

The annual accounts disclose relentless growth in number of centres, revenue and assets. What they do not disclose is any material strengthening of ABC's financial position from this growth. What is quite clear from more detailed analysis of the financials is that ABC's gearing grew, its return on sales and equity fell progressively, the returns to shareholders deteriorated, and the capacity of operating cash flow to service the group's debts shrank, with the inevitable and predictable *denouement*.

Certainly, there are arguments that ABC's business model was flawed, or that it was not translatable into different business environments, that the group seems to have failed to implement reporting and controls commensurate with its size, and so forth. These issues are beyond the scope of this article.

What is clear from this analysis is that there were plenty of warning signals *from the financial analysis alone* that ABC's financial performance and financial position were unsustainable. Like One.Tel, IPEC, National Safety Council, Bond Corporation and so many others, ABC was a victim of its founders' relentless ambition and obsession with growth. ☹

**Given what has subsequently become alleged about the rebates from developers, it is arguable that the 2005 notes are a first warning that ABC's figures for operating revenue may have been overstated. Certainly, alert analysts could have used this as an opportunity to ask the company about the make-up of its operating revenue.**

## Notes

- 1 The author acknowledges the invaluable input into this article from Norman Sturrock.
- 2 The full financial analysis is available by contacting Andrew McRobert at [amra@amcrobertandassoc.com.au](mailto:amra@amcrobertandassoc.com.au)
- 3 All figures in this table are *after* the adjustments discussed in this article.

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