

# ABC Learning paid double market price<sup>[1]</sup>

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EXCERPTS

Former ABC Learning executive Martin Kemp arranged for the childcare chain to buy his assets at double their market value, a court heard yesterday.

Mr Kemp is charged with three breaches of the Corporations Act concerning the exercise of his powers as ABC's Australasian chief executive until the company collapsed in 2008. He has not entered a plea.

A committal hearing in Brisbane heard yesterday how the company bought his three childcare centres for \$4.1 million, a significant mark-up on an independent valuation at the time.

The court heard the 2008 deal was authorised by global chief executive Eddy Groves with three words -- "this is approved" -- sent in an email from overseas.

Former ABC acquisitions manager Rohan Smith told the court the \$4.1m price tag met the company's "regular criteria" since modelling predicted the centres would break even after eight years. Brandishing one of the purchase documents in the courtroom, prosecutor Craig Chowdhury remarked he could not see the word "market value" printed anywhere.

"Is there any relationship between market price and the purchase price?" he asked Mr Smith.

"No. It doesn't mean anything to me," the witness replied.

Michael McClifty, who provided the independent valuations of Mr Kemp's businesses, agreed purchase prices could sometimes attract a "special value" if they, for instance, achieved economies of scale or a favourable decrease in market competition.

But asked by Mr Chowdhury if he could recall an instance of someone paying \$1.2m for an asset valued at \$600,000, as ABC had done for Mr Kemp's childcare centre at Beenleigh, in Queensland, he said he could not. "That's a big number. That's a really big number," Mr McClifty said.

The court had previously heard how ABC's business model, premised on exponential growth, was "fatally flawed" and ultimately caused the company's demise.

Scott Zannes, who served as chief financial officer under Mr Kemp, said the defendant rarely made decisions without first consulting Mr Groves.

"Eddy's personality is 'fall into line'. He doesn't like to be challenged at all and his opinion is final," Mr Zannes said.

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- reprinted from The Australian

**Region:** Australia and New Zealand<sup>[2]</sup>

**Tags:** privatization<sup>[3]</sup>

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