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Senator Nick Xenophon says many questions need answering about Dick Smith's demise. PHOTO: JOSH ROBERTSON

Dick Smith inquiry to take aim at Anchorage

Private equity

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The private equity firm that transformed Dick Smith from a \$94 million, middle-market electronics chain into a \$520 million stockmarket star will have to front a Senate inquiry to answer questions over its role in the chain's subsequent demise.

South Australian senator Nick Xenophon said it would be up to the Senate committee to decide who will appear before its inquiry into the collapse of the listed retailer in Australia, but he expected Anchorage Capital Partners would be questioned.

Mr Xenophon said there were questions that needed to be answered in relation to the acquisition price and float price for Dick Smith as well as the material that was presented to shareholders in the float prospectus.

"The collapse of Dick Smith has raised some fundamental questions about private equity and I'm sure private equity will defend its position vigorously," Senator Xenophon said.

"There are questions about the level of oversight and accounting standards. I'm not being critical but there are a lot of questions that need to be

asked, including how do you protect gift card holders."

Senator Xenophon also has questions for the corporate watchdog, the Australian Securities and Investments Commission, the Competition and Consumer Commission and Dick Smith's receivers Ferrier Hodgson.

"There are questions about the role of the receiver and how they come to make decisions like not honouring gift cards," Senator Xenophon said.

Anchorage managing director Phil Cave did not comment on the Senate inquiry yesterday, leaving the Australian Private Equity and Venture Capital Association (AVCAL) to do the talking.

AVCAL said the inquiry was a "unique opportunity for the community to better understand the important role that private equity plays within our community."

Chief executive Yasser El-Ansary said some of the best performing businesses in Australia, many of which were listed, had benefited from private equity investment.

"AVCAL will be putting forward a compelling base of evidence supporting the significant value our industry delivers to the economy as well as the millions of Australian superannuation fund members who benefit from a

strong and well-functioning private equity industry," Mr El-Ansary said.

Ferrier Hodgson dispatched 22 office staff as well as Dick Smith's chief financial officer Michael Potts this week as part of what it referred to as a restructure of the electronics chain's Western Sydney office.

Ferrier Hodgson partner James Stewart said the changes were essential to create a "leaner organisation ... while our discussions with interested parties continue."

Bert van der Velde has stepped up as Dick Smith's interim chief financial officer and he will work with interim chief executive officer and former Fusion Retail Brands boss Don Grover.

Ferriers also revealed more than 3000 Dick Smith staff may have been underpaid as much as \$2 million in entitlements dating back to 2010, when the business was under the control of Woolworths.

It's understood this underpayment was first identified by Dick Smith's management in October 2015 but the issue was sidelined by the organisation's declining financial position, which precipitated a \$60 million inventory write down in November and a desperate pre-Christmas clearance sale.