

Franklins Pty Ltd
Response to ACCC Inquiry
Into the Competitiveness
Of Retail Prices for
Standard Groceries
Further Response Dated 17 March 2008

FIRB Approval for Property Acquisitions

Franklins is a wholly owned subsidiary of a foreign parent entity. Franklins is therefore required to seek approval from the Foreign Investment Review Board ("FIRB") prior to making certain property acquisitions. The following is a summary of the FIRB requirements that apply to foreign owned companies:

The Foreign Investment Policy – Urban Land requires that foreign persons must first obtain FIRB approval prior to the acquisition of:

- Vacant land
- Developed commercial property valued at \$50m or more
- Commercial leases where the term of the lease is more than 5 years

Other categories are specified but these have most relevance to Franklins.

Of those categories listed above, the greatest potential impact on Franklins is that relating to vacant land. Whereas our competitors are able to buy vacant land and to "land bank" vacant land for an unspecified amount of time, acquisitions of vacant land for development by foreign interests are approved subject to:

- Continuous substantial construction commencing within 12 months
- A minimum equivalent to 50% of the acquisition cost or current market value of the land (whichever is higher) being spent on development and
- Once construction is completed, parties notify the completion date and actual development expenditure.

There are further limitations which are more a procedural and timing issue that inhibit foreign persons in entering into a contract.

1. Where a proposal involves option agreements for the purchase of property, prior approval of the FIRB is required to acquire the options
2. Contracts must be made conditional upon foreign investment approval

Because of the requirement to obtain FIRB approval for land and property acquisitions, foreign owned subsidiaries can only enter into contracts for the acquisition of land that are subject to the receipt of FIRB approval. Because of the conditionality of such contracts they are generally looked at less favorably by vendors to those that are not subject to such conditions.