

COMPANY REGISTRATION NUMBER: 5927983

WEX Europe Limited
Annual Report and Financial Statements
31 December 2017

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WEX Europe Limited
Financial Statements
Year ended 31 December 2017

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WEX Europe Limited

Strategic Report

Year ended 31 December 2017

Review of the business and key performance indicators

The principal activities of WEX Europe Limited (the "Company") during the year were the production, development and provision of platform services for credit and prepaid B2B virtual cards. The company transferred part of its revenue generating operations to an associate company, WEX Europe UK Limited, that commenced operations on 31st October 2017, earning a management fee of £1,782,086 for the support activities provided therewith.

Turnover for the 12-month period was £17.3m (2016: £17.5m). Loss before tax was £5.1m (2016: £1.8m). The ultimate parent company acquired a front-end platform provider, AOC Solutions, in late 2017 as a result of which, a one-off impairment charge on intangible assets of £8.8m was recognised that is related to internally generated software.

The company considers its key performance indicator to be the volume of B2B payments facilitated through the provision of its platform services. The total transacted volume (TTV) increased 11% YoY in 2017. Any additional indicators, including non-financial are in line with those of Wex Inc. of which this company is a part. The performance of the Wex Inc. Group is discussed in Wex Inc. Report and Annual Accounts 2017, which does not form part of this report.

Future developments

The directors expect the general level of activity to remain consistent with 2017 in the forthcoming year. Market conditions and increased competitiveness provide the directors with confidence that the company will achieve consistent turnover and profitability in 2018. While the operational activities moved to WEX Europe UK Limited, the company will continue to earn substantial portion of the income on such activities through management fees for the provision of support services. The increased growth in the TTV combined with a continuous review of its operational efficiencies, provide its directors with the reasons for confidence of continued level of activity.

Principal risks and uncertainties

Management continues to review risks proactively to ensure the company is operating at an acceptable level of overall business risk. The principal risks and uncertainties facing the company predominantly arise from external market forces. The following is a non-exhaustive list of principal risks for the business:

Foreign exchange risk – customers have a choice of multiple settlement currencies to facilitate B2B payments and material swings in foreign exchange movements may affect receivables. The company mitigates the risk associated with FX by matching borrowings to receivables in currency to minimise impact.

Credit risk – the company provides credit to its customers and lack of adequate credit controls may lead to credit loss events. Strict credit policies and frequent reviews of customers is undertaken to manage the risk.

Brexit – the company continues to monitor any potential impact of Brexit on continuity of its operations, on-going viability of its key customers, suppliers and partners – the company ensures continuous engagement with its key external stakeholders to assess the financial health and viability of their businesses.

Approved by the Board and signed on its behalf by:



Mr B S Underwood
Director
12 October 2018

Registered office: 4th Floor East Building, 1 London Bridge, London SE1 9BG

WEX Europe Limited
Directors' Report
Year ended 31 December 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Directors

The directors who served the company during the year were as follows:

Ms Hilary Ann Rapkin
Mr Roberto Simon Rabanal
Mr Bruce Selwyn Underwood

Dividends

The directors do not propose the payment of a dividend. (2016: nil)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to assume office as auditors and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General meeting.

Research and development

The company undertook R&D activities until May 2017. Following a decision to discontinue further development on the legacy platform, no R&D activities were undertaken during the rest of the year.

Events after the Reporting Period

Post the balance sheet date, the following events have occurred that have a material impact on the financials of the Company:

1. The legacy platform, supporting a segment of the business (turnover of £ 3.4m in 2017) was discontinued in June 2018. Substantial portion of the turnover was retained within the business while the customer relationship moved to WEX Europe UK Limited (an associate).
2. Certain assets representing hardware equipment purchased to support the platform under development were sold to Wex Inc. at its net book value of £2.2m.

Approved by the Board and signed on its behalf by:



Mr B S Underwood
Director

12 October 2018
Registered office: 4th Floor East Building, 1 London Bridge, London SE1 9BG

WEX Europe Limited
Directors' Responsibilities Statement
Year ended 31 December 2017

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 The Financial Report Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Approved by the Board and signed on its behalf by:



Mr B S Underwood
Director

12 October 2018.

Registered office: 4th Floor East Building, 1 London Bridge, London SE1 9BG

WEX Europe Limited

Independent Auditor's Report to the Members of WEX Europe Limited

Year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of WEX Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

WEX Europe Limited

Independent Auditor's Report to the Members of WEX Europe Limited

Year ended 31 December 2017

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 period 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.

WEX Europe Limited

Independent Auditor's Report to the Members of WEX Europe Limited

Year ended 31 December 2017

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Atif Yusuf (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 October 2018

WEX Europe Limited
Profit and Loss Account
Year ended 31 December 2017

| | | 2017 | 2016 |
|--|-----------|--------------------|-------------------|
| | Note | £ | £ |
| Turnover | 4 | 17,274,624 | 17,545,086 |
| Cost of sales | | (3,452,549) | (3,321,671) |
| Gross profit | | 13,822,075 | 14,223,415 |
| Administrative expenses | | (19,338,017) | (12,193,857) |
| Other operating income | | — | — |
| Operating (loss) / income | 5 | (5,515,942) | 2,029,558 |
| Income from shares in group undertakings | | — | 26,386 |
| Other interest receivable and similar income | 9 | 649,227 | 13,752 |
| Interest payable and similar expenses | 10 | (261,287) | (230,705) |
| (Loss) / profit before taxation | | (5,128,002) | 1,838,991 |
| Tax on credit / (charge) for the year | 11 | 3,738,552 | (472,035) |
| (Loss) / profit for the financial year and total comprehensive income | | (1,389,450) | 1,366,956 |

All of the activities of the company are from continuing operations.

The notes on pages 10 to 23 form part of these financial statements

WEX Europe Limited

Balance Sheet

31 December 2017

| | Note | 2017 £ | 2016 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 431,798 | 11,101,255 |
| Tangible assets | 13 | 2,700,434 | 307,577 |
| Investments | 14 | 1 | 1 |
| | | <u>3,132,233</u> | <u>11,408,833</u> |
| Current assets | | | |
| Debtors | 15 | 107,570,962 | 57,623,851 |
| Cash at bank and in hand | | 3,230,404 | 2,708,117 |
| | | <u>110,801,366</u> | <u>60,331,968</u> |
| Creditors: amounts falling due within one year | 16 | 113,940,923 | 76,987,636 |
| Net current liabilities | | <u>3,139,557</u> | <u>16,655,668</u> |
| Total assets less current liabilities | | <u>(7,324)</u> | <u>(5,246,835)</u> |
| Creditors: amounts falling due after more than one year | 17 | 6,628,961 | – |
| Net liabilities | | <u>(6,636,285)</u> | <u>(5,246,835)</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 2 | 2 |
| Share premium account | 22 | 4,691,823 | 4,691,823 |
| Profit and loss account | 22 | (11,328,109) | (9,938,660) |
| Shareholders deficit | | <u>(6,636,284)</u> | <u>(5,246,835)</u> |

Approved by the Board and authorised for issue and signed on its behalf by:



Mr B S Underwood
Director
12 October 2018

Company registration number: 5927983

The notes on pages 10 to 23 form part of these financial statements

WEX Europe Limited
Statement of Changes in Equity
Year ended 31 December 2017

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
|--|--|--|--|--------------------|
| At 1 January 2016 | 2 | 4,691,823 | (11,305,616) | (6,613,791) |
| Profit for the year | | | 1,366,956 | 1,366,956 |
| Total comprehensive income for the year | - | - | 1,366,956 | 1,366,956 |
| At 31 December 2016 | 2 | 4,691,823 | (9,938,660) | (5,246,835) |
| Loss for the year | | | (1,389,450) | (1,389,450) |
| Total comprehensive income for the year | - | - | (1,389,450) | (1,389,450) |
| At 31 December 2017 | 2 | 4,691,823 | (11,328,110) | (6,636,285) |

The notes on pages 10 to 23 form part of these financial statements

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The company's principal activity is the provision of platform services for credit and prepaid B2B virtual cards. Its registered office is 4th floor East Building, 1 London Bridge, London, SE1 9BG.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in pound sterling, which is the functional currency of the entity.

Going concern

The company's business activities are reliant on the continued inter group trading and financial support of its parent company. The directors have a reasonable expectation that the company will continue to operate under these circumstances and continue in operational existence for the foreseeable future.

The company holds long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The company will continue to manage its resources in order to maximise the profitability.

Thus, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Wex Inc., a company incorporated in Delaware, USA, which are publicly available. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.
- (d) Disclosures around the financial instruments.

Group consolidated accounts

The directors have considered it is not necessary to prepare group accounts, having taken advantage of exemption for a company included in non-EEA group accounts of larger group under section 401(1) of the Companies Act 2006. The company's ultimate parent WEX Inc, a company incorporated in Delaware, USA, prepares group accounts.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements, estimations and assumptions that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Key judgments

- (i) Useful economic life of fixed and intangible assets - The annual depreciation and amortisation charges are based upon management's assessment of the useful economic lives and residual values of the company's tangible assets. These are re-assessed annually and amended where necessary.
- (ii) Recognition of Deferred Tax Assets – The recognition of deferred tax asset is based on management's judgement of the ability to offset against future tax liability as a result of timing differences. It is measured using the tax rates enacted at the balance sheet date that are expected to apply to the reversal of the timing difference.

Key sources of estimation uncertainty

- (i) Allowance for impairment on debtors - The Company makes an estimate of the recoverable values of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience.
- (ii) Impairment of intangibles – The Company makes an estimate for impairment of intangibles when there is objective evidence of reduction in the recoverable value of assets that have been previously recognised. Impairment is tested annually and a loss is recognised in the Profit and Loss Account if assessed.

Revenue recognition

Turnover comprises of interchange income earned from the provision of virtual B2B payment services less any income share / rebates, etc. Turnover is stated net of VAT and is recognised when significant risks and rewards are considered to have been transferred to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Rebates (share/trade discounts) are recognised when incurred, based on the provisions of the contractual agreements.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Recognition of Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Recognition of Expenses

Expenses are recognised on the basis of the accrual and comparability principles in the reporting period during which the related income is earned, regardless of the time of spending the cash.

Only that portion of costs of the previous and reporting periods that is related to the income earned during the reporting period is recognised as expenses. Costs that are not related to income earned during the reporting period, but expected to generate future economic benefits, are recorded and presented as assets. The portion of assets which is intended for earning income in future periods is recognised as expenses when the associated income is earned.

Expenses are also recognised in the same reporting period when they are incurred in cases when it is impossible to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming periods.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand, short-term bank deposits and money market funds.

Income tax

Current tax, including corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the futures have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise for the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing difference.

WEX Europe Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2017

Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Amortisation will only begin when the internally generated software is brought into use.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

| | | |
|-------------------|---|-------------------|
| Development Costs | - | 33% straight line |
|-------------------|---|-------------------|

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research and development expenditure is written off in the year in which it is incurred with the exception of expenditure on the development of certain major new projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility in accordance with FRS 102. Intangible assets are reviewed for impairment at the end of each financial year if events or changes in circumstances indicate that the carrying value may not be recoverable.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Tangible assets

All fixed assets are initially recorded at cost. These are subsequently measured at net of depreciation and impairment, if any.

Fixed assets are reviewed for impairment at the end of each financial year if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

| | | |
|-----------------------|---|----------------------------------|
| Leasehold Property | - | Remaining life of property lease |
| Plant and Machinery | - | 33% straight line |
| Fixtures and fittings | - | 20% straight line |
| Computer Equipment | - | 20% straight line |

Investments

Investments in non-derivative instruments that are equity of the issuer (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company's balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risk and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another company.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non- financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. An impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at costs less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured

at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies (continue)

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

| | 2017 £ | 2016 £ |
|--------------------------------|-------------------|-------------------|
| Payment Processing Revenue | 12,377,725 | 12,142,503 |
| Transaction Processing Revenue | 1,998,841 | 2,318,483 |
| Servicing Revenue | 591,151 | 1,707,277 |
| Contractual Service Revenue | 524,821 | 1,059,623 |
| Card Revenue | – | 317,199 |
| Income from Group Undertakings | 1,782,086 | – |
| Rendering of services | <u>17,274,624</u> | <u>17,545,085</u> |

The company provides card payment and associated services to customers both in the UK and Europe. Included in the Turnover is management fee of £1,782,086 for the provision of support services to WEX Europe UK Limited following the transfer of part of the revenue generating business in October 2017.

5. Operating (loss)/ income

Operating loss/income is stated after charging :

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Impairment of intangible asset (Note 12) | 8,873,992 | – |
| Foreign exchange differences | 616,026 | 181,574 |
| Amortisation of intangible assets | 532,280 | 387,825 |
| Depreciation of tangible assets | 109,585 | 135,431 |
| Loss on Disposal of tangible assets | 87,949 | 23,906 |
| Impairment of trade debtors | – | 620,303 |

6. Auditor's remuneration

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Fees payable for the audit of the financial statements | <u>30,000</u> | <u>12,000</u> |
| Fees payable for other services | <u>–</u> | <u>4,250</u> |

There were no non-audit fees paid to the company's auditors during the year.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

7. Staff costs

The average number of persons employed by the company during the year, including the directors is:

| | 2017 No. | 2016 No. |
|---|-------------|-------------|
| Sales Admin | 20 | 22 |
| CSO Admin | 8 | 14 |
| Finance | 8 | 9 |
| IT Admin | 10 | 13 |
| Support | 8 | 7 |
| Apps Dev & Maint Admin | 4 | 1 |
| Product | 7 | 4 |
| Number of management and administration staff | <u>65</u> | <u>70</u> |

The aggregate payroll costs incurred during the year, relating to the above, were:

| | 2017 £ | 2016 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 4,357,697 | 4,772,704 |
| Social Security Costs | 481,709 | 407,797 |
| Other pension costs | 182,486 | 171,427 |
| | <u>5,021,892</u> | <u>5,351,928</u> |

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | 2017 £ | 2016 £ |
|--------------|----------------|----------------|
| Remuneration | <u>127,508</u> | <u>127,874</u> |

The number of directors who accrued benefits under company pension plans was as follows:

| | 2017 No. | 2016 No. |
|----------------------------|-------------|-------------|
| Defined contribution plans | <u>1</u> | <u>2</u> |

Remuneration of the highest paid director in respect of qualifying services:

| | 2017 £ | 2016 £ |
|------------------------|----------------|----------------|
| Aggregate remuneration | <u>127,508</u> | <u>108,789</u> |

One Director held Restricted Stock units in the ultimate parent, WEX Inc. There were no loans, quasi-loans or any other transactions carried out with the directors during the year.

9. Other Income

| | 2017 £ | 2016 £ |
|---------------------------------------|----------------|-----------|
| Income from group undertakings | — | 26,386 |
| Interest on cash and cash equivalents | 28,924 | 13,752 |
| Recovery of Trade Debtors | <u>620,303</u> | <u>—</u> |

WEX Europe Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2017

10. Interest payable

| | 2017 £ | 2016 £ |
|-------------------------------|----------------|----------------|
| Intercompany interest expense | <u>261,287</u> | <u>230,705</u> |

11. Tax (credit) / charge

Major components of tax expense

| | 2017 £ | 2016 £ |
|---|--------------------|----------------|
| Current tax: | | |
| Adjustments in respect of prior periods | — | — |
| Other component of current tax expense (income) | — | — |
| Total current tax | <u>—</u> | <u>—</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (3,738,552) | 472,035 |
| Tax (credit) / charge on (loss) / profit | <u>(3,738,552)</u> | <u>472,035</u> |

Reconciliation of tax expense

The standard rate of tax applied for the reporting period is 19.25%.

| | 2017 £ | 2016 £ |
|--|--------------------|----------------|
| (Loss) / profit on ordinary activities before taxation | (5,128,002) | 1,838,991 |
| Tax on (loss) / profit at UK standard tax rate | (987,140) | 367,798 |
| Effect of expenses not deductible for tax purposes | 14,904 | 6,638 |
| Effect of capital allowances and depreciation | (8,319) | (9,269) |
| Effect of revenue exempt from tax | — | (5,277) |
| Utilisation of tax losses | — | (359,890) |
| Unused tax losses | 980,555 | — |
| Movement in deferred tax assets (note 18) | (3,738,552) | 472,035 |
| Tax on profit/(loss) | <u>(3,738,552)</u> | <u>472,035</u> |

Legislation was introduced in Finance (No. 2) Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017. A further measure in Finance Act 2016 enacted a reduction on the main rate of corporation tax to 17% from 1 April 2020.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

12. Intangible assets

| | Development costs £ |
|-------------------------------------|------------------------|
| Cost | |
| At 1 January 2017 | 11,911,944 |
| Additions | 769,793 |
| Reclassification to Tangible assets | (2,182,183) |
| Impairment | (8,873,992) |
| At 31 December 2017 | 1,625,562 |
| Amortisation | |
| At 1 January 2017 | 661,485 |
| Charge for the year | 532,279 |
| At 31 December 2017 | 1,193,764 |
| Carrying amount | |
| At 31 December 2017 | 431,798 |

WEX Inc, the ultimate parent company acquired a front-end platform provider, AOC Solutions, in late 2017. As a result of this, the Company recognised a one-off impairment charge of £8.8m on the platform that was under development for providing a similar service.

Certain assets representing hardware equipment purchased to support the platform under development were repurposed for other use in the business and have been reclassified to Tangible assets (Note 13).

13. Tangible assets

| | Leasehold property £ | Plant and machinery £ | Fixtures and fittings £ | Equipment £ | Total £ |
|----------------------------|-------------------------|--------------------------|----------------------------|------------------|------------------|
| Cost | | | | | |
| At 1 January 2017 | 52,950 | 182,461 | 152,895 | 62,473 | 450,779 |
| Additions | 369,940 | 13,439 | 76,026 | 10,358 | 469,463 |
| Disposal | (52,950) | — | — | — | (52,950) |
| Reclassification (Note 12) | — | — | — | 2,182,183 | 2,182,183 |
| At 31 December 2017 | 369,940 | 195,900 | 228,921 | 2,255,014 | 3,049,475 |
| Depreciation | | | | | |
| At 1 January 2017 | 17,650 | 122,167 | 145,648 | 6,942 | 292,407 |
| Charge for the year | 39,794 | 43,290 | 3,990 | 22,510 | 109,585 |
| Disposals | (52,950) | — | — | — | (52,950) |
| At 31 December 2017 | 4,494 | 165,457 | 149,638 | 29,452 | 349,042 |
| Carrying amount | | | | | |
| At 31 December 2017 | 365,146 | 30,443 | 79,283 | 2,225,562 | 2,700,434 |
| At 31 December 2016 | 35,300 | 60,294 | 156,452 | 55,531 | 307,577 |

WEX Europe Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2017

14. Investments

**Shares in group
undertakings
£**

Cost

At 1 January 2017 and 31 December 2017

1

The company owns 100% (2016: 100%) of the issued ordinary share capital of Wex Europe Solutions Limited, a company registered in England and Wales. There were no additions and disposals on the Company's investments during the year.

The aggregate capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

| | 2017 | 2016 |
|----------------------|-------------|-------------|
| | £ | £ |
| Capital and Reserves | 807 | 807 |
| Profit | - | 27,192 |

Under the provision of Section 401(1) of the Companies Act 2006, the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as a single entity.

15. Debtors

| | 2017 | 2016 |
|------------------------------------|--------------------|-------------------|
| | £ | £ |
| Amounts owed by group undertakings | 94,938,107 | 131,365 |
| Trade debtors | 7,432,606 | 55,880,872 |
| Prepayments and accrued income | 372,286 | 726,935 |
| Other debtors | 1,089,412 | 884,679 |
| Deferred tax asset (Note 18) | 3,738,552 | - |
| | <u>107,570,962</u> | <u>57,623,851</u> |

Trade Debtors arise from normal course of business and through extension of short term credit (weekly to monthly terms) to customers. Amounts owed by Group Undertakings are all non-interest bearing and are receivable on demand from the related parties (Note 18).

16. Creditors: amounts falling due within one year

| | 2017 | 2016 |
|------------------------------------|--------------------|-------------------|
| | £ | £ |
| Trade creditors | 551,086 | 257,392 |
| Amounts owed to group undertakings | 110,536,238 | 73,141,274 |
| Accruals and deferred income | 2,228,417 | 3,444,650 |
| Social security and other taxes | 211,369 | 144,320 |
| Other creditors | 413,813 | - |
| | <u>113,940,923</u> | <u>76,987,636</u> |

Trade creditors are invoices in the normal course of business outstanding to be paid. Amounts to group undertakings are all non-interest bearing and are payable on demand to the associates (Details in Note 24). Other creditors consist primarily of monies owed to customers resulting from chargeback claims.

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

17. Creditors: amounts falling due after more than one year

| | 2017 £ | 2016 £ |
|------------------------------------|------------------|-----------|
| Amounts owed to group undertakings | 6,218,141 | – |
| Other creditors | 410,820 | – |
| | <u>6,628,961</u> | <u>–</u> |

Amounts owed to Group Undertakings are all payable to Wex Inc at a variable rate of LIBOR + 3% on the principal amount.

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

| | Deferred tax £ |
|---|--------------------|
| Deferred tax asset movement in fixed assets | 8,211 |
| Tax losses | (3,746,763) |
| At 31 December 2017 | <u>(3,738,552)</u> |

19. Employee benefits

The Company operates a defined contribution scheme for all qualified employees. The amount recognised in profit or loss as an expense in relation to defined contribution plans was £182,486 (2016: £171,427).

20. Financial instruments

The carrying amount for each category of financial instrument is as follows:

| | 2017 £ | 2016 £ |
|--|--------------------|-------------------|
| Financial assets that are debt instruments measured at amortised cost | | |
| Trade debtors | 7,432,606 | 55,880,872 |
| Amounts due from group companies | 94,938,107 | 131,365 |
| | <u>102,370,712</u> | <u>56,012,237</u> |
| Financial liabilities measured at amortised cost | | |
| Trade creditors | 551,086 | 257,392 |
| Amounts due to group companies (within one year) | 110,536,238 | 73,141,274 |
| Other creditors (within one year) | 413,813 | – |
| Amounts due to group companies (more than one year) | 6,218,141 | – |
| Other creditors (more than one year) | 410,820 | – |
| | <u>118,130,098</u> | <u>73,398,766</u> |

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

21. Called up share capital

Issued, called up and fully paid

| | 2017 | | 2016 | |
|----------------------------|------|---|------|---|
| | No | £ | No | £ |
| Ordinary shares of £1 each | 2 | 2 | 2 | 2 |

22. Reserves

Share premium account records the amount above the nominal value received for shares issued, less transaction costs.

Profit and loss account accumulates retained earnings and accumulated losses.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2017 | 2016 |
|--|------------------|----------------|
| | £ | £ |
| Not later than 1 year | 380,782 | 218,768 |
| Later than 1 year and not later than 5 years | 1,523,128 | – |
| | <u>1,903,910</u> | <u>218,768</u> |

24. Related party transactions

There are no key management personnel other than the directors.

During the year, the company had multiple transactions with the associates as follows:

Amounts owed by Group Undertakings:

| | 2017 | 2016 |
|---------------------------|-------------------|----------------|
| | £ | £ |
| WEX New Zealand | 337,087 | 108,290 |
| Wright Express UK Limited | 23,075 | 23,075 |
| WEX Europe UK Limited | 94,577,945 | – |
| | <u>94,938,107</u> | <u>131,365</u> |

Amount owed to Group Undertakings:

| | 2017 | 2016 |
|---------------------------------------|--------------------|-------------------|
| | £ | £ |
| WEX Europe Holdings Limited | 2,394,108 | 2,394,108 |
| WEX Inc. | 6,447,226 | 6,284,137 |
| AUSPL | 1,000 | – |
| WEX Europe Services | 9,375 | 7 |
| Wright Express International Holdings | 107,902,670 | 63,544,520 |
| WEX Bank | – | 918,502 |
| | <u>116,754,379</u> | <u>73,141,274</u> |

WEX Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

25. Controlling party

The company is a wholly owned subsidiary of WEX Europe Holdings Limited, a company incorporated in Guernsey and registered at Trafalgar Court 2nd Floor, East Wing Admiral Park St Peter Port Guernsey GY1 3EL. The Company's ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is WEX Inc., which is incorporated in the Delaware, USA and registered in 97 Darling Avenue, South Portland, ME 04106, United States.

WEX Inc has prepared consolidated accounts which include WEX Europe Limited.

Copies of these consolidated financial statements can be downloaded from the corporate website or requested from 97 Darling Avenue, South Portland, Maine 04106, USA.

26. Events after the Report Period

Following the Balance Sheet Date, the following events have occurred which have a material impact on the financials of the Company.

1. The legacy platform, supporting a segment of the business (turnover of £ 3.4m in 2017) was discontinued in June 2018. Substantial portion of the turnover was retained within the business while the customer relationship moved to WEX Europe UK Limited (an associate).
2. Certain assets representing hardware equipment purchased to support the platform under development were sold to Wex Inc. at its net book value of £2.2m.