



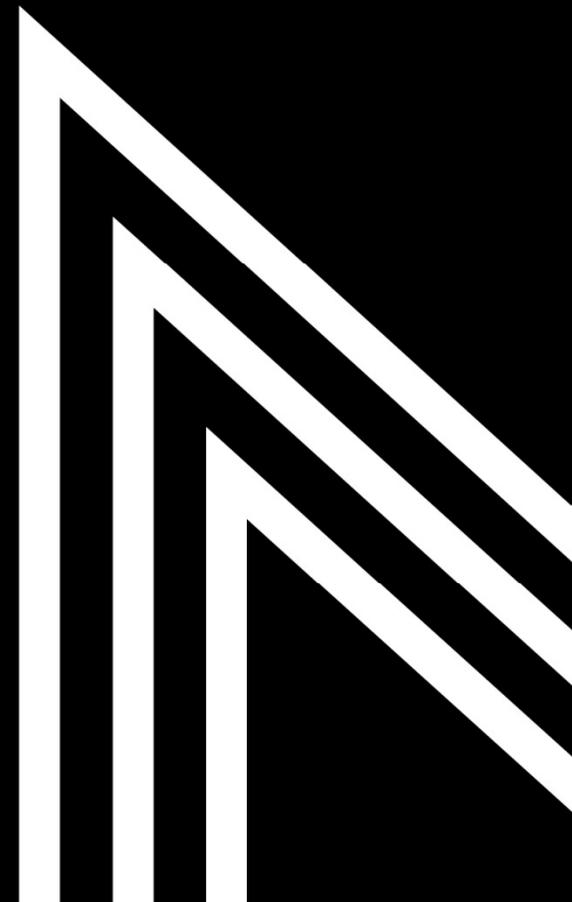
# Wirecard NZ Limited (Administrators Appointed)

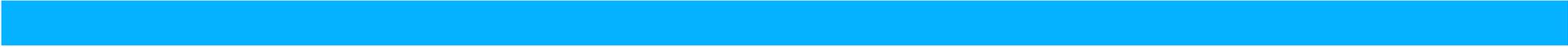
Voluntary Administrators' report pursuant to section  
239AU of the Companies Act 1993

30 October 2020



McGrathNicol





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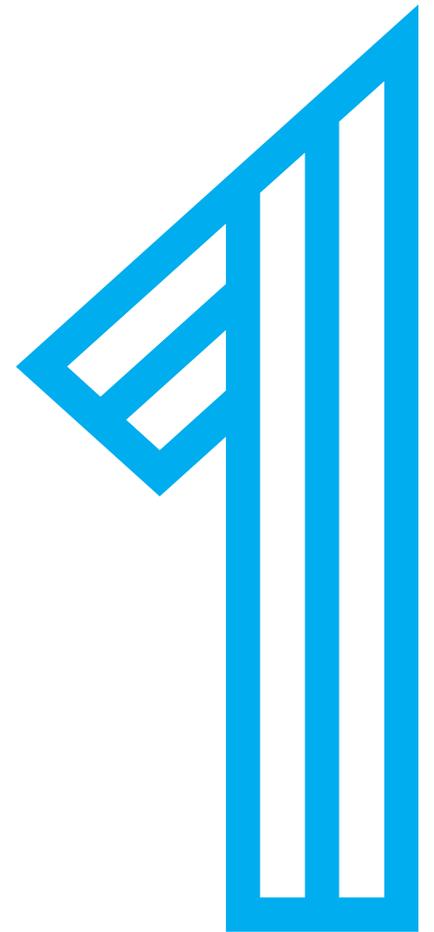
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# Glossary

<b>Act</b>	New Zealand Companies Act 1993	<b>NPAT</b>	Net profit after tax
<b>Administrators</b>	Andrew Grenfell and Conor McElhinney of McGrathNicol	<b>NZ</b>	New Zealand
<b>Appointment Date</b>	13 July 2020	<b>NZD</b>	New Zealand Dollar
<b>Australian Administrators</b>	Andrew Fielding and Nicholas Martin of BDO Australia	<b>Parent</b>	Wirecard Technologies GmbH
<b>Board</b>	the Directors	<b>PMSI</b>	Purchase Money Security Interest
<b>Change</b>	Change Labs NZ Pty Ltd	<b>PPSR</b>	Personal Property Securities Register
<b>Company</b>	Wirecard NZ Limited (In Administration)	<b>Report</b>	Watershed Meeting report to creditors
<b>Directors</b>	Jeffry Ho, Fook Sun Ng and John Nicholson	<b>Ultimate parent</b>	Wirecard AG
<b>DOCA</b>	Deed of Company Arrangement	<b>USD</b>	United States Dollar
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation	<b>Watershed Meeting</b>	The second creditors' meeting pursuant to section 239AT of the Act to be held at the offices of Thompkins Wake on 6 November 2020 at 10 am
<b>First Creditors' Meeting</b>	Creditors' meeting held on 23 July 2020 pursuant to section 239AN of the Act	<b>Wirecard Australia</b>	Wirecard Australia Pty Limited (Administrators Appointed)
<b>FYXX</b>	Financial year ended 31 December 20XX	<b>Wirecard Group</b>	Wirecard AG and its subsidiaries
<b>GST</b>	Goods and services tax	<b>Wirecard NZ</b>	Wirecard NZ Limited (Administrators Appointed) including Greece and Dominican Republic branches
<b>IP</b>	Intellectual property	<b>YTD</b>	Year to date
<b>IRD</b>	Inland Revenue		
<b>m</b>	Millions		

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## Executive summary



# 1. Executive summary

This section provides creditors with answers to key questions they may have in relation to the administration, the Administrators' findings, and summarises other information in this report.

Questions	Answers
<b>What is the purpose of this report?</b>	<p>This report provides creditors with details of the business and financial circumstances of the Company in preparation for the forthcoming Watershed Meeting.</p> <p>This report also informs creditors about the investigations undertaken by the Administrators and the Administrators' opinion and recommendation on each of the options available to creditors to vote on at the Watershed Meeting.</p>
<b>What is the Watershed Meeting?</b>	<p>The purpose of the Watershed Meeting is for creditors to decide on the future of the Company.</p> <p>The options available for creditors to vote on are whether the Company should be returned to the control of the Directors or enter into liquidation. The Administrators note that, as at the date of this report, no Deed of Company Arrangement (DOCA) has been proposed and, consequently, the option for the Company to enter into a DOCA is not available.</p>
<b>Where and when is the Watershed Meeting?</b>	<p>The Watershed Meeting will be held at the offices of <b>Tompkins Wake, Level 11, AIG Tower, 41 Shortland Street, Auckland, on 6 November 2020 at 10.00 am.</b> Creditors not based in New Zealand will be able to attend remotely. Observers are able to attend the meeting, however will not be entitled to participate, either by voting or by asking questions.</p>
<b>What is Wirecard NZ and what did Wirecard NZ do?</b>	<p>Wirecard NZ is a New Zealand registered company with its primary business comprising the development and licensing of proprietary software products to the financial services sector. The key business streams relate to the development and sale of Cadenice and FINsim licenses and the provision of software maintenance services to customers.</p>
<b>What is the status of Wirecard NZ?</b>	<p>On 13 July 2020, Andrew Grenfell and Conor McElhinney of McGrathNicol were appointed administrators of the Company. The Company is in voluntary administration, a form of formal insolvency proceedings.</p>

Questions	Answers
<b>Who controls Wirecard NZ now?</b>	<p>From the date of the appointment, the Administrators have had responsibility for the day-to-day management of Wirecard NZ.</p>
<b>What were the key events leading to the appointment of administrators?</b>	<p>Wirecard NZ is part of the Wirecard Group with its Parent based in Munich, Germany.</p> <p>Wirecard NZ was historically financially reliant on its Parent for funding to cover on-going liabilities of technical staff employed through Wirecard NZ's Greek branch on behalf of other entities within the Wirecard Group. Of the 74 Greek employees, c.62 worked solely on products and services that generated revenue for entities within the Wirecard Group other than Wirecard NZ.</p> <p>Wirecard NZ's ultimate parent, Wirecard AG, is the subject of investigation by public prosecutors and other authorities. Wirecard AG filed for an application in the German courts on 25 June 2020 for the opening of insolvency proceedings.</p> <p>Wirecard NZ's Parent has also filed for insolvency and as a result advised it was unable to continue to provide on-going financial support. Given the financial liability required to terminate the excess Greek employees (in excess of \$1.0m), and the Parent's inability to provide financial support, Wirecard NZ's directors, after taking legal advice, appointed the Administrators on 13 July 2020.</p>
<b>What actions have the Administrators taken to date?</b>	<p>Since the Appointment Date, the Administrators and their staff have attended to the following:</p> <ul style="list-style-type: none"> <li>▪ appraising the business to determine viability and saleability;</li> <li>▪ managing of the on-going trading and cash flow of the business;</li> <li>▪ marketing the business and assets for sale;</li> <li>▪ compilation of a detailed due diligence room for prospective purchasers;</li> <li>▪ undertaking and concluding a sale of business and assets and facilitating the transfer of certain employees and customers;</li> </ul>

# 1. Executive summary

Questions	Answers
<b>What actions have the Administrators taken to date? (continued)</b>	<ul style="list-style-type: none"> <li>liaising with employees and creditors to assess potential claims;</li> <li>meeting statutory obligations, including preparing reports for, and convening meetings of, creditors; and</li> <li>conducting preliminary investigations into the affairs of Wirecard NZ.</li> </ul>
<b>What was the sale process that the Administrators undertook and what was the outcome?</b>	<p>Shortly after appointment, the Administrators commenced a sale process for Wirecard's business and assets. Offers were requested for all or part of Wirecard NZ's business. The business was advertised for sale in New Zealand and Australia and directly targeted potential purchasers identified by senior management and Wirecard AG through its existing sales process.</p> <p>The sale process resulted in a sale and purchase agreement being signed with Change on 11 September 2020 with completion occurring 30 September 2020.</p> <p>Change acquired the business and assets of Wirecard NZ and Wirecard Australia, including intellectual property and the majority of staff employed as at 30 September 2020.</p>
<b>Why do the Directors of Wirecard NZ believe it became insolvent?</b>	<p>The Board advises that the appointment of Administrators followed the insolvency of its Parent and the Wirecard Group parent, Wirecard AG. Wirecard NZ was historically financially reliant on funding from its Parent for the liabilities incurred on behalf of the Wirecard Group related to the costs of Greece based employees.</p> <p>As the Parent entered insolvency and became unable to continue to financially support Wirecard NZ, the Directors, after taking legal advice, determined it appropriate in the circumstance to appoint voluntary administrators.</p>
<b>Why do the Administrators believe Wirecard NZ became insolvent?</b>	<p>The Administrators agree with the Board's assessment in that the insolvency of the Company was directly attributable to its Parent's and Wirecard AG's insolvency.</p>

Questions	Answers
<b>What was the date of insolvency?</b>	<p>The Administrators' preliminary investigations support the Directors' view that Wirecard NZ became insolvent when its Parent company filed for insolvency in June 2020.</p> <p>Additional investigations by an appointed liquidator will consider further the date that Wirecard NZ became insolvent.</p>
<b>What claims have the Administrators identified that may be available to a liquidator?</b>	<p>Potential claims available to a liquidator include (among others) insolvent trading, voidable transactions and breach of director's duties.</p> <p>Whilst the Administrators have considered the underlying causes of Wirecard NZ's failure, their investigations into claims arising from those matters are at an early stage. Section 8 outlines the status of the Administrators' investigations to date.</p>
<b>Has a DOCA been proposed?</b>	<p>At the date of this report, no DOCA has been proposed.</p>
<b>Will employees and other preferential creditors be paid?</b>	<p>Preferential creditors rank ahead of secured and unsecured creditors for distribution purposes against the net proceeds of realisations from pre-appointment cash and accounts receivable. Employees will be paid their preferential entitlements in full.</p> <p>The Administrators are currently assessing the quantum of preferential claims related to unpaid taxes in Greece and the Dominican Republic that remain owing to the authorities. It is anticipated that these preferential creditors will also be paid in full.</p>
<b>Will secured creditors debts be paid?</b>	<p>No party has registered a General Security Agreement over the Company, however there are a small number of creditors with registered PMSIs against the Company relating to leases. All leased items will be returned where possible.</p>

# 1. Executive summary

Questions	Answers
<b>Will unsecured creditors be paid a dividend?</b>	There will be funds available for a dividend to unsecured creditors. The amount available and the level of the dividend is subject to a liquidator formally calling for claims and the liquidator's assessment of the claims received.
<b>What do the Administrators recommend creditors vote for at the Watershed Meeting and why?</b>	<p>In the absence of a DOCA proposal, and with the business assets sold, <b>the Administrators recommend that creditors vote for the Company to be placed into liquidation. There are no other viable options at this time.</b></p> <p>This will allow a liquidator to issue a formal call for claims and arrange for the distributions of the residual assets to unsecured creditors.</p>
<b>As a creditor, what do I need to do?</b>	<p>You are not required to do anything. But you are entitled to vote at the Watershed Meeting, either by postal vote, attending in person or remotely, or appointing a proxy.</p> <p>A voting form is attached with the notice to creditors. We also recommend that if you are not an employee creditor that you submit a creditors claim form, if you have not done so already.</p>

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## Introduction



## 2. Introduction

### 2.1 Overview

This section provides information on the entity to which the Administrators were appointed, the objectives of the administration, the purpose of this report, meetings of creditors and the Administrators' relevant relationships.

#### Appointment of Administrators

- Andrew Grenfell and Conor McElhinney of McGrathNicol were appointed joint and several administrators of Wirecard NZ on 13 July 2020 by a resolution of the Company's Directors, pursuant to Part 15A of the Act.
- On the same day, the Australian Administrators were appointed to Wirecard NZ's wholly owned subsidiary, Wirecard Australia.

#### Objective of voluntary administration

- In a voluntary administration, administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the directors and officers, to manage the company's affairs and deal with its assets in the interests of its creditors.
- The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.
- Administrators are also required to investigate the company's affairs and report to creditors on the administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interests, informing the creditors prior to their voting at the Watershed Meeting (refer section 9).

#### First creditors' meeting

- Section 239AN of the Act requires an administrator to convene a first creditors' meeting within eight business days of being appointed.
- The first creditors' meetings for the Company was held on 23 July 2020, with no nominations to appoint an alternative administrator.
- Creditors resolved at the meeting that a Creditors' Committee would not be appointed for the period of the Voluntary Administration.

#### Extension of convening period

- Section 239AT of the Act requires that the Administrators convene the Watershed Meeting within the convening period, being 20 business days of being appointed.
- The Watershed Meeting was due to be convened on or before 10 August 2020. However, at the First Creditors' Meeting the Administrators noted that they believed it was in the best interests of creditors and would preserve value, to submit an application to the High Court to extend the convening period for the Watershed Meeting.
- The Administrators filed such an application in the Auckland High Court requesting an extension of the convening period to 5 October 2020. The Administrators did this because, in their view, an extension of the time for holding the Watershed Meeting would be beneficial as it would provide:
  - a stable environment for the Administrators to market and realise the Company's assets, in particular Intellectual Property related to the source code for Cadenice, FINsim and Simfonie, and to maximise value;
  - if a going concern sale was achieved, a better outcome for creditors as employee claims would be minimised from the transfer of their employment to new employers and landlord claims would potentially be minimised from the assignment of leases; and
  - the Administrators more time to investigate the affairs of the Company, to report to creditors on potential future recoveries, and make a recommendation at the Watershed Meeting regarding the future of the Company.
- On 24 July 2020, the High Court granted the orders extending the convening period for the Watershed Meeting to 5 October 2020.
- Subsequently, it became apparent that as a result of the large number of parties expressing an interest in purchasing Wirecard NZ's business, additional time was required to deal with all interested parties and to conclude and settle a sale of the business.
- In order to facilitate the sales process, a further extension of the convening period to 30 October 2020 was sought and granted by the Court on 4 September 2020. This also aligned the creditor meeting convening periods of Wirecard NZ and Wirecard Australia.

## 2. Introduction

### 2.2 Watershed meeting and this report

The Watershed Meeting for the Company is to be held at the offices of Tompkins Wake, Level 11, AIG Building, 41 Shortland Street, Auckland, on 6 November 2020 at 10:00am.

#### Watershed Meeting

- The Watershed Meeting for the Company is to be held at the offices of Tompkins Wake, Level 11, AIG Building, 41 Shortland Street, Auckland, on 6 November 2020 at 10:00am.
- The purpose of the Watershed Meeting is for creditors to resolve what option to take in relation to the future of the company under administration. The options available (under section 239AU of the Act) are whether the company should:
  - be returned to its director(s); or
  - enter into a DOCA; or
  - enter into liquidation.
- In respect of these options, given Wirecard NZ's assets have been sold and no DOCA has been proposed, the Administrators' opinion is that the only option is for the Company to be placed in liquidation.

#### Purpose of this report

- Section 239AU of the Act requires the Administrators to provide a report (**Report**) to all creditors ahead of the Watershed Meeting, containing:
  - details about the business, property, affairs and financial circumstances of the company under administration;
  - the Administrators' opinion and recommendation on each of the options available to creditors; and
  - if a DOCA is proposed, the details of the DOCA.
- This Report has been prepared in respect of the Company and informs creditors about the investigations undertaken by the Administrators to date.
- Please refer to the appendices for the following information:
  1. time costs from Appointment Date to 29 October 2020;
  2. description of work completed during the administration; and
  3. summary of work outstanding to be completed.

#### Context of this report

- In reviewing this Report, creditors should note the following:
  - This Report and the statements herein are based upon our preliminary investigations to date. Any additional material issues identified subsequent to this Report may be the subject of a further written report and/or tabled at the forthcoming Watershed Meeting.
  - The investigations of Wirecard NZ's affairs have been prepared from books and records made available to the Administrators, as well as information provided by Wirecard NZ's officers, key personnel where applicable, and from our own enquiries. Whilst we have no reason to doubt any information contained in this Report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially changes from the date of this Report.
  - The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changed or additional information that may be provided to us between the date of this Report and the date of the Watershed Meeting.
  - In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of remaining asset realisations and total creditors. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. Whilst the forecasts and estimates are the result of the Administrators' best assessment in the circumstances, creditors should note that the outcome for creditors may differ from the information provided in this Report.
  - Amounts in this report are in New Zealand dollars, unless otherwise stated and may not sum exactly due to rounding.

## 2. Introduction

### 2.3 Declaration of independence

As at the date of this Report, the Administrators' opinion as to our independence had not varied from the first declaration provided in our circular to creditors and tabled at the first creditors meeting as below. The purpose of the declaration is to allow creditors to make an informed decision about our independence in relation to the administration.

#### Declaration of Independence, Relevant Relationships and Indemnities

The Restructuring Insolvency and Turnaround Association of New Zealand Inc. (RITANZ) Code of Professional Conduct (the Code) requires Accredited Insolvency Practitioners appointed to an insolvent entity to make a Declaration as to:

- A. their independence generally;
- B. relationships, including:
  - a) the circumstances of the appointment;
  - b) any relationships with the Company and others within the previous 2 years;
  - c) any prior professional services for the Company within the previous 2 years;
  - d) that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This Declaration is made in respect of ourselves, our partners and the firm McGrathNicol.

#### A. Independence

We, Andrew John Grenfell and Conor John McElhinney (Administrators), RITANZ Accredited Insolvency Practitioners of the firm McGrathNicol, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

#### B. Declaration of Relationships

##### (i) Circumstances of appointment

McGrathNicol was approached by the Company's legal advisors, Tompkins Wake, in early July 2020 to act as Administrators. Neither the Administrators nor McGrathNicol were engaged by this party at any time to provide services.

As a consequence, the Directors resolved to appoint Andrew John Grenfell and Conor John McElhinney of McGrathNicol as Administrators of Wirecard NZ Limited on 13 July 2020.

##### (ii) Relevant Relationships (excluding professional services to the Insolvent)

Neither we, nor our firm, have, or have had, within the preceding two years, any relationships with any of the Company or any person or entity that has security over the whole or substantially whole of the Company's property.

##### (iii) No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous two years with the Company, or any person or entity that has security over the whole or substantially the whole of the Company's property that should be disclosed.

#### C. Indemnities and Up-front Payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.

Dated: 13 July 2020



Andrew John Grenfell



Conor John McElhinney



Background



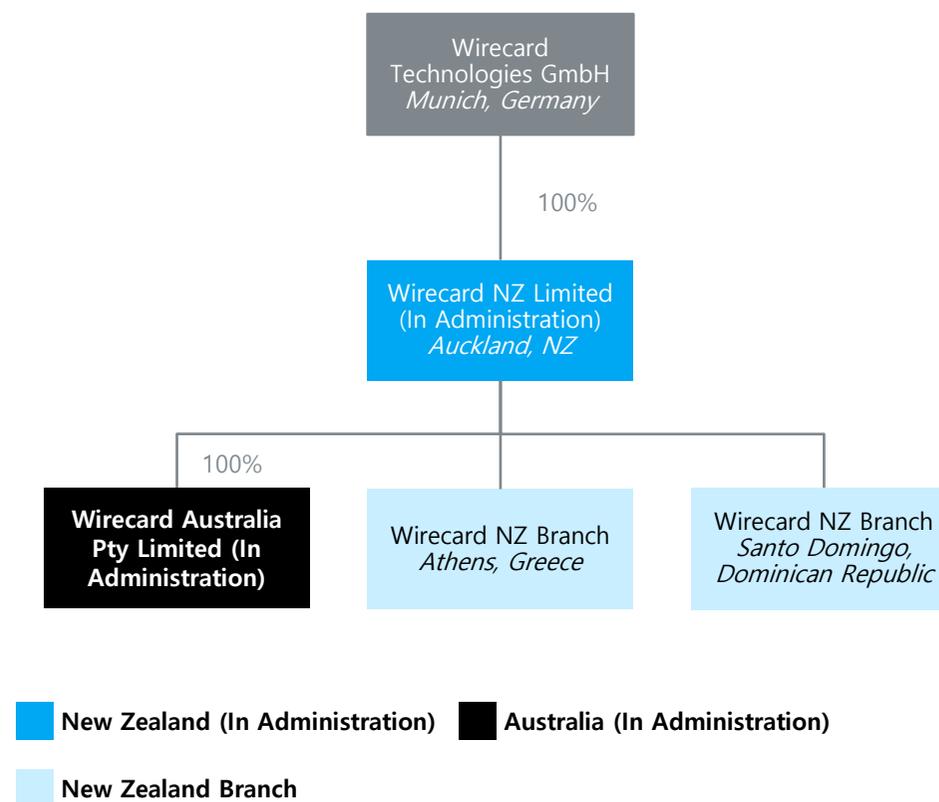
## 3. Background information

### 3.1 Business overview

Wirecard NZ's ownership structure and an overview of the business is set out below.

#### Overview of Wirecard's business

- Founded in 1991, the Company was acquired by the Wirecard Group in 2014. Wirecard NZ:
  - developed, implemented and managed traditional credit and debit card payment solutions;
  - provided bank grade consumer electronic payment software solutions to customers including banks and financial institutions; and
  - sold applications and solutions to over 120 customers, across more than 35 countries.
- Wirecard NZ had developed three established products:
  - **Cadencie** – credit and debit card issuing and acquiring payment solution
  - **FINsim** – a comprehensive testing tool for all Electronic Funds Transfer (EFT) systems
  - **Simfonie** – a mobile payments and banking solution
- In addition, as a result of Wirecard Group's acquisition of Citibank's global merchant acquiring business in 2017, Wirecard NZ had a small merchant acquiring business of circa 20 merchants. The operational aspects of this business was run out of Wirecard Group's Singapore subsidiary.
- Wirecard NZ's core research and development teams were based in Auckland and Melbourne, with technical staff also in Greece (Athens) and Dominican Republic (Santo Domingo) providing frontline support for customers in multiple locations.
- The Company's sales function was centralised into the Wirecard Group's global sales function following its acquisition by Wirecard Technologies GmbH in 2014. Wirecard NZ operated a stand-alone development and support platform with no technical integration with any Wirecard Global platform.
- Wirecard NZ employed a large number of Greek staff and incurred the costs of the Greek office (the operations of which were largely unrelated to the Wirecard NZ and Wirecard Australia operations) on behalf of the wider Wirecard Group.
- Wirecard NZ received accounting and back office support from other entities within the Wirecard Group.
- A summary of the corporate structure of Wirecard NZ and related entities is represented in the diagram on the right.



### 3. Background information

#### 3.1 Business overview (continued)

An overview of Wirecard's NZ and Wirecard Australia's business as at the date of appointment of the Administrators is set out below.

Overview of each company upon appointment			
Company	Description	FY19 revenue NZ\$'000	# of employees
<b>Wirecard NZ Limited</b>	<ul style="list-style-type: none"> <li>Provided consumer electronic payment solutions to its customers, including banks and financial institutions in over 35 countries</li> <li>Owns all IP associated with the Cadencie, FINsim and Simfonie products</li> <li>Contracting entity for all customers, excluding Australia</li> <li>Operated the finance function for Wirecard NZ and Wirecard Australia</li> </ul>	10,701	30
<b>Wirecard Australia Pty Limited</b>	<ul style="list-style-type: none"> <li>Employees worked on the Cadencie and FINsim products</li> <li>Contracting entity for Australian customers</li> </ul>	5,079	28
<b>Wirecard Greece branch</b>	<ul style="list-style-type: none"> <li>Employed technical staff that worked on Simfonie and FINsim products, together with two administration staff. Circa 62 employees were employed solely to work on Wirecard Group products that did not contribute to Wirecard NZ or Wirecard Australia products</li> </ul>	<i>Reported under Wirecard NZ</i>	74
<b>Wirecard Dominican Republic branch</b>	<ul style="list-style-type: none"> <li>Employed technical staff that worked on Cadencie and one administration staff member</li> </ul>	<i>Reported under Wirecard NZ</i>	18

*Note: FY19 Revenue above excludes Other Income and Intercompany Revenue.  
Source: FY19 accounting records and July-20 payroll reports.*

#### Wirecard NZ - Current directors and officers

Director Name	Appointment date	Location
Jeffry Ho	28 February 2020	Singapore
Fook Sun Ng	11 December 2014	Singapore
John Nicholson	26 October 2015	Auckland

*Source: New Zealand Companies Office*

## 3. Background information

### 3.2 Secured, trade and other creditors

This section summarises the securities held by those secured creditors registered on the PPSR as at the date of our appointment, the unsecured creditor position at the Appointment Date and claims submitted in the administration up to 20 October 2020.

#### Security interests

- A search of the PPSR as at the Appointment Date identified three security interests registered against the Company, as summarised in the table adjacent.
- As at the Appointment Date, there was no general security agreement registered against the Company on the PPSR.
- Since appointment, the Administrators have had one registration discharged as the creditor had no debt owing from the Company.

#### Unsecured creditors

- The Company's books and records at the Appointment Date show the Company had 57 trade, inter-company and other unsecured creditors owed a total of approximately \$7.2m as set out in the adjacent table. This excludes employee claims and claims related to assets leased by the Company.
- The Administrators have received a number of unsecured creditor claim forms. It is the role of a liquidator, once appointed, to assess unsecured creditor claims for admittance in the liquidation to allow the creditor to participate in a dividend distribution.
- A summary of the claims submitted at the date of this report is set out in the adjacent table.
- Employee creditors are not required to submit a formal claim in the liquidation of the Company, but they may do so if they wish. The Administrators have recorded all employee claims, and have written to employees providing the claim amounts recorded.
- If appointed liquidators, we anticipate calling for creditor claims to be submitted by 20 November 2020. The adjudication process for creditors claims will then follow. A number of creditor claims may include contingent liabilities that would need to crystallise or be agreed.
- The Administrators have commenced collating claims during the administration, in an attempt to accelerate the liquidation process and therefore the liquidators should be in a position to pay a dividend to creditors as soon as possible. The liquidators will also need to allow time to call for claims, to ensure all creditors have submitted claims.
- Only once all unsecured creditor claims have been received can the quantum of the dividend payable to unsecured creditors be finally determined.

#### Secured creditors debt as at 13 July 2020

Secured Creditors	Description	NZD\$'000
Westcon Group NZ Limited	Hardware and software goods supplied	-
Fuji Xerox Finance Limited	Printers	1
Quadrant Limited	Fitout equipment	265
<b>Total</b>		<b>266</b>

*Note: The secured creditor's claim may increase due to interest charges*

#### Creditor claim summary

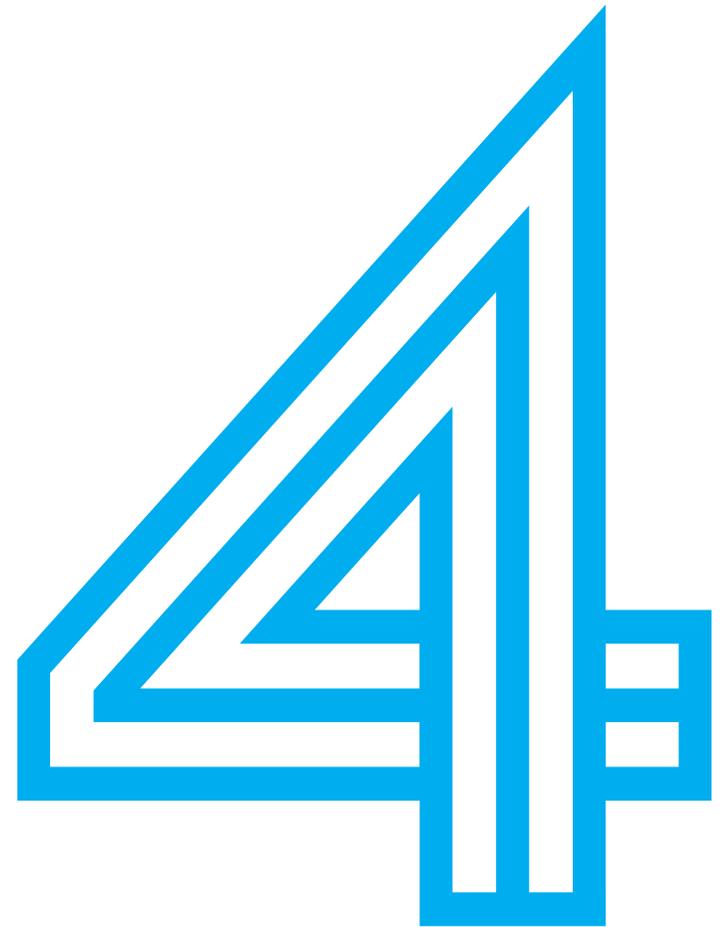
NZD\$'000	Third parties		Related entity		Total	
	Count #	Amount \$	Count #	Amount \$	Count #	Amount \$
Creditors as at 13 July 2020	52	516	5	6,691	57	7,208
Claims submitted in administration to date:						
Preferential claims submitted	93	1,390	-	-	93	1,390
Unsecured claims submitted	75	703	-	-	75	703

*Source: Claims received by the Administrators as at 20 October 2020, including inter-company claims*

*Note: The related entity amounts are the gross amounts payable and have not been netted against any inter-company receivables from the same entities that may be offset in a liquidation.*

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## Recent financial information



## 4. Recent financial information

### 4.1 Historical profit and loss

A summary of the Company's profit and loss for the financial years FY17 to FY19 and YTD to July 2020 is set out below.

Wirecard NZ - Financial Performance				
NZD\$'000	FY17	FY18	FY19	YTD Jul-20
<b>Income</b>				
Sales revenue	11,114	9,504	10,701	5,849
Inter-company revenue	(354)	(623)	3,336	3,798
Income in advance	664	937	(1,085)	(971)
Other income	309	133	31	761
<b>Total revenue</b>	<b>11,732</b>	<b>9,952</b>	<b>12,983</b>	<b>9,437</b>
<b>Expenses</b>				
Cost of sales	(1,585)	(1,947)	(2,564)	(1,705)
Cost of sales - Issuing and acquiring	(2,272)	(2,181)	(369)	(643)
Personnel costs	(5,719)	(5,526)	(7,427)	(5,496)
Prof fees & insurance	(162)	(283)	(399)	(353)
Occupancy expenses	(758)	(949)	(319)	(140)
Issuing and acquiring expenses	(289)	(3,014)	52	-
Other expenses	(1,580)	(1,331)	(981)	(771)
Foreign exchange loss/(gain)	(85)	5	(544)	(117)
<b>EBITDA</b>	<b>(718)</b>	<b>(5,274)</b>	<b>433</b>	<b>212</b>

Source: Management accounts

#### Overview

- The adjacent table summarises the financial performance of Wirecard NZ for the three years ended 31 December 2019 and seven months to 13 July 2020.
- Wirecard NZ incurred trading losses in the FY17 and FY18. The majority of the losses were attributable to the card issuing and merchant acquiring business acquired by Wirecard Group from Citibank in FY17. Based on financial information provided, the Wirecard NZ portion of the business made losses of \$0.4m and \$4.3m in FY17 and FY18 respectively. In FY18 the global card issuing portion of the business was exited, while the merchant acquiring portion of the business was retained.
- FY19 and YTD Jul-20 results were supported by inter-company revenue of \$3.3m and \$3.8m respectively. This includes the financial support provided by the Company's Parent, via inter-company recharges, to fund the Greek office operations.
- The reduction in occupancy expenses in FY19 and YTD July 20 is due to compliance with accounting standard NZ IFRS 16 whereby the value of third party leased assets has, from FY19, been capitalised in the balance sheet and amortised over the term of the lease. As such the effective lease costs are recorded below EBITDA.

## 4. Recent financial information

### 4.2 Historical balance sheet

A summary of the Company's balance sheet for the financial years FY17 to FY19 and YTD to July 2020 is set out below.

Wirecard NZ - Financial Position				
NZD\$'000	FY17	FY18	FY19	YTD Jul-20
<b>Assets</b>				
Cash and cash equivalents	521	2,316	2,701	2,854
Trade and other receivables	4,616	3,415	7,158	4,353
Other current assets	1,012	958	886	599
Fixed assets	1,082	851	3,710	3,463
Intangible assets	3,949	3,870	4,162	4,397
Net inter-company receivables	-	-	-	2,394
Other non-current assets	936	498	641	640
<b>Total assets</b>	<b>12,116</b>	<b>11,908</b>	<b>19,257</b>	<b>18,701</b>
<b>Liabilities</b>				
Trade and other payables	(2,442)	(7,650)	(450)	(516)
Net inter-company payables	(1,019)	(3,897)	(2,972)	(2,101)
Employee benefits	(326)	(370)	(481)	(1,058)
Income in advance	(1,787)	(1,197)	(2,109)	(3,048)
Lease liability	(497)	(625)	(3,014)	(3,474)
Deferred tax	(639)	(367)	(512)	(512)
Other liabilities	(1,276)	(1,662)	(1,986)	(1,031)
<b>Total liabilities</b>	<b>(7,985)</b>	<b>(15,769)</b>	<b>(11,523)</b>	<b>(11,740)</b>
<b>Net assets</b>	<b>4,131</b>	<b>(3,861)</b>	<b>7,734</b>	<b>6,961</b>

#### Realisable values

- The balance sheet provides a net equity position as at 13 July 2020 of \$7.0 million, however a number of assets may not be recoverable for their book value:
  - Of the \$2.9m of cash and cash equivalents at YTD July-20, \$1.4m was unavailable or restricted as follows:
    - > \$764,000 relates to funds retained in a separate account for the purposes of settling daily merchant transactions for Wirecard NZ's merchant acquiring business;
    - > The Company has been trying for several months to have \$400,000 of funds held in the Philippines released and transferred back to New Zealand; and
    - > To secure the Auckland lease, the Company has provided a \$222,000 cash bond.
  - Trade receivables balances include a significant component of revenue charged in advance that the purchaser of the business has offset against the amount payable for the debtors balance.
  - The fixed asset values recorded do not represent the realisable value of the assets, as in accordance with accounting standard NZ IFRS 16 the value of third party leased assets has, from FY19, been capitalised in the balance sheet.
  - The net inter-company receivable is due from Wirecard NZ's Parent. As a result of the Parent's insolvency this is uncollectible.
  - Other current assets comprise a number of prepayments that, due to the insolvency of the Company, will likely not be recoverable.

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## Events leading to appointment



## 5. Events leading to appointment

### 5.1 Overview and reasons for failure

This section of the Report provides an overview of the circumstances that led the Board to appoint administrators.

#### Directors' opinion as to reasons for failure

- Wirecard NZ operated as part of the Wirecard Group, a network of global financial services companies providing payment processing and financial services to customers.
- The corporate structure of Wirecard NZ was utilised to establish an office in Greece and employ staff on behalf of the Parent. As a result, Wirecard NZ incurred significant operational costs related to the Greek branch office which were funded by the Parent via regular inter-company advances. At the Appointment Date, of the 74 Greek employees, c.62 did not undertake any work related to supporting Wirecard NZ's operations or products.
- Wirecard NZ's ultimate parent, German listed Wirecard AG, was placed under investigation by public prosecutors and other authorities for suspected fraudulent activities. Wirecard AG entered insolvency and as a result Wirecard NZ's Parent filed an application in the German courts on 25 June 2020 for the opening of insolvency proceedings.
- Wirecard NZ was financially reliant on its Parent to fund on-going costs and liabilities incurred in the Greek office. The majority of such liabilities related to the employment costs of technical staff employed at the Greek branch who developed products and services for other entities within the Wirecard Group. The insolvency of Wirecard NZ's Parent meant no further funds could be provided to meet the ongoing trading costs of the Greek office and to settle accrued employee entitlements, including severance payments.
- The liabilities related to the Greek employees sat with Wirecard NZ as their legal employer. Without ongoing Parent funding, Wirecard NZ could not meet these liabilities. As a result the Directors, after taking legal advice, determined it appropriate to appoint voluntary administrators to Wirecard NZ.
- The Directors have collectively prepared a Statement of the Company's Position as at 13 July 2020 pursuant to section 239AF of the Act (**Directors' Statement**). The Directors' Statement summarises the financial position of the Company and provides the Directors' views on the reasons leading to the appointment of administrators. The Directors attribute the failure of Wirecard NZ to the insolvency and loss of funding from its Parent.

#### Administrators' opinion as to reasons of failure

- The Administrators concur with the directors opinion as to the cause of Wirecard NZ's insolvency.
- We have also reviewed the Company's minute book which supports the Directors' statements that the Board did not have concerns regarding the Company's solvency prior to the insolvency of its Parent.
- The insolvency of Wirecard NZ's Parent directly resulted in the appointment of the Administrators to the Company.

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## Administrators' actions to date



## 6. Administrators' actions to date

This section of the Report provides creditors with an overview of the key activities undertaken by the Administrators and their staff since the Appointment Date. The key activities were to ensure the ongoing trading of Wirecard NZ and Wirecard Australia, whilst seeking a sale of the business, realising assets and meeting our statutory and general obligations.

### Statutory and general obligations

- Notifying the bank of the appointment and establishing administration bank accounts and control of banking facilities.
- Attending to the Administrators' statutory duties including informing IRD, ACC and various other statutory authorities of the appointments.
- Holding meetings with the executive management team and key employees to understand the background, operating structure and financial performance of the Company.
- Issuing requests to the Directors to complete a Statement of the Company's Position as at 13 July 2020 and deliver the statutory books and records of Wirecard NZ to the Administrators.
- Securing the Company's books and records including electronic accounting records.
- Liaising with the following key stakeholders, including issuing circulars and being available to answer queries:
  - employees based in NZ, Greece and the Dominican Republic;
  - customers;
  - PMSI creditors;
  - regulators;
  - landlords; and
  - unsecured trade creditors.
- Preparing and issuing media releases.
- Undertaking health & safety reviews to ensure the safety of Wirecard NZ and administration staff with particular reference to Covid-19.
- Reviewing IT back-up procedures and data protection mechanisms.
- Attending to other general matters and statutory requirements.

### Trade-on management

- Liaising with management to stabilise the staff and business, developing an initial trade-on strategy.
- Communicating with customers regarding continuity of service on contracts, and securing payments.
- Aligning communications between employees, the Administrators and their staff, and establishing processes and procedures.
- Developing revised trading and internal control policies.
- Preparing key financial information required for monitoring ongoing trading, including cash flow forecasts and related information.
- Preparing financial analysis, including trading profit and loss statements, ongoing trading position statements and estimated outcome statements for the administration period.
- Establishing financial control processes for payroll, payments, purchase orders and document retention matters.
- Authorising the creation of purchase orders and payment of invoices.
- Liaising with suppliers to establish new accounts and securing ongoing supply of services.
- Liaising with the bank in relation to funds held, organising bank sweeps of funds held in the pre-appointment bank accounts to the post-appointment administration bank accounts.
- Reconciling cash and evaluating the ongoing trading position on a regular basis.
- Issuing correspondence to landlords and other lessors of assets.
- Liaising with legal advisors in relation to creditor claims.
- Reviewing and assessing project Terms of References for development work undertaken during the Administration.

### Asset realisation

- Assessing the WIP and debtor position of customers, actively pursuing outstanding debtor monies and negotiating for payment of overdue invoices.
- Processing invoices related to unbilled WIP.

## 6. Administrators' actions to date

### Sale process

- Shortly after the appointment, the Administrators, in conjunction with the Australian Administrators, commenced a sale process for Wirecard NZ's and Wirecard Australia's business and assets, seeking to effect a sale on a going concern basis.
- Refer section 7 for further details of the sales process during the administration period.

### Employees

- Communicating with all employees advising of their rights and obligations following the appointment of the Administrators, the manner in which the administration process affects their entitlements, and responding to employee enquiries, via direct contact, email, and staff meetings.
- Reviewing employee files and Wirecard NZ's books and records to understand employment details and entitlements, and liaising with Wirecard NZ's payroll consultants on an ongoing basis.
- Preparing and filing applications to Court to seek extensions to the 14 day notice period for staff under s239Y(3) of the Act.
- Preparing employee retention and termination letters as required.
- Liaising with legal advisors regarding employee entitlements in foreign jurisdictions and drafting and issuing correspondence to employees where necessary.
- Obtaining legal advice re the interrelationship of the Act and Greek and Dominican Republic employment law.
- Communicating with employees on a weekly basis.
- Paying accrued employee entitlements for the post-administration period as well as certain pre-administration preferential entitlements.

### Creditors

- Reviewing books and records and issuing notices of appointment and a first circular to creditors convening the First Meetings of Creditors.
- Convening and chairing the First Meeting of Creditors.
- Preparing and filing applications to Court to seek extensions to the convening period for the Watershed Meeting from 10 August 2020 to 5 October 2020, and subsequently to 30 October 2020, under section 239AT(3) of the Act.
- Preparing the Administrators' Report (i.e. this Report) pursuant to section 239AU of the Companies Act 1993 including:
  - undertaking investigations;
  - making a recommendation to creditors on the future of the Company; and
  - convening the Watershed Meeting.
- Reviewing indicatively the books and records and any proofs of debt received, in order to form a view on the value of the unsecured creditor claims.
- Liaising with PMSI creditors identified from searches of the PPSR in relation to goods supplied under security arrangements.
- Corresponding with creditors in response to their enquiries.
- Obtaining legal advice in relation to creditors' claims.
- Maintaining and updating an estimated outcome statement to assess estimated outcomes to different classes of creditors throughout the administration process.

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Sale process



## 7. Sale process

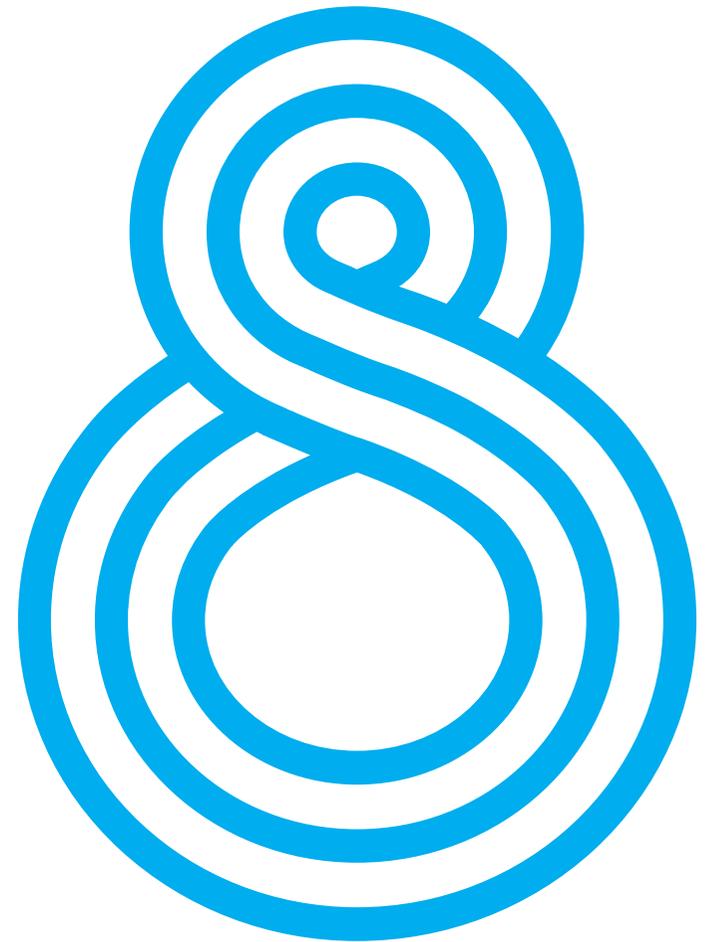
The sales process of Wirecard NZ and Wirecard Australia generated significant interest from a wide range of purchasers. A sale of Wirecard NZ's and Wirecard Australia's business and assets, including intellectual property, customer contracts and the transfer of key employees was concluded on 30 September 2020.

### Process run by the Administrators

- Shortly after appointment, the Administrators commenced an accelerated sale process for Wirecard NZ's and Wirecard Australia's business and assets, advertising in New Zealand and Australia and targeting industry buyers and private equity investors globally. The administration attracted significant media attention, with the sale being reported throughout Australia and New Zealand.
- The marketing of the business for sale resulted in 50 parties expressing an interest in purchasing part or all of Wirecard NZ and Wirecard Australia. Of these, 37 parties signed confidentiality deeds and were provided an Information Memorandum and limited due diligence information.
- Sixteen indicative offers were received for all or parts of the business. Of those, 10 parties were invited to undertake detailed due diligence and were provided access to a virtual data room and management meetings.
- The Administrators received seven final offers by 31 August 2020. The Administrators continued to work with preferred parties and entered into a binding sale and purchase agreement with Change Labs NZ Pty Ltd (**Change**) on 11 September 2020 for the business and assets of Wirecard NZ and Wirecard Australia, excluding the merchant acquiring business.
- The sale of the business settled on 30 September 2020 for a gross purchase price of \$8.5m. Change's and other offers were based on the latest available working capital position (excluding cash) of Wirecard NZ and Wirecard Australia at the time of due diligence, being 30 June 2020. As such, the sale and purchase agreement provides for a completion adjustment for the movement in working capital, such as the collection of debtors, between 30 June 2020 and 30 September 2020. The adjustment is currently estimated at \$1.5m in favour of Change.
- The purchase price, once adjusted for the finalised completion adjustment, will need to be appropriately allocated between Wirecard NZ and Wirecard Australia.
- The Administrators continue to work with Change to ensure a smooth transition of all aspects of the Wirecard New Zealand and Australian business operations.
- The Administrators are pleased that the Wirecard New Zealand and Australian businesses will continue with Change. The majority of employees employed at settlement have been retained with their employment transferred to Change.

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## Investigations



## 8. Investigations

This section of the Report informs creditors about the investigations undertaken by the Administrators to date, and sets out whether any potential recovery actions have been identified that may be available to a liquidator to pursue for the benefit of creditors.

### Overview

- The Administrators have undertaken preliminary investigations on whether there are any potential recoveries or actions available in a liquidation, or any transactions that appear to be voidable pursuant to the Act whereby a liquidator (if appointed) may be able to recover money or property for the benefit of creditors.
- These investigations enable the Administrators to form an opinion on each of the three possible options available to creditors to vote at the Watershed Meetings, including an opinion as to which of the three options is in the best interests of creditors.
- However, in this context, we note that there is practically only one option available to creditors: to resolve to appoint liquidators to the Company. This is because no DOCA has been proposed, and returning the Company to the Directors is impractical as the Company is no longer operating.
- Nevertheless, we report on our initial investigations in order to provide creditors with full information regarding the administration and what may be considered in a liquidation. In the event liquidators are appointed to the Company and creditors are not repaid in full, further investigations may need to be undertaken pursuant to the statutory duties and powers that liquidators have under the Act.

### Investigations undertaken

The Administrators' investigations undertaken include, but were not limited to:

- reviewing the Company's financial accounting information and other books and records;
- reviewing IRD records;
- discussions with certain Board members;
- discussions with management;
- reviewing all payments over \$50,000 made in the six months preceding administration;
- reviewing the aging of trade creditors;
- considering cash and funding available to the Company and its timeliness of payments to creditors; and
- conducting PPSR searches.

### Adequacy of books and records

- Pursuant to section 194 of the Act, the board of a company is required to ensure that accounting records are maintained that correctly record and explain the company's transactions, financial position and performance, and that would enable financial statements to be prepared and audited.
- If the board fails to maintain books and records in accordance with section 194, each director commits an offence and is liable on conviction to a penalty not exceeding \$50,000 pursuant to section 374 (3) of the Act.
- Based on the books and records of the Company provided to us, the Administrators are of the opinion that the books and records are adequate pursuant to section 194 of the Act.

### Determining the date of insolvency

- An insolvent company is one that is unable to pay its debts when they fall due for payment, or is one where its liabilities exceed its assets. It is important to understand the timing of insolvency, because it can provide opportunities for a liquidator to pursue certain claims against parties that would not otherwise be available if the company was solvent.
- On 13 July 2020 the Board resolved that, in the opinion of the Directors, the Company was, or might become, insolvent and responded by appointing the Administrators. This is therefore the latest date that we could determine as the Company becoming insolvent.

### Cash flow solvency

- Subsequent to the insolvency of the Parent, the Board considered at its meetings its options for closure of the Greek branch, and reviewed the Company's cash flow and forecasts. At a meeting on 29 June 2020 it was noted that without Parent funding being available there were sufficient cash reserves to continue operating the business for only the next two weeks. We note that prior to the insolvency of the Parent there were no concerns expressed that the Company may be insolvent, and our investigations have verified the Company was meeting its obligations as they fell due. We have observed that the Company:
  - was meeting all of its obligations to the IRD for PAYE, GST, and other taxes on time;
  - was meeting its obligations to trade creditors. As at 30 June 2020, over 90% of creditors were aged less than 30 days; and
  - had not received any demands from any creditors in relation to late payment.

## 8. Investigations

The Administrators' preliminary investigations indicate that Wirecard NZ may have become insolvent only upon its Parent filing for insolvency and thus becoming unable to fund future trading operations.

### *Balance sheet solvency*

- The balance sheet test specifies that a person or company is insolvent if its total liabilities (including contingent liabilities) exceed the value of its total assets; i.e. there are insufficient assets to discharge its liabilities at a point in time.
- Summarised in section 4 is the Company's statement of financial position, as recorded in its management accounts as at 13 July 2020 (Appointment Date).
- As shown in section 4, the Company's assets were greater than their liabilities, with c\$6.9m of net assets.
- The net asset and cash flow position indicates that the Company's insolvency was caused by the insolvency and subsequent withdrawal of funding from its Parent.
- In the event that the Company enters liquidation, further analysis may be performed by the appointed liquidator to apply adjustments to the balance sheet in order to assess the date at which the Company became balance sheet insolvent.

### *Administrators' initial conclusions regarding solvency*

- Solvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole. The Administrators' preliminary investigations indicate that, had the Parent kept trading and continued to provide funding for the unrelated Greek office operational costs incurred by the Company, it would not have become insolvent.
- Accordingly, it is the Administrators' initial view as to the date of insolvency that the Company may have become insolvent only upon the insolvency of its Parent.

### **Voidable transactions**

- In the event that the Company is put into liquidation and there is a shortfall to creditors, certain transactions that occurred prior to appointment where property of the Company was disposed of or dealt with, may be recovered by a liquidator. These are known as voidable transactions and include:
  - preferential payments, i.e. insolvent transactions;
  - transactions at an undervalue;
  - unreasonable director-related transactions;
  - creation of a charge over any property; and
  - transactions for the purpose of defeating creditors.
- For the purposes of voidable transactions, the "restricted period", being the relevant time period in which transactions may be deemed to be voidable transactions under the Act, is six months (two years for related parties) before the date a company is put into liquidation (or the date an application is filed to place the company in liquidation).
- There are a number of statutory defences available under the Act to counterparties of voidable transactions. Specifically, section 296(3) of the Act provides that a court must not order repayment by a party who proves that, when it received the payment:
  - it acted in good faith; and
  - there were no reasonable grounds to suspect, and it did not suspect, that the company was, or would become, insolvent; and
  - it either gave value for the payment or altered its position in the reasonably held belief that the payment was validly made and would not be set aside.
- The Administrators are not aware of any creditors who suspected that the Company was insolvent at the time payments were received by creditors. This is because payments were made in the ordinary course of business as and when they fell due.
- The Administrators also reviewed payments made in the six months prior to Administration, and have not identified any likely voidable payments.
- As voidable transactions can only be pursued by a liquidator, further investigations would be required by the appointed liquidator to determine whether any voidable transaction claims exist, and whether or not they would be commercial to pursue.

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## 8. Investigations

### **Directors' and Officers' responsibilities**

- Sections 131 to 138 of the Act set out the duties, obligations and responsibilities imposed on directors, which are designed to promote good governance and ensure that directors act in the best interests of the company. These include duties of:
  - care, diligence and skill;
  - good faith; and
  - acting in the best interests of the company.
- The Administrators' preliminary investigations have not identified any evidence of potential breaches pursuant to the Act. In the event that liquidators are appointed to the Company, further investigations will need to be undertaken pursuant to the statutory duties liquidators have under the Act.

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## Alternatives available to creditors



## 9. Alternatives available to creditors

### 9.1 Recommended course of action: liquidation

The purpose of this section is to advise creditors of their options at the Watershed Meeting and highlight the Administrators' recommended option. In the absence of a proposed DOCA, and with the businesses no longer trading, the Administrators recommend that creditors vote for the Company to be placed into liquidation. There are no other viable options at this time.

#### Alternative courses of action

- The primary purpose of the Watershed Meeting is for creditors to vote on the future of the Company. The Administrators are required to provide their opinion as to whether it would be in the creditors' interests for:
  - The Company to execute a DOCA; or
  - the administration to end, with control of the Company reverting to the Directors; or
  - a liquidator be appointed.
- The Administrators recommend that creditors vote for the third option, to appoint a liquidator to the Company, for the reasons set out below.

#### *Deed of Company Arrangement (DOCA)*

- A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than an immediate liquidation.
- To date, no DOCA proposal has been put forward to the Administrators for their consideration. Without Parent funding the Company could not continue trading due to the significant liabilities for staff based in Greece. As a result, the only practical option was to sell the assets of the Company.
- As such, there is no DOCA proposal on which the Administrators can report or provide an opinion on, or on which creditors can vote. This option is therefore not available.

#### *Administration to end*

- Creditors may consider ending the administration and returning control of the Company to the Directors. We do not believe this to be a commercially viable option, given the Company's business and assets have now been sold to a third party.
- In our opinion, it is not in the best interests of creditors to vote for the administration to end.

#### *That a liquidator be appointed*

- In the absence of an acceptable DOCA proposal, an administrator would usually recommend that creditors vote for a company to be put into liquidation. The liquidation of the Company would primarily involve adjudicating creditor claims and payment of dividends.

- Given Wirecard NZ is not trading and no DOCA has been proposed, **the Administrators recommend that creditors vote in favour of the Company being placed into liquidation.** The Administrators consider this to be the only viable option at this time.

#### Return to creditors

- Preferential creditors rank ahead of secured and unsecured creditors for distribution purposes against the net proceeds of realisation from pre-appointment work in progress and accounts receivable. The majority of employees have had their preferential entitlements paid in full. We are assessing preferential taxation claims, which are also expected to be paid in full.
- It is difficult to assess the total quantum of unsecured creditors' claims that may be lodged in the liquidation, and therefore the dividend that will be available to unsecured creditors.
- As a result of the Company being placed into Administration a number of payroll and related taxes were not able to be paid to the relevant authorities in Greece and the Dominican Republic when they fell due. Penalties and interest charges which may be levied for non-payment will form an unsecured claim in the liquidation. Accordingly, until all claims are received from the respective authorities in foreign jurisdictions the value of any potential claim cannot be determined.
- The Company's head office occupied a large office space in Auckland. The purchaser of the business does not wish to continue with the premises lease and the offices have been vacated. There is a residual liability for the remaining term of the lease which runs until 2027 remains. The landlord's ability to release the premises will determine the final quantum of the claim they submit in the liquidation.
- A number of the foreign employees have commenced legal action against the Company. Until the outcome of those actions are known, it is difficult to determine all liabilities of the Company and the value of creditors that will participate in any dividend distribution.
- The level of the dividend available to unsecured creditors is subject to a liquidator formally calling for claims and the liquidator's assessment of the claims received. However, subject to the above, and based on the creditors known at the date of this Report, there is a possibility unsecured creditors may receive the majority, if not all, of their unsecured claims.

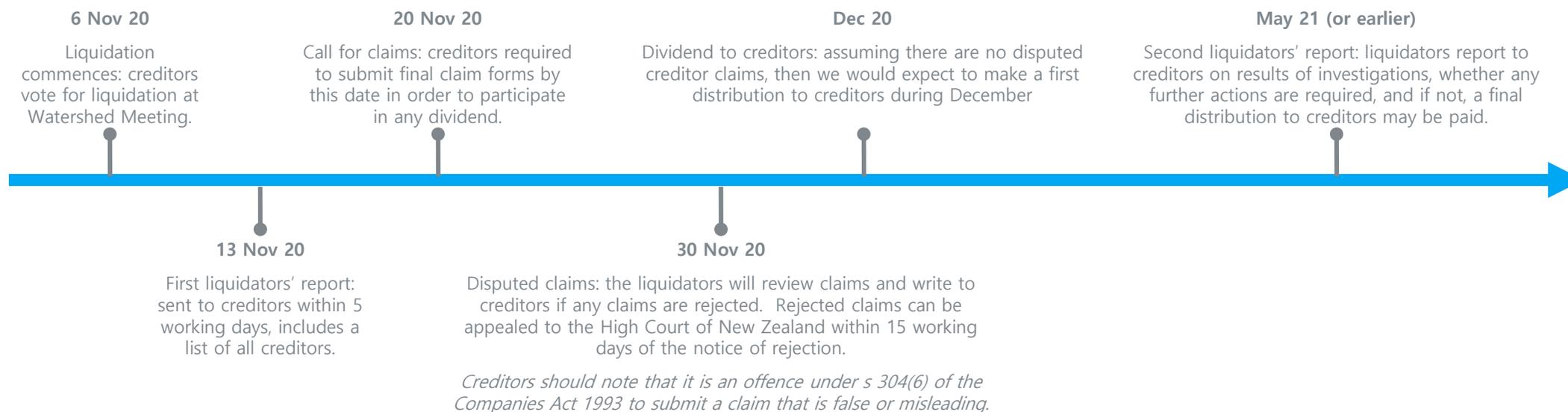
## 9. Alternatives available to creditors

### 9.2 Expected conduct of liquidation

Assuming creditors vote for liquidation and that we are appointed as liquidators, we expect to make an initial distribution to unsecured creditors during December 2020. We will also continue in our attempts to recover assets located in overseas jurisdictions that will increase returns to creditors.

#### Expected conduct if the Administrators are appointed as liquidators

- As liquidators, our primary goal will be to make a distribution to creditors as efficiently and expeditiously as possible. We appreciate that creditors, including employees whose entitlements are above the preferential cap have been affected by the Company's insolvency. Making an interim distribution to these creditors will therefore be our first priority.
- Set out below is an expected timeline of the liquidation. If the timetable can be shortened, we will expedite the process to ensure distributions can be made as soon as possible. Appendix 3 includes further details of work to be completed in the Administration or subsequent liquidation.



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## Appendices



## Appendix one

### Explanation of hourly rates

Our hourly rates are set out in the table below, together with a general guide showing the qualifications and experience of staff and the role they take in the external administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Guide to qualifications and role	Hourly rate (excl GST)
<b>Appointee/ Partner</b>	Accredited Insolvency Practitioners, Chartered Accountant or equivalent and generally degree qualified with more than twelve years of experience. Leads assignments with full accountability for strategy and execution.	\$645
<b>Director</b>	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than ten years of experience. Autonomously leads insolvency appointments reporting to Appointee/Partner.	\$550
<b>Senior Manager</b>	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than seven years of experience. Self-sufficiently conducts small to medium insolvency appointments and leads major work streams in larger matters.	\$485
<b>Manager</b>	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than five years of experience. Self-sufficiently conducts small insolvency appointments and takes a supervisory role on work streams in larger matters.	\$425
<b>Assistant Manager</b>	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than three years of experience. Autonomously manages work stream activity within appointments.	\$375
<b>Senior Analyst</b>	Generally, degree qualified and undertaking Chartered Accountant's qualification or comparable relevant qualification with more than 16 months of experience. Completes tasks within work streams and appointments under supervision.	\$300

Title	Guide to qualifications and role	Hourly rate (excl GST)
<b>Analyst</b>	Generally, degree qualified and undertaking or about to undertake Chartered Accountant's qualification or comparable relevant qualification with less than one year of experience. Assists with tasks within work streams and appointments under supervision.	\$285
<b>Administrator</b>	Appropriately experienced and undertakes senior level administrative support activities or Treasury activities. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$275
<b>Secretaries</b>	Appropriately experienced and undertakes support activities, such as meeting co-ordination and preparation of materials where it is efficient and appropriate to do so.	\$170

## Appendix one

### Explanation of Disbursements

#### Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – such as travel, accommodation, external printing services and search fees, which are also recovered at cost.
- Internal disbursements – office service charge, which includes the cost of photocopying, printing, postage, telecommunications and other fixed and variable overheads.

Disbursement	Rate (excl GST)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements: office service charge	3.0% of hourly rate
Internal disbursements: staff vehicle use*	\$0.68-\$1.09 per KM, depending on the size of the vehicle's engine
Internal disbursements: conference calls	At cost

## Appendix one

### Wirecard NZ time costs invoiced for the period 13 July 2020 to 29 October 2020

#### Wirecard NZ Limited time costs invoiced for the period 13 July 2020 to 29 October 2020 (NZD)

Position	Administration		Creditors		Asset realisation		Investigations		Trading		Reporting		Total	
	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)
Partner	29.6	17,996	20.2	12,255	100.7	60,953	0.7	323	87.2	52,632	3.3	-	241.7	144,158
Director	51.2	20,202	66.0	28,078	493.2	265,062	-	-	212.7	106,310	15.8	2,365	838.9	422,015
Senior Manager	0.4	-	-	-	0.5	-	-	-	-	-	-	-	0.9	-
Assistant Manager	143.9	44,625	150.2	42,338	110.5	19,763	6.4	2,400	301.3	97,463	24.5	2,963	736.8	209,550
Senior Analyst	6.1	1,830	16.2	4,860	305.7	90,870	-	-	100.7	26,940	0.2	60	428.9	124,560
Administrator	0.3	83	-	-	-	-	-	-	-	-	0.2	55	0.5	138
Secretary	4.5	765	1.2	-	-	-	-	-	-	-	-	-	5.7	765
<b>Total (excl GST)</b>	<b>236.0</b>	<b>85,500</b>	<b>253.8</b>	<b>87,530</b>	<b>1,010.6</b>	<b>436,647</b>	<b>7.1</b>	<b>2,723</b>	<b>701.9</b>	<b>283,344</b>	<b>44.0</b>	<b>5,443</b>	<b>2,253.4</b>	<b>901,185</b>

#### Disbursements at cost for the period 13 July 2020 to 29 October 2020

NZD\$	Total
Office service charge	27,036
Travel	29
Statutory advertising	6,294
Staff expenses	113
IT expenses	9,547
Sale of business advertising	4,572
Couriers	151
Other administration costs	1,026
<b>Total (excl GST)</b>	<b>48,766</b>

## Appendix two

### Wirecard NZ Limited description of work completed from 13 July 2020 to 29 October 2020

Description of work completed	
Task area	General description
<b>Administration</b>	<ul style="list-style-type: none"> <li>▪ Complete AML requirements</li> <li>▪ Plan staff allocations and responsibilities</li> <li>▪ Prepare appointment documents and notices to creditors/employees</li> <li>▪ Respond to media enquiries and issue releases where appropriate</li> </ul>
<b>Sale of business</b>	<ul style="list-style-type: none"> <li>▪ Preparing and coordinating advertising of the business for sale</li> <li>▪ Marketing the business to targeted potential interested parties</li> <li>▪ Preparing an Information Memorandum for interested parties</li> <li>▪ Compiling due diligence information and set up of a virtual data room</li> <li>▪ Liaising with a large number of potential purchasers</li> <li>▪ Conducting due diligence process and answering detailed purchaser enquiries</li> <li>▪ Coordinating management presentations and meetings with potential purchasers</li> <li>▪ Drafting legal documentation with assistance from legal advisors</li> <li>▪ Negotiating sale conditions with purchasers and their legal advisors</li> <li>▪ Providing transitional operational services</li> <li>▪ Providing assistance post-completion to the purchaser to transfer assets</li> <li>▪ Advising customers of the sale of the business</li> <li>▪ Coordinating the transfer of employees to the purchaser</li> <li>▪ Providing assistance in novating customer contracts</li> <li>▪ Closing and transferring key supplier accounts</li> <li>▪ Coordinating the return of leased assets</li> <li>▪ Realising surplus fixed assets</li> </ul>

Description of work completed	
Task area	General description
<b>Creditors</b>	<ul style="list-style-type: none"> <li>▪ Claims <ul style="list-style-type: none"> <li>– Recording, filing and tabulating creditor claim forms</li> <li>– Considering the value to assign to contingent claims</li> <li>– Responding to creditor queries re the status of claims</li> </ul> </li> <li>▪ Enquiries <ul style="list-style-type: none"> <li>– Responding to numerous creditor enquiries received</li> <li>– Uploading relevant creditor information to McGrathNicol website</li> <li>– Distributing information regarding extension of convening period</li> </ul> </li> <li>▪ Meetings <ul style="list-style-type: none"> <li>– Preparing and submitting applications for extensions of the convening period</li> <li>– Preparing statutory advertising and meeting notices for publication</li> <li>– Arranging meeting venue and coordinate requirements</li> <li>– Emailing notification to all individual creditors of first creditors meeting details, including provision of proxies, voting slips etc</li> <li>– Preparation of first creditors meeting presentation</li> <li>– Attending and chairing the creditors meeting, tabulating votes</li> <li>– Drafting meeting minutes</li> <li>– Drafting this Report and distributing it to creditors in advance of the Watershed Meeting</li> </ul> </li> <li>▪ PPSR Creditors <ul style="list-style-type: none"> <li>– Conducting searches of the PPSR</li> <li>– Issuing PPSR questionnaires to all parties with a registered security interest</li> <li>– Identifying items on site secured by PPSR registrations and cross referencing details</li> <li>– Determining validity of PPSR registrations and settling valid security interests</li> </ul> </li> </ul>

## Appendix two

### Wirecard NZ Limited description of work completed from 13 July 2020 to 29 October 2020

Description of work completed	
Task area	General description
<b>Employees</b>	<ul style="list-style-type: none"> <li>Meeting with all employees to advise of the Administration and providing updates throughout the process</li> <li>Obtaining and performing a review of all employment contracts</li> <li>Calculating employee entitlements due (preferential and unsecured)</li> <li>Receiving and responding to numerous employee enquiries</li> <li>Reviewing and preparing correspondence to employees</li> <li>Obtaining Court approval for extensions pursuant to section 239Y of the Companies Act 1993</li> <li>Reviewing health and safety controls</li> <li>Seeking legal advice on interrelationship of NZ Companies Law and rights of foreign based employees</li> <li>Seeking specialist employment law advice from Greek and Dominican Republic legal advisors</li> <li>Terminating employment contracts as required</li> </ul>
<b>Trading</b>	<ul style="list-style-type: none"> <li>On-going operational management of the business</li> <li>Establishing accounting cut-off</li> <li>Freezing bank accounts, opening new administration bank accounts and establishing administrators and authorised agents as signatories</li> <li>Monitoring account balances and investing available funds</li> <li>Coordinating with Greek and DR based external accountants</li> <li>Establishing an administration purchase order system and communicating with suppliers</li> <li>Regularly liaising with management and staff</li> <li>Preparing and updating trading cash flow forecasts</li> <li>Reviewing and approving payments, including payroll</li> <li>Maintaining account records of the administration</li> <li>Reviewing and filing IRD returns</li> <li>Managing ongoing trading issues</li> </ul>

Description of work completed	
Task area	General description
<b>Trading continued</b>	<ul style="list-style-type: none"> <li>Ensuring continuity of key services</li> <li>Reviewing staff utilisation and allocation</li> <li>Establishing new terms of trade with customers to enable transfer of work commenced during the VA</li> <li>Approving Terms of Reference for new projects</li> <li>Invoicing WIP</li> <li>Frequent communication with customers re outstanding debts</li> <li>Establishing new terms of trade</li> <li>Obtaining legal advice on debtor disputes</li> </ul>

## Appendix three

### Summary of work to be completed

Note the work to be completed below excludes the work that would be undertaken by the liquidator, discussed in section 9.2.

Description of work to be completed	
Task area	General description
<b>Work to be completed</b>	<ul style="list-style-type: none"><li>▪ Realise residual assets, including prepayments and funds held in bank accounts in foreign jurisdictions</li><li>▪ Invoice and collect costs to be reimbursed by purchaser under transitional arrangements</li><li>▪ Review and pay remaining preferential creditors (including taxes due)</li><li>▪ Complete and file final tax returns in all jurisdictions</li><li>▪ Closure of the Greek office</li><li>▪ Assign Dominican Republic office lease and related services</li><li>▪ Liaise with lessors re quantification of claims</li><li>▪ Receive creditor claims for Watershed meeting</li><li>▪ Respond to correspondence from creditors</li><li>▪ Comply with statutory reporting requirements</li><li>▪ Review and pay outstanding creditor invoices incurred during the administration</li><li>▪ Account for and remit debtor receipts received post 30 September 2020 to purchaser</li><li>▪ Collection of Merchant Acquiring debtor book</li><li>▪ Submit creditor claims in insolvencies of related party debtors</li><li>▪ Complete customer contract novation process</li><li>▪ Complete Administrators accounts and final report</li></ul>

