

## The first impairment – Australia

- **Wirecard’s late Australian accounts have finally been filed**
- **They show an immediate impairment on the acquired Citi business which shows management think the business is impaired**
  - **How many other Citi portfolios need impairment?**
- **Group accounts showed zero impairment losses; this was not included in the group audit. Is a restatement needed?**

We have previously reported Wirecard’s regional filings were late all around the world; most notably in Singapore, the UK, Australia and NZ. The first has now filed; Wirecard Australia filed its annual report on the 1<sup>st</sup> of November, almost exactly 6 months after it was [due on the 30<sup>th</sup> of April](#)

The audit opinion was signed by Grant Thornton on the 28<sup>th</sup> of October and includes an “emphasis of matter” related to going concern. Grant Thornton appears concerned about the solvency of this business given the substantial (AUD\$16M) losses.

The key driver of these losses was an impairment of the acquired Citi Merchant Acquiring business, concurrent with the purchase. This is very unusual accounting. It indicates that the local management does not believe the business is worth the price that has been agreed for it. The acquired Citi portfolios are due to be transitioned onto the Wirecard platform by the end of 2019, but to our knowledge, none have yet been transitioned. Is this related to the impairment?

	2018 \$
Purchase consideration	9,801,370
Fair value of identifiable net assets recognised	624,684
Goodwill	10,426,054
Impairment	(10,426,054)
<b>Residual Goodwill</b>	-

### [Download Wirecard Australia 2018 annual report here](#)

This impairment begs the question: how are the other acquired Citi subsidiaries performing? Singapore was one of the biggest portfolios acquired, but there have been substantial accounting issues locally, and both of the local subsidiaries are yet to file 2018 accounts. Despite a lack of locally audited financials, these have been consolidated into the group accounts. Furthermore, on the 1<sup>st</sup> of January 2020 the Singapore Payment Services Act comes into action, and Wirecard has not yet received a license.

The Wirecard Asia (Singapore) 2017 accounts showed \$94.8M of goodwill held on the balance sheet from the Citi acquisition; has management done an impairment test on that goodwill for 2018? What risk does that pose to the group financials? How was the group audit completed without a local impairment test?

Will Wirecard provide a full and transparent update here? Are there more impairments coming?

The Wirecard Group Annual report, published in April 2019, stated €0.0M of impairment losses. As the Australia impairment should have been consolidated, this appears to be misleading.

### Goodwill

in EUR million	31 Dec 2018	31 Dec 2017
Payment Processing & Risk Management	552.6	528.1
Acquiring & Issuing	153.0	147.4
Call Center & Communication Services	0.3	0.3
<b>Total</b>	<b>705.9</b>	<b>675.8</b>
<b>Less: impairment losses</b>	<b>0.0</b>	<b>0.0</b>
	<b>705.9</b>	<b>675.8</b>

The subsidiary capital and profits listed in Wirecard's 2018 Einzelabschluss also do not correspond to the numbers listed here. For 2018, it reported that Wirecard Australia A&I Pte Ltd had negative equity of (€5.7M), but the Australian accounts show (AUD\$13.0M), equivalent to (€8.0M), taking the AUDEUR rate as of 31/12/18.

Are Wirecard planning to restate these amounts now that they have the final audited subsidiaries, or will they call this "immaterial" and ignore it?