

Part 2: Wirecard Compliance Concerns

October 7th 2019

Unfiled/unaudited accounts – a serious compliance risk?

As one of Germany's largest listed companies, and a member of the DAX index, Wirecard's compliance and accounting procedures should be above reproach. Certainly CFO Alexander von Knoop has claimed there's an increased "focus on compliance," and Markus Braun [told CNBC in April](#): "of course, all subsidiaries are audited".

And yet there are multiple situations right now where Wirecard's accounts are late, unaudited and/or unclear, which should be of grave concern for investors.

We have some additional questions for Wirecard management:

- 1) **Why has Wirecard's most profitable subsidiary never been audited? Why is it so profitable?**
- 2) **Why are subsidiary accounts missing local filing deadlines around the world? Are individual auditors struggling to sign off accounts?**
- 3) **How many different auditors does Wirecard use? What percentage of profits go through subsidiaries directly audited by Ernst & Young?**

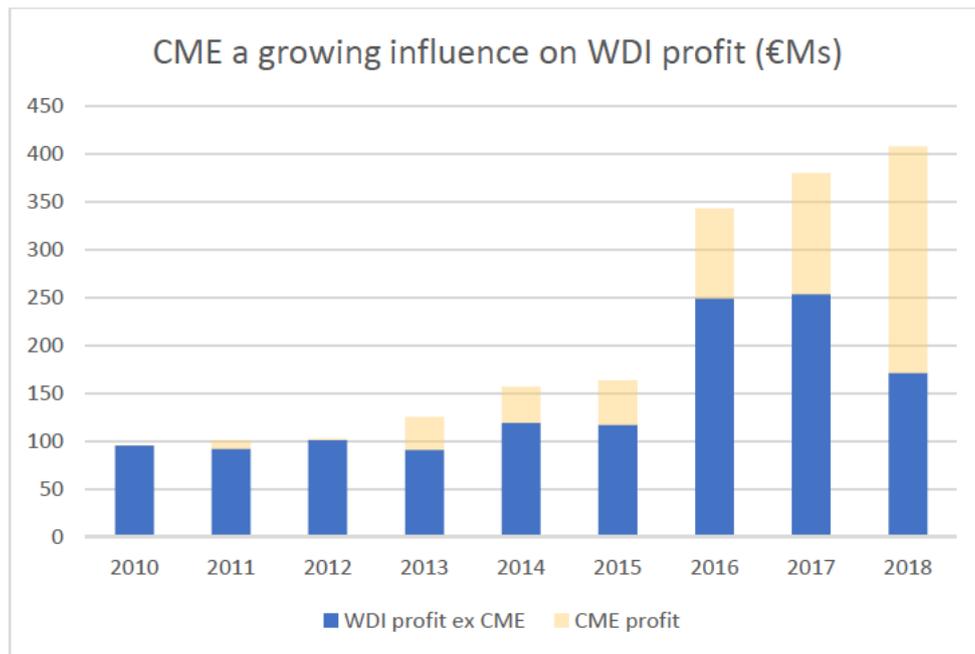
Dubai:

Astonishingly, Wirecard's recent bond prospectus revealed that Wirecard's two Dubai entities, CardSystems Middle East (CME) and Wirecard Processing, were not individually audited in 2017 or 2018. This is particularly concerning given that:

- a) CME generated 58% of the group's 2018 profits. Information regarding CME is remarkably thin considering its importance to Wirecard's profitability with CME's profit contribution growing from €94M in 2016 to €237M in 2018. Non-CME profits shrank 30% over that period, making CME even more important¹.
- b) In response to this assertion, and as noted above, Markus Braun explicitly told investors via CNBC: "of course, all subsidiaries are audited"

Understanding CME's business model is very difficult and it would be interesting to see if CME's CEO, Oliver Bellenhaus, will be attending this week's Innovation Day and future IR-related events to shine a light on an apparently highly successful business. He has, to date, been invisible to investors.

¹ Wirecard annual reports, accessed via <http://bundesanzeiger.de/>



UK:

Licensed entities in the UK are all **required to file** audited financials with the FCA within 80 business days of the accounting period end (~24th of April). December year-end companies then have until the 30th of September to file the audited statements with Companies House.

Wirecard Card Solutions Limited is the only Wirecard entity that is regulated by the Financial Conduct Authority in the UK and is now a week late in filing its 2018 financial statements to Companies House.

Previous accounts for 2015-2017 were all filed to Companies House in early May, having been first signed by EY.

Why are the accounts delayed? Have they been filed with the FCA? Have they been signed by EY? Is there a concern by EY that Oliver Bellenhaus is a director of Wirecard Card Solutions in the UK?

Perhaps this is an easily correctable oversight. If that is the case, the filing should occur in the next 24 hours. Analysts should enquire about continued compliance failings. Does a failure to have it online in that timeframe imply further issues?

Singapore:

Wirecard Asia Holding PTE (WAH), audited by local firm RSM Chio Lim, asked for a 60-day extension to file its financials in back in June, with the reason for the application: *"Accountant needs more time"*. The extension was granted, giving WAH 60 days until 29 September to file accounts. That deadline has passed with no filing.

Wirecard Singapore, Wirecard's other entity in Singapore was last audited back in 2016 (by EY). That audit was not signed until 2018. They have not filed audited financials since.

More concerningly, EY has consolidated WAH and Wirecard Singapore in their group audit opinion despite the fact that five months later, the local auditor has still failed to sign-off on the subsidiaries.

How did EY Germany manage to consolidate Wirecard Singapore to the group accounts if the individual subsidiary remains without a signed audit? How many other Wirecard subsidiaries remain unaudited for 2017 or 2018?

Australia:

ASIC requires company filings for 2018 by the 30th of April 2019, the day that Wirecard Australia filed their accounts last year. Not only is [Wirecard Australia](#) taking materially longer than in previous years, it has missed the Australian regulatory filing date.

Why are they so late? Has their auditor, Grant Thornton, proved unwilling to sign these accounts?

New Zealand:

[Wirecard NZ](#) filed its 2018 annual return in September, but failed to publish the financial statements that are required to be included with the annual return.

Why have these documents also not been filed? Has Grant Thornton also proved unwilling to sign off the audit in New Zealand?

Merchant Cash Advance (MCA)

The long list of questions regarding Wirecard's alleged MCA business, and how it is accounted for, have been the basis of our initial research. Details can be found www.mca-mathematik.com

At its heart is the question: Where is the €400M Wirecard claim to be lending as MCA? The story continues to change, but investors and creditors to Wirecard deserve to know the truth.