge to equity in respect of equity-settled share-based payments.
Financial investment reserve	The financial investment reserve includes unrealised gains or losses in respect of financial instruments measured at FVOCI.
Own shares held in Employee Benefit Trust	This reserve represents the value of shares issued by the Company that are held by the Employee Benefit Trust (Fiduchi) which are deducted from equity.

24. Financial Instruments

24.1. Financial Instrument by Category

The following table shows the carrying amount of each of the categories of financial instruments as at the end of the reporting period.

	31 December 2022	31 December 2021*
	£000	£000
Financial assets measured at fair value		
Government bonds — held to collect and sell	1,712,270	383,670
Derivative financial assets	10,158	16,255
Total financial assets measured at fair value	**1,722,428**	**399,925**
Financial assets measured at amortised cost		
Cash and cash equivalents	4,258,584	3,984,868
Trade and other receivables	361,599	174,208
Total financial assets measured at amortised cost	**4,620,183**	**4,159,076**
Financial liabilities measured at fair value		
Derivative financial liabilities	(91,133)	(6,434)
Customer liabilities in respect of commodities	(94,484)	(65,299)
Total financial liabilities measured at fair value	**(185,617)**	**(71,733)**
Financial liabilities measured at amortised cost		
Customer liabilities	(5,277,476)	(3,451,682)
Trade and other payables – excluding lease liabilities	(382,703)	(301,144)
Lease liability	(8,187)	(12,714)
Total financial liabilities measured at amortised cost	**(5,668,366)**	**(3,765,540)**

*These comparative figures have been restated to include all financial assets and liabilities in the correct measurement categories (trade and other receivables, customer liabilities in respect of commodities, and trade and other payables).

Customer liabilities measured at fair value through profit or loss consist of customer liabilities in respect of contracts relating to the commodities offering. Customer liabilities at amortised cost consists of customer liabilities in respect of customer deposits (EEA) and e-money.

24.2. Financial Instruments Measured at Fair Value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

As 31 December 2022	Total	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Financial assets measured at fair value				
Government bonds — held to collect and sell	1,712,270	1,712,270	—	—
Derivative financial assets	10,158	0	10,158	—
Total financial assets measured at fair value	**1,722,428**	**1,712,270**	**10,158**	—
Financial liabilities measured at fair value				
Derivative financial liabilities	(91,133)	—	(91,133)	—
Customer liabilities in respect of commodities	(94,484)	(94,484)	—	—
Total financial liabilities measured at fair value	**(185,617)**	**(94,484)**	**(91,133)**	—
Total financial instruments measured at fair value	**1,536,811**	**1,617,786**	**(80,975)**	—
As 31 December 2021*				
Financial assets measured at fair value				
Government bonds — held to collect and sell	383,670	383,670	—	—
Derivative financial assets	16,255	—	16,255	—
Total financial assets measured at fair value	**399,925**	**383,670**	**16,255**	—
Financial liabilities measured at fair value				
Derivative financial liabilities	(6,434)	—	(6,434)	—
Customer liabilities in respect of commodities	(65,299)	(65,299)	—	—
Total financial liabilities measured at fair value	**(71,733)**	**(65,299)**	**(6,434)**	—
Total financial instruments measured at fair value	**328,192**	**318,371**	**9,821**	—

*These comparative figures have been restated to include customer liabilities in respect of commodities within financial liabilities measured at fair value.

Government bonds — held to collect and sell — represent holdings in investment in High Quality Liquid Assets ('HQLA'). These investments are accounted for at fair value through other comprehensive income ('FVOCI'). Restricted bonds held in respect of customers represent safeguarded funds related to the Company's regulated e-money services.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between the different levels during the current or prior reporting period.

Valuation techniques
Derivative financial instruments are valued using valuation techniques that utilise observable inputs.

Foreign exchange contracts
Foreign exchange contracts include foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates and observable or calculated forward points. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Bank classifies foreign exchange contracts as Level 2 financial instruments.

Interest rate derivatives
Interest rate derivatives include interest rate swaps. The valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. These contracts are generally Level 2. There were no changes to the valuation techniques during the period.

Financial instruments not measured at fair value

The carrying values of financial instruments not measured at fair value are a reasonable approximation of their fair value. The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. If the carrying amount of the financial instruments are a reasonable approximation of fair value, they are not valued at fair value and have thus been excluded from the table below. Additionally, the fair value disclosure of lease liabilities is not required.

At 31 December 2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortised cost				
Cash and cash equivalents	**4,258,584**	—	4,258,584	—
Trade and other receivables	**361,599**	—	361,599	—
Total financial assets at amortised cost	**4,620,183**	**—**	**4,620,183**	**—**
Financial liabilities measured at amortised cost				
Customer liabilities	**(5,277,476)**		(5,277,476)	
Trade and other payables	**(382,703)**		(382,703)	
Lease liabilities	**(8,187)**			(8,187)
Total financial liabilities at amortised cost	**(5,668,366)**		**(5,660,179)**	**(8,187)**

At 31 December 2021*	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortised cost				
Cash and cash equivalents	**3,984,868**	—	3,984,868	—
Trade and other receivables	**195,974**	—	195,974	—
Total financial assets at amortised cost	**4,180,842**	**—**	**4,180,842**	**—**
Financial liabilities measured at amortised cost				
Customer liabilities	**(3,451,682)**	—	(3,451,682)	—
Trade and other payables	**(301,144)**	—	(301,144)	—
Lease liabilities	**(12,714)**	—	—	(12,714)
Total financial liabilities at amortised cost	**(3,765,540)**	**—**	**(3,752,826)**	**(12,714)**

*These comparative figures have been restated to exclude certain receivables and customer liabilities in respect of commodities from financial instruments measured at amortised cost. The figures have also been restated to include accrued liabilities and loans and borrowings within financial instruments measured at amortised cost.

24.3. Derivative Financial Instruments

	At 31 December 2022			At 31 December 2021		
	Carrying amount assets	Carrying amount liabilities	Notional amount	Carrying amount assets	Carrying amount liabilities	Notional amount
	£000	£000	£000	£000	£000	£000
Derivatives in hedge accounting relationships						
Interest rate swaps	5,357	50,598	2,443,608	—	—	—
Foreign currency swaps	—	—	—	—	—	—
Total derivatives in hedge accounting relationships	**5,357**	**50,598**	**2,443,608**	**—**	**—**	**—**
Derivatives not in hedge accounting relationships						
Interest rate swaps	—	383	909,729	—	—	—
Foreign currency swaps	4,761	40,142	5,370,112	15,526	6,123	956,028
Foreign exchange forward contracts	40	10	1,789	729	311	107,130
Total derivatives not in hedge accounting relationships	**4,801**	**40,535**	**6,281,630**	**16,255**	**6,434**	**1,063,158**
Total derivative financial instruments	**10,158**	**91,133**	**8,725,238**	**16,255**	**6,434**	**1,063,158**

24.4. Hedge Accounting

During 2022, a new macro fair value hedging strategy was adopted that uses interest rate swaps to hedge non-interest-bearing core deposits.

In the Company's core deposits macro fair value hedge, macro hedge accounting is used to recognise fair value changes related to changes in interest rate risk in non-interest-bearing core deposit accounts and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.

The table below sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships.

	At 31 December 2022		At 31 December 2021		
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items	Line item in the Statement of Financial Position
	£000	£000	£000	£000	
Customer liabilities in respect of deposits	(2,321,605)	57,709	—	—	Customer liabilities

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Company's Statement of Financial Position:

	At 31 December 2022		At 31 December 2021		
	Notional amount	Carrying amount	Notional amount	Carrying amount	Line item in the Statement of Financial Position
	£000	£000	£000	£000	
Interest rate swap – hedge of core deposits	2,443,608	(50,598)	—	—	Derivatives assets/ derivative liabilities

The below table sets out the outcome of the Company's hedging strategy to changes in the fair value of the hedged items and hedging instruments, used as the basis for recognising ineffectiveness.

31 December 2022

		Gains/(losses) attributable to the hedged risk		Net fair value gain/(loss)	Line item in the Statement of Comprehensive Income
		Hedged items	Hedging instruments		
Hedged items	Hedging instruments	£000	£000	£000	
Customer liabilities in respect of deposits	Interest rate swaps	57,709	(50,598)	7,111	Net gain on changes in the fair value on hedging derivates and hedged items

31 December 2021

		Gains/(losses) attributable to the hedged risk		Net fair value gain/(loss)	Line item in the Statement of Comprehensive Income
		Hedged items	Hedging instruments		
Hedged items	Hedging instruments	£000	£000	£000	
Customer liabilities in respect of deposits	Interest rate swaps	—	—	—	Net gain on changes in the fair value on hedging derivates and hedged items

The net gain on changes in the fair value on hedging derivates and hedged items as disclosed in Note 8 of £7.4 million also includes the clean fair value movement on interest rate swaps not designated in hedge accounting of £0.3 million.

The maturity profile of the Company's hedging instruments used in macro fair value hedge relationships is as follows:

31 December 2022

	Less than one month	One to three months	Three to twelve months	One to five years	Over five years	Total
Interest rate swaps in hedge accounting relationships	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Notional amount	—	—	1,372,405	1,071,203	—	2,443,608
Average strike rate	2.32 %					

31 December 2021

	Less than one month	One to three months	Three to twelve months	One to five years	Over five years	Total
Interest rate swaps in hedge accounting relationships	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Notional amount	—	—	—	—	—	—
Average strike rate	— %					

25. Financial Risk Management

The Company is exposed to various financial risks in the ordinary course of business. The Company divides these risks into the following categories: credit risk, liquidity and funding risk, market risk, and capital risk.

25.1. Credit Risk

Credit risk is the risk of financial loss should the Company's counterparties fail to fulfil their contractual obligations in full and on time. The Company is exposed to various credit risks in the course of its operations. The credit risk portfolio is mainly driven by placements of corporate and client safeguarded funds with investment grade rated financial institutions. The Company also has credit exposures through a portfolio of highly rated sovereign bonds and exposures to short dated receivables due from card schemes and merchant acquirers used to facilitate payment services, as well as credit exposures to Crypto counterparties used to facilitate trading.

To manage credit risk appetite, the Company'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. The 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 Assets and Liabilities Committee ('ALCO').

	31 December 2022	31 December 2021
Net carrying amount	**£000**	**£000**
Cash and cash equivalents	4,258,584	3,984,868
Derivative financial assets	10,158	16,255
Government bonds - held to collect and sell	1,712,270	383,670
Other assets	361,599	179,329
Total credit risk exposure	**6,342,611**	**4,564,122**

Credit quality analysis
The following tables set out information about the credit quality of financial investments without taking into account collateral or other credit enhancement. The amounts of the financial assets in the tables are expressed in thousands of British pounds.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 4.13.

At 31 December 2022	12 months PD	Stage 1	Stage 2	Stage 3	Total
Treasury investments		£000	£000	£000	£000
Grades 1-4	0% - 0.5%	1,712,270	—	—	1,712,270
Grades 5-6	0.5% - 1.3%	—	—	—	—
Grade 7-8	1.3% - 3%	—	—	—	—
Grade 9	3% - 5%	—	—	—	—
Grade 10	5% - 8%	—	—	—	—
Grade 11+	8% - 100%	—	—	—	—
Gross carrying amount		**1,712,270**	—	—	**1,712,270**
Loss allowance		—	—	—	—
Carrying amount		**1,712,270**	—	—	**1,712,270**
ECL coverage %		**—%**	—	—	

At 31 December 2021	12 months PD	Stage 1	Stage 2	Stage 3	Total
Treasury investments		£000	£000	£000	£000
Grades 1-4	0% - 0.5%	383,774	—	—	383,774
Grades 5-6	0.5% - 1.3%	—	—	—	—
Grade 7-8	1.3% - 3%	—	—	—	—
Grade 9	3% - 5%	—	—	—	—
Grade 10	5% - 8%	—	—	—	—
Grade 11+	8% - 100%	—	—	—	—
Gross carrying amount		**383,774**	—	—	**383,774**
Loss allowance		(104)	—	—	(104)
Carrying amount		**383,670**	—	—	**383,670**
ECL coverage %		**0.03%**	—	—	**0.03%**

Credit risk concentration

An analysis of the Company's credit risk concentrations for financial investments is provided in the following table. The amounts in the table represent net carrying amounts.

		At 31 December 2022		At 31 December 2021	
		Wholesale	Customers (Retail and Business)	Wholesale	Customers (Retail and Business)
		£000	£000	£000	£000
Treasury investments	Europe (excluding UK)	—	—	—	—
	UK	1,111,955	—	383,670	—
	Other	600,315	—	—	—
Total		**1,712,270**	—	**383,670**	—

Loss allowance

The following tables illustrate the migration of expected credit loss ('ECL') allowances across Stages 1, 2, and 3 for financial instruments, net of various adjustments, reconciling all changes of loss allowances from the initial balance to the closing balance of the year.

	Stage 1	Stage 2	Stage 3	Total
Treasury investments	**£000**	**£000**	**£000**	**£000**
At 1 January 2021	—	—	—	—
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	—	—	—
Net remeasurement of loss allowance	—	—	—	—
New financial assets originated or purchased	104	—	—	**104**
Financial assets that have been derecognised	—	—	—	—
Write-offs	—	—	—	—
Other movements	—	—	—	—
At 31 December 2021	**104**	**—**	**—**	**104**
At 1 January 2022	104	—	—	**104**
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	—	—	—
Net remeasurement of loss allowance	—	—	—	—
New financial assets originated or purchased	—	—	—	—
Financial assets that have been derecognised	(104)	—	—	**(104)**
Write-offs	—	—	—	—
Other movements	—	—	—	—
At 31 December 2022	**—**	**—**	**—**	—

The balance of loan loss allowances at the beginning of the year has been derecognised during the reporting period due to the organic maturity of the respective instruments. There were no other significant changes in the net carrying amount of financial instruments during the period that contributed to material changes in the loss allowance.

Debtors are stated after provision for impairment. The following tables show movement in the ECL provision for trade receivables and negative customer balances. The provision for impairment recorded for other debtor balances is £nil (2021: £nil).

	Trade receivables	Negative customer balances
	£000	**£000**
At 1 January 2021	—	**10,327**
Charged	—	3,071
Written-off	—	(2,407)
At 31 December 2021	—	**10,991**
Charged	175	5,104
Written-off	—	(7,392)
At 31 December 2022	**175**	**8,703**

25.2. Liquidity Risk and Funding Management

Liquidity risk is the risk that the Company cannot meet its financial obligations when they fall due or is only able to do so at excessive cost. Funding risk is the risk that the Company 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. The Company 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 ALCO and the Board. The 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. The Company complies with this policy by holding surplus cash in the form of overnight deposits with banks and a portfolio of high quality liquid assets.

Maturity analysis for financial assets and financial liabilities
The table below summarises the maturity profile of the Company's financial assets and liabilities. While customer liabilities are presented as on demand, the observed behavioural characteristics are more closely aligned to the durations of the asset portfolio.

31 December 2022

	Carrying amount	Total	On demand	Up to three months	Three to twelve months	One to five years	Over five years
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets							
Cash and cash equivalents	4,258,584	**4,258,584**	4,116,432	142,152	—	—	—
Treasury investments	1,712,270	**1,712,270**	—	200,283	1,113,395	—	398,592
Derivative financial assets	10,158	**10,158**	—	4,789	5,369	—	—
Trade and other receivables	361,599	**361,599**	1,779	358,051	128	1,641	—
Total financial assets	**6,342,611**	**6,342,611**	**4,118,211**	**705,275**	**1,118,892**	**1,641**	**398,592**
Financial liabilities							
Customer liabilities	5,371,960	**5,371,960**	5,371,960	—	—	—	—
Trade and other payables	382,703	**382,703**	—	376,599	6,104	—	—
Lease liabilities	8,187	**8,432**	—	1,220	3,636	3,576	—
Derivative financial liabilities	91,133	**93,826**	—	40,147	22,961	30,718	—
Total financial liabilities	**5,853,983**	**5,856,921**	**5,371,960**	**417,966**	**32,701**	**34,294**	—
Net liquidity gap			**(1,253,749)**	**287,309**	**1,086,191**	**(32,653)**	**398,592**
Cumulative liquidity gap			**(1,253,749)**	**(966,440)**	**119,751**	**87,098**	**485,690**

31 December 2021*

	Carrying amount	Total	On demand	Up to three months	Three to twelve months	One to five years	Over five years
	£000	£000	£000	£000	£000	£000	£000
Financial assets							
Cash and cash equivalents	3,984,868	**3,984,868**	3,984,868	—	—	—	—
Treasury investments	383,670	**383,670**	—	—	383,670	—	—
Derivative financial assets	16,255	**16,255**	—	16,255	—	—	—
Trade and other receivables	174,208	**174,208**	1,058	173,150	—	—	—
Total financial assets	**4,559,001**	**4,559,001**	**3,985,926**	**189,405**	**383,670**	**—**	**—**
Financial liabilities							
Customer liabilities	3,516,981	**3,516,981**	3,516,981	—	—	—	—
Trade and other payables	301,144	**301,144**	—	301,144	—	—	—
Lease liabilities	12,714	**13,453**	—	1,196	4,068	8,189	—
Derivative financial liabilities	6,434	**6,434**	—	6,434	—	—	—
Total financial liabilities	**3,837,273**	**3,838,012**	**3,516,981**	**308,774**	**4,068**	**8,189**	**—**
Net liquidity gap			**468,945**	**(119,369)**	**379,602**	**(8,189)**	**—**
Cumulative liquidity gap			**468,945**	**349,576**	**729,178**	**720,989**	**720,989**

*These comparative figures have been restated to include all financial assets and liabilities (trade and other receivables, trade and other payables, and current tax liability).

25.3. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The Company's market risk management policies and procedures provide effective and robust mitigation. The Company 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.

The market risks for the Company have remained stable and well contained. Management expects the processes and market risk exposures to remain broadly consistent over the next year. The Company is exposed to the below market risks.

Foreign exchange risk, including commodities
The Company provides foreign exchange to its customers via multi-currency wallets that allow spending in different currencies. It is thus exposed to currency exchange rate fluctuations. The Company is exposed to foreign exchange risk arising from various corporate activities and stemming from revaluation of contractual cash-flows or assets and liabilities denominated in foreign currencies.

The FX 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).

The carrying amounts of the Company's foreign currency denominated monetary assets, monetary liabilities and derivative instruments at the reporting date are as follows:

	Monetary assets	Monetary liabilities	Net position
	£000	£000	£000
At 31 December 2022			
GBP	1,261,998	(2,698,544)	(1,436,546)
EUR	2,020,007	(1,337,942)	682,065
USD	1,106,739	(915,958)	190,781
Other currencies	1,819,847	(679,225)	1,140,622
Total	**6,208,591**	**(5,631,669)**	**576,922**
At 31 December 2021			
GBP	1,966,093	(1,729,411)	236,682
EUR	1,288,665	(837,436)	451,229
USD	665,522	(640,741)	24,781
Other currencies	532,688	(451,377)	81,311
Total	**4,452,968**	**(3,658,965)**	**794,003**

The Company uses currency derivatives to manage currency risk. Please refer to Note 24.3 for details about Company's derivative positions.

The Company also provides customers the ability to acquire commodities and cryptocurrencies. As the Company acts in a broker capacity, it is only exposed to price fluctuations for these instruments during the course of trade settlement.

Hedge on net investment in foreign operations
The Company hedges the currency risk of its net investment in its euro-denominated foreign operations in Lithuania using GBP:EUR foreign currency swaps entered into with a third party.

The hedge of net investment in foreign operations was discontinued in May 2022 when the hedging instruments matured. The cumulative gains or losses recorded in equity remain in the net investment in foreign operation reserve until the foreign operation is disposed of.

Derivatives designated in net investment hedging relationships:

	Carrying amount		Changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
FX Swaps	Carrying amount	Outstanding notional	Effective portion recognised in OCI	Hedge ineffectiveness recognised in profit or loss into other income	Reclassified into profit or loss into other income
	£000	£000	£000	£000	£000
At 31 December 2022	—	—	(1,275)	—	—
At 31 December 2021	2,404	174,680	(3,365)	—	—

The following table shows the maturity of the hedging instruments:

FX Swaps	Carrying amount	On demand	Up to three months	Three to twelve months	One to five years	Over five years
	£000	£000	£000	£000	£000	£000
At 31 December 2022	—	—	—	—	—	—
At 31 December 2021	2,404	—	2,404	—	—	—

Interest rate risk

Interest rate risk in the banking book ('IRRBB') is the risk that the Company's Statement of Financial Position 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, the Company 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 the mitigating actions taken.

The following table shows the sensitivities under NII and EVE for the Company.

	2022	2021
Net interest income-based approach	**£000**	**£000**
200 bps parallel increase	105,540	42,900
200 bps parallel decrease	(63,320)	(14,700)
Economic value of equity-based approach		
200 bps parallel increase	30,940	22,600
200 bps parallel decrease	(67,810)	(10,100)

25.4. Capital Risk Management

Capital risk is the risk that the Company does not hold adequate capital to support its business activities based on its regulatory requirements and risk profile.

Revolut Ltd is an FCA regulated e-money institution, and its capital is subject to the Payment Services Regulations 2017, and regular Financial Resources Review by the FCA. To manage its capital risk, the controls are as follows:

- Perform quarterly bottom up forecast on e-money balance and manage capital position to meet the associated requirements plus internal management buffer.
- Sensitivity analysis and scenarios on e-money balance and associated capital requirements are performed monthly to understand the potential capital needs in the entity. The capital resources and management actions are then reviewed to ensure that under each scenario, the capital surplus remains positive.
- The use of Key Risk Indicators ('KRIs'), including e-money balance growth and EMI capital adequacy on the FCA requirements, to provide early-warning indications to monitor the timely movement in the drivers of the capital position. Different levels of risk appetite are set to KRIs, and prescribed actions are linked to the breach of each level to provide immediate resolution to various events.

26. Capital and Other Commitments

The Company does not have any other material commitments, capital commitments or contingencies as at 31 December 2022 and 31 December 2021.

27. Events After the Balance Sheet Date

In April 2023, the Company entered into a £75.0 million liquidity facility with an external lender to provide diversification in funding as the business grows globally. Security was provided to the lender in the form of a debenture. The facility remains undrawn and there are no plans to draw upon it.

The Bank and Revolut Payments UAB completed reorganisation by way of merger in Q3 2022. As a result, Revolut Payments UAB migrated its customers to the Bank. Post-merger, Revolut Payments UAB ceased its payment services activities and will be dissolved without liquidation proceedings. The Bank will continue to provide the payments services previously offered by Revolut Payments UAB to customers post-merger.

Board member appointment
In November 2023, Revolut announced the appointment of Dan Teodosiu to the Board as a Non-Executive Director.

28. Controlling Party

The company is owned by Revolut Group Holdings Ltd, itself 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 by virtue of shareholding. Nik Storonsky is considered a person with significant control ('PSC').

29. Capital (unaudited)

As at 31 December 2022, Revolut Ltd had total capital resources, all of which is Common Equity Tier 1 ('CET1'), of £703 million (2021: £912 million). This change reflects the Group's restructuring process undertaken in 2022 which incorporated a new parent holding company (Revolut Group Holdings Ltd) where excess capital from Revolut Ltd was redistributed to this holding company to invest into other subsidiaries.