



DETERMINATION OF MERGER NOTIFICATION M/07/056 - BRUNNER/ARNOTTS

Section 21 of the Competition Act 2002

Proposed indirect acquisition by Brunner Limited of 45% of the issued shares in Arnotts Holdings Limited

Dated 19/10/07

Introduction

1. On 24 September 2007 the Competition Authority ("the Authority"), in accordance with Section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby Brunner Limited ("Brunner") would indirectly acquire 45% of the issued shares in Arnotts Holdings Limited or the Arnotts Group¹ ("Arnotts").
2. The proposed transaction will result in 100 per cent of the share capital of Arnotts being acquired by Art Holdings Limited ("Art Holdings") in which Brunner holds 45% of the shares with the remaining 55% owned by Richard Nesbitt and other members of the Nesbitt family.

The Undertakings Involved

3. Brunner, the acquirer, is a special purpose vehicle whose sole activity will be to hold the shares in Art Holdings. Boundary Capital plc ("Boundary Capital")² holds 61% of the shares in Brunner with the remaining 39% being held by Anglo Irish Assurance Company Limited ("Anglo"). Boundary Management Limited ("Boundary Management") which only provides certain management services to Boundary Capital will manage Brunner's investment in Arnotts. Anglo will have no active role in managing this investment.
4. Arnotts, the target, is active in the operation of a number of retail stores – Arnotts on Henry Street in Dublin and Boyers on Earl Street North (both of which are multi-category retail stores) and the Stillorgan Shoe Store. It is also active in retail property development and owns a substantial property portfolio immediately adjacent to the Arnotts store on Henry Street.³

¹ The Arnotts Group is made up of Arnotts Holdings Limited and Arnotts Limited. Arnotts Holdings owns 100% of the shares in Arnotts Limited.

² Boundary Capital is an investment holding company with a range of investments in various economic sectors. It is listed on the Alternative Investment Market and the Irish Enterprise Exchange.

³ Arnotts has recently received an initial grant of planning permission to redevelop this property into a retail, leisure and entertainment quarter.

Analysis

5. There is no horizontal overlap between the activities of the parties. Neither Boundary Capital nor Boundary Management is active in the operation of retail stores in State.
6. There is limited vertical overlap in the parties' activities concerning property management services. In the last six months, Arnotts has procured property management services to the value of €[...] from Irish Estates Management Limited, a subsidiary company of Veris PLC in which Boundary Capital has made a significant investment.
7. The Authority considers that the proposed transaction will not lead to foreclosure of access to property management services given that there are c.4600 management companies in the State.⁴ The Authority therefore considers that the proposed transaction does not raise competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed indirect acquisition by Brunner Limited of 45% of the issued shares in Arnotts Holdings Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr Paul K. Gorecki
Member of the Competition Authority

⁴ National Consumer Agency, "Management fees and service charges levied on owners of property in multi-unit dwellings" October 2006.