

Select Committee Ask

SGB World Services Ltd (AP1: 14)

SGB World Services Ltd – The Select Committee requested that SGB World Services Ltd provide details of their tenancy, business accounts and licence and for HS2 to review options for compensation.

Further to SGB World Services Ltd's hearing on 15th May 2019, you will be aware that some of the material in relation to his trading accounts and tenancy information that was requested by the Committee has kindly been provided to us by Mr Boote.

We have reviewed this information with our professional advisors and note that SGB World Services Ltd currently has a tenancy at will from Lord Stafford. This is a precarious type of agreement and affords no security of tenure as it can be broken by the landlord at any time. This agreement was for a trial period and if it all proved satisfactory to Lord Stafford there was an offer of a 15 year lease with the ability for Lord Stafford to terminate if he got planning permission for an alternative use. This lease has not been entered into for whatever reason and SGB World Services Ltd continue to occupy the site under the tenancy at will.

Mr Boote has also provided headline details of his net profit which is recorded as:

Year to April 2018	Year to April 2017	Year to April 2016
(5,962)	£37,611	£71,966

This shows a reducing trend as a result of falling sales and increasing costs, which led to loss in 2018. The average net profit is £34,538 and would lead to a business valuation of £210,000 to £280,000 depending on the multiplier adopted. Closure costs, loss on stock and redundancy payments would be payable in addition, so compensation of c.£250,000 to £325,000 for the business would be available if the lease was entered into.

Given the level of profitability and drop into losses in 2018 we feel that the figures of £200,000 to £300,000 referenced by Mr Boote in the Hearing can be

supported, but there is no credibility in the figure of £10m mentioned within Mr Boote's recent impact statement.

HS2 Ltd would compensate Mr Boote for the business value, as set out above, as a minimum. Alternatively, if Mr Boote opted to relocate, compensation could be payable for his relocation costs if they are within a reasonable range of the business value - say within an additional 15%. This would provide Mr Boote with compensation to relocate of c.£287,500 to £373,750. To assist Mr Boote in achieving a successful relocation we can fund a property search agent for him to explore opportunities to acquire an alternative site. We consider that this should start by looking at what other sites may be available on Lord Stafford's estate as they have an existing relationship and a common understanding of the business operated by Mr Boote and its requirements/restrictions. We can also look at what opportunities to relocate may exist within the portfolio of properties owned by the Promoter and also use our own agents to undertake a search of properties that may be suitable, including following up Mr Boote's suggestion of the MoD site at Swynnerton.

We have listened to the Select Committee's comments on engagement and with the benefit of the information now provided we can enter into positive dialogue with Mr Boote to find him an amicable solution.