

Dear Chris,

Thank you for your letter dated 6th July sent on behalf of the Business, Innovation and Skills and Work and Pensions Select Committees.

Further to your additional questions I respond thus:

*1) Why wasn't the CVA carried out earlier (Q2921) Did you advocate this option to the board?*

I did not formally advocate this option to the board, nor was I present at any board meeting when an insolvency event such as a CVA was discussed. On two occasions in 2015, I discussed with Mr Chappell, the prospect of putting the business through a CVA in order to achieve the planned property related savings. On each occasion, I was told that it was not possible at that time, due to concerns in relation to the Pension situation.

*2) Could you clarify, with reference to Qs 2931 - 2 and Qs 2950 - 2954 of the transcript, how much of the property-related savings identified in the business plan were delivered prior to the CVA? What savings were achieved as a result of the CVA?*

The current controllers of BHS have insisted that all records and copy documentation are returned to them. They released some very limited information to me prior to my evidence on 29 June but it was conditional upon that data subsequently being destroyed and not shared with any other party. The answers below are based upon my recollections only, for detailed numbers I would refer you to the current controllers of BHS.

The £7.2m from target rent savings - No deals had been concluded to reduce the rents payable on any stores prior to the CVA. We had heads of terms in relation to rent reductions for two properties. This would have resulted in a saving of approximately £600,000pa. There were advanced ongoing discussions with Landlords in relation to the part surrender or downsizing in other stores, none of which had been concluded.

The CVA delivered rent reductions totalling approximately £11,000,000 pa from the 47 Category 2 stores.

The £12.3m saving from closure of 30 lossmakers - We had surrendered two leases on loss making stores and exchanged on one other the total rent saving was circa £1,400,000. Once again there were advanced discussions in relation to the surrender of a number of other stores, none of which had been concluded.

The CVA delivered an immediate rental saving of approximately £20,000,000 pa in relation to the 42 Category 3 stores and the option for BHS to close all 42 stores in January 2017. If the board had proceeded with the plan to close those 42 stores, the total rental saving from CVA related Category 3 store closures, would have risen to approximately £26,600,000.

Immediately after the CVA, all the stores apart from three, were making a positive cash contribution and the business had the benefit of a reduction in its rental liabilities, from the 89 Category 2 and 3 stores, totalling approximately £31,000,000 pa.

*3) Why did BHS buy a store in Darlington in December 2015 when the company was looking to sell premises?*

BHS bought the property in December 2015, as a short term hold, with the intent of selling it in the spring of 2016. Ownership of the freehold allowed the company to vary the lease terms. The intent was to reduce the rent and thereby the long term future occupational costs, whilst also extending the lease length.

*4) Were you aware of fees relating to property sales going to RAL? What were these fees for?*

I was not aware of these fees at the outset. In 2016 I became aware that some fees were being paid by BHS to RAL in relation to property transactions but I had no knowledge of the terms. At no time was I invited to comment upon this.

*5) Were you aware of £400m fees to RAL as part of the Sunderland property sale being paid back?*

I assume you intended this question to refer to a lesser sum? I had no involvement in any fees paid to RAL or being paid back.

*6) What proportion of the proceeds from the sale of Atherstone warehouse deal went back into BHS? Do you know where the rest of the proceeds went?*

The Atherstone property had debt secured against it so some of the proceeds would have been used to pay that down. The apportionment of proceeds was dealt with by the BHS finance team, I did not have any direct involvement.

Yours sincerely

Mark Sherwood