

Iain Wright MP  
Chair of BIS Committee  
House of Commons  
London  
SW1 0AA

June 13 2016

Dear Mr Wright

### **Inquiry into BHS**

Thank you for your letter of 12 June 2016 about BHS. I am writing back as requested in order to provide you with written answers to your questions.

I will address each question in turn:

*1 – Dominic Chappell contacted Sports Direct in the afternoon on Thursday 21 April 2016 to inform me that BHS was struggling to survive and I was asked to consider putting together a rescue package.*

*2 – I had a brief meeting with Mr Chappell at our offices in London and we agreed that a formal meeting would be convened between representatives of the respective parties later that evening. The formal meeting subsequently took place at the offices of Olswang lawyers in London on the night of Thursday 21 April. Mr Chappell attended along with directors of BHS, as did an acquisition team acting on behalf of Sports Direct. I did not attend this meeting, however I gave consent for a rescue package to be discussed that would have resulted in us making working capital available in order for BHS to survive as a going concern. In return, we would have acquired RAL's shares in BHS Group Ltd for a nominal sum in recognition of the substantial liabilities that we would have been taking on. This meeting lasted well into Friday and talks continued by telephone over the weekend.*

*3 – The deal would have required due diligence before final signature, but there was very little time to complete this process. The due diligence at the meeting principally consisted of inspecting banking documents, property schedules and various other agreements that existed. After the meeting concluded on the Friday, there were two major obstacles outstanding. These were, that in order for us to feel comfortable we needed consent and agreement from the Pension Protection Fund and The Pensions Regulator for the deal to go ahead. We also required that Arcadia would subordinate an outstanding loan to BHS in favour of our proposed investment.*

4 – *The BHS pensions scheme was discussed and it is my understanding that a call was made to the Pension Protection Fund, but we were unable to reach a satisfactory agreement in the time available.*

5 – *The deal did not proceed because we were placed under extreme time pressure and for the reasons set out above. On Monday 25 April 2016, Duff & Phelps announced that BHS was going into administration.*

6 – *My interest in BHS goes back a number of years and we received NDAs from BHS in 2006 and 2007 in order to enter into talks about Sports Direct acquiring the company. I note that at the beginning of your letter, you have asked about Mr Chappell's comments about Sir Philip Green, which were made to the BIS / Work and Pensions Committee(s) on 8 June 2016. Neither I, nor my advisors, were present during the said conversation between Mr Chappell and Sir Philip and so I am unable to verify details. Sir Philip did not attend the meeting at Olswang on April 21 / 22 but I was in telephone contact with him over the weekend. Following the announcement on 25 April 2016 that BHS was now in administration, Sports Direct contacted Duff & Phelps with a view to putting together a second rescue package. A subsequent meeting took place at the offices of Arcadia on 27 April 2016. I attended this meeting in person along with my acquisition team. The other attendees included, amongst others, Sir Philip and Phil Duffy of Duff & Phelps. Our proposal would have potentially saved the vast majority of the jobs and stores at BHS and we felt that this should be taken into account when making a decision as to whether or not our bid was accepted. Our understanding when we left the meeting was that we had an agreed deal, which was to be executed on Friday 13 May 2016. Following the meeting an SPA (Sale & Purchase Agreement) was sent out by DLA on behalf of Duff & Phelps, which was duly returned within 48 hours. However, as you know, the deal did not happen.*

This concludes my answers to your questions.

Yours sincerely

Mike Ashley