

Equity accounting: Why don't the numbers match?

8/1/20

The amount of shareholders' equity as reported in the annual financial statements of at least ten of Wirecard's subsidiaries do not match the figures reported for the same entities in Wirecard's consolidated accounts for 2017, and do not match group figures for at least six of the subsidiaries that have filed on time for 2018. We struggle to reconcile this, and do not understand how this could pass even the most basic audit procedures.

This is a critical question for Wirecard. Why do the consolidated accounts show materially lower equity values to the individual subsidiary reports? Why do these local auditors generate materially different subsidiary equity figures to Ernst & Young when they compile the group audit? On an individual subsidiary basis these may be deemed immaterial, but in aggregate we have found a delta of >€100M between Wirecard Group accounts and Wirecard's individual subsidiary accounting for both 2017 and 2018.

We set out below the apparent mismatches between figures reported in the group consolidated accounts and those for the individual subsidiaries for 2017 and 2018.

2017 Balance Sheet Equity	Group reporting (EUR)	Subsidiary reporting (EUR)	Delta	Subsidiary reporting (local FX)	FX rate at YE	Local auditor
Wirecard Asia Holding	(31,252,000)	30,247,761	(61,499,761)	48,543,991	0.62	RSM Chio / former EY
Wirecard Singapore	8,663,000	31,216,524	(22,553,524)	50,098,739	0.62	EY (disclaimed)
Wirecard Payment Solutions Malaysia	3,187,000	102,599	3,084,401	500,970	0.20	Crowe Malaysia
Wirecard Turkey	2,403,000	4,700,661	(2,297,661)	21,424,097	0.22	Deloitte
Wirecard India Private Ltd	1,408,000	1,878,743	(470,743)	144,185,960	0.01	Suresh Surana & Assoc.
Wirecard Thailand	1,262,000	31,120	1,230,880	1,216,093	0.03	RSM Thailand
Wirecard NZ Limited	932,000	1,610,911	(678,911)	2,725,738	0.59	Grant Thornton
Hermes i-Tickets **	(8,926)	29,137,461	(29,146,387)	2,236,182,703	0.01	Suresh Surana & Assoc.
Wirecard Australia A&I	(324,000)	49,368	(373,368)	75,880	0.65	Grant Thornton
Wirecard E-Money Philippines	(1,621,000)	1,663,964	(3,284,964)	99,638,539	0.02	Reyes Tacandong
Total			(115,990,037)			

** Hermes i-Tickets financial year end was 31/3/18. We struggle to see how Wirecard can include an audited 31/12/17 figure. Suresh Surana qualified their opinion on the 2017 accounts.

2018 Balance Sheet Equity	Group reporting (EUR)	Subsidiary reporting (EUR)	Delta	Subsidiary reporting (local FX)	FX rate at YE	Local auditor
Wirecard Asia Holding	(50,670,000)	42,506,056	(93,176,056)	66,343,150	0.64	RSM Chio / former EY
Wirecard Singapore	3,570,000		Disclaimed		0.64	EY (disclaimed)
Wirecard Australia A&I	(5,709,000)	(2,750,184)	(2,958,816)	(13,015,542)	0.21	Grant Thornton
Wirecard Thailand	914,000	5,517,758	(4,603,758)	33,438,929	0.17	RSM Thailand
Wirecard E-Money Philippines	(2,645,000)	978,888	(3,623,888)	78,123,569	0.01	Reyes Tacandong
Wirecard Payment Solutions Malaysia	(13,711,000)	187,961	(13,898,961)	6,956,364	0.03	Crowe Malaysia
Wirecard Turkey	2,970,000	16,254,237	(13,284,237)	27,732,874	0.59	Deloitte
Wirecard India Private Ltd	(13,287,000)		Not yet filed			Suresh Surana & Assoc.
Wirecard NZ Limited	(2,981,000)		Not yet filed			Grant Thornton
Hermes i-Tickets	(792,000)		Not yet filed			Suresh Surana & Assoc.
Delta			(131,545,717)			

Full sources below

This discrepancy is most apparent in Singapore. Wirecard Asia Holding (WDAH), the subsidiary that Edo Kurniawan was a director of until April 2019, reported positive equity of ~€30M to their local auditors, but Wirecard Group included negative equity in their accounts when consolidating them. The 2017 WDAH individual accounts were filed on 31/12/18, long after the group accounts were published, which questions the validity of the group audit. The €61.5M difference between the €30M of equity reported at the local level and the (€31M) of negative equity consolidated at the group level is clearly over the materiality threshold.

This brings into question the accuracy of EY's audit and the value of EY's unqualified audit opinion. How does EY Munich justify these substantial imbalances? Or are the seven different local auditors listed in the table above (including Deloitte and Grant Thornton) incorrect in their assessments of the shareholders equity?

[We recently revealed](#) that Wirecard Germany sent >€110M to their Singaporean subsidiaries in the last week of December 2019. Does this correspond with the substantial equity mismatch?

Balance sheet reported Equity	2018	2017	2016
<i>Wirecard Asia Holding Pte. Ltd., (Singapore)</i>			
Local as reported - (SGD k)	66,343	48,544	(2,144)
Local accounts - (EUR k)	42,503	30,244	(1,409)
Group accounts - (EUR k)	(50,670)	(31,252)	297
Delta	93,173	61,496	(1,706)
<i>Wirecard Singapore Pte. Ltd. (Singapore)</i>			
Local as reported - (SGD k)	N/A	50,099	48,921
Local accounts - (EUR k)	N/A	31,212	32,149
Group accounts - (EUR k)	3,570	8,663	12,996
Delta	N/A	22,549	19,153

We have previously commented on the late filing of financial statements by Wirecard entities. Even the FCA-regulated UK subsidiary is over [three months late in filing 2018 accounts](#).

Sources: Wirecard Group Einzelabschluss [2017](#) / [2018](#)

Local accounts:

Wirecard Asia Holding Pte. Ltd. (Singapore) [2017](#)

Wirecard Singapore Pte. Ltd. (Singapore) [2017](#)

Wirecard Payment Solutions Malaysia [2017](#) / [2018](#)

Wirecard Turkey [2018](#)

Wirecard India Private Ltd [2017](#)

Wirecard Thailand [2018](#)

Wirecard NZ Limited [2017](#)

Hermes i-Tickets [2017](#)

Wirecard Australia A&I [2017](#) / [2018](#)

Wirecard E-Money Philippines [2017](#) / [2018](#)