

Groves 'skirted board at ABC' ^[1]

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Source: The Australian

Format: Article

Publication Date: 19 Jul 2011

EXCERPTS

Eddy Groves so heavily micro-managed his failed ABC Learning childcare empire that he was even able to change the colour of the carpets on a whim, a court has heard.

On the first day of former ABC executive director Martin Kemp's committal hearing in Brisbane, the court was yesterday told how Mr Groves, as chief executive, bypassed the company's board to authorise a \$4 million takeover of Mr Kemp's Queensland-based childcare centres.

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The court heard ABC Learning's business model was built on rapid expansion, and it was generally understood that all acquisitions needed to be approved by the company's board.

But following the collapse, the court heard, investigators from the Australian Securities & Investments Commission uncovered emails suggesting that Mr Groves had taken it on himself to authorise deals.

"If Mr Groves approved something, then it went ahead," defence barrister Neil Clelland, SC, said, paraphrasing the statement of one employee.

But former ABC Learning chairwoman Sallyanne Atkinson told the court "no authority had been given for any transactions of that magnitude", including for the Kemp deal.

When Ms Atkinson confronted Mr Groves over the evidence, she said he responded by saying the email had been "doctored".

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The court heard that when Mr Kemp joined ABC, he retained significant financial stakes in competing childcare providers.

Ms Atkinson said she had never been told of the conflict of interest and would have insisted that they be declared to the board of directors.

Mr Clelland suggested Mr Kemp had made the board aware informally and there was no need to keep re-stating the conflict of interest at every board meeting.

Mr Clelland noted that other directors had informally declared their other activities, such as former Nationals MP Larry Anthony, whom ABC had commissioned to liaise with government, and Bill Bessemer, whose company, Austock, conducted business with ABC.

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- reprinted from The Australian

Region: Australia and New Zealand ^[2]

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