

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2013

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 26 June 2013 £'000s	13 weeks Ended 27 June 2012 £'000s	26 weeks Ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s
Non-fuel turnover.....	81,620	78,050	144,718	137,230
Fuel turnover.....	132,925	140,660	259,796	273,657
Turnover	214,545	218,710	404,514	410,887
Change in stocks of non-fuel goods.....	25	520	(305)	358
Change in stocks of fuel.....	143	(592)	(72)	108
Change in stocks of finished goods	168	(72)	(377)	466
Staff costs.....	(16,534)	(16,088)	(31,870)	(30,669)
Depreciation and amortization	(8,731)	(8,462)	(17,342)	(16,839)
Non-fuel operating costs	(49,858)	(48,857)	(90,930)	(87,520)
Cost of fuel purchased	(125,676)	(133,170)	(246,196)	(261,267)
Other operating costs	(175,534)	(182,027)	(337,126)	(348,787)
Profit on ordinary activities before interest being operating profit	13,914	12,061	17,799	15,058
Interest receivable and similar income.....	20	14	40	42
Interest receivable from group undertakings.....	29	24	59	46
Interest payable on bank loans	(15,690)	(16,298)	(31,555)	(31,872)
Loss on ordinary activities before taxation	(1,727)	(4,199)	(13,657)	(16,726)
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(1,727)	(4,199)	(13,657)	(16,726)
 Note: Adjusted EBITDA	 22,805	 20,944	 35,108	 32,365
 Fuel margin	 7,392	 6,899	 13,529	 12,498

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 26 June 2013 £'000s	As of 27 June 2012 £'000s
Cash.....	32,212	30,159
Current assets	51,165	33,751
Net fixed assets.....	698,729	718,781
Total assets	782,106	782,691
Short term borrowings.....	(9,400)	(4,000)
Current liabilities.....	(67,550)	(60,561)
Long term borrowings.....	(540,011)	(543,656)
Other long term liabilities.....	-	(345)
Retained Earnings	(282,422)	(273,438)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 26 June 2013 £'000s	13 weeks Ended 27 June 2012 £'000s	26 weeks Ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s
Net cash inflow from operating activities	22,255	23,837	41,966	39,597
Cash outflow from servicing bank loans	(5,455)	(5,565)	(28,442)	(28,486)
Cash outflow from servicing group loans.....	(1)	-	(15)	(14)
Net cash outflow from returns on investments and servicing of finance.....	(5,479)	(5,566)	(28,486)	(28,663)
Net cash outflow for capital expenditure and financial investment	(5,238)	(4,696)	(9,485)	(8,363)
Repayment of Senior Debt	-	(3,700)	(2,200)	(3,700)
Increase / (decrease) in net cash	11,538	9,875	1,795	(1,129)

OPERATING AND FINANCIAL REVIEW

The following discussion contains trend information and forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Any forward-looking statements are only made as at the date of this report and we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Results of Operations

Results of operations for the 26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012

The following table sets forth our main operating results for the 26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	144,718	137,230	7,488	5.5%
Fuel Turnover	259,796	273,657	(13,861)	(5.1)%
Turnover	404,514	410,887	(6,373)	(1.6)%
Change in stocks of non-fuel goods	(305)	358	(663)	(185.2)%
Change in stocks of fuel	(72)	108	(180)	(166.7)%
Change in stocks of finished goods	(377)	466	(843)	(180.9)%
Staff costs	(31,870)	(30,669)	(1,201)	(3.9)%
Depreciation and amortization	(17,342)	(16,839)	(503)	(3.0)%
Non-fuel operating costs	(90,930)	(87,520)	(3,410)	(3.9)%
Cost of fuel purchased	(246,196)	(261,267)	15,071	5.8%
Other operating costs.....	(337,126)	(348,787)	11,661	3.3%
Profit on ordinary activities before interest being operating profit	17,799	15,058	2,741	18.2%
Interest receivable and similar income.....	40	42	(2)	(4.8)%
Interest receivable from group undertakings.....	59	46	13	28.3%
Interest payable on bank loans	(31,555)	(31,872)	317	1.0%
Loss on ordinary activities before taxation.....	(13,657)	(16,726)	3,069	18.3%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period.....	(13,657)	(16,726)	3,069	18.3%
Note: EBITDA	35,141	31,897	3,244	10.2%
Amortization (PCPs and deferred CP Plus costs)	(196)	95	(291)	(306.3)%
Loss on disposal of fixed assets	422	373	49	13.1%
Travelodge provision	(259)	-	(259)	-
Adjusted EBITDA	35,108	32,365	2,743	8.5%

Turnover. Turnover decreased by £6.4 million, or 1.6%, from £410.9 million in the 26 weeks ended 27 June 2012 to £404.5 million in the 26 weeks ended 26 June 2013. The change was primarily attributable to a decrease in fuel turnover of £13.9 million as a result of lower full margin fuel volumes. The decrease in fuel turnover was offset by a £7.5 million increase in non-fuel turnover primarily due to (1) £4.1 million higher like-for-like sales, (2) £2.8 million sales from new Costa, Greggs and M&S units opened at Extra sites and (3) £0.5 million additional other turnover from parking revenue and rental income.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 26 June 2013 and the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s	Change
Catering	58,728	53,984	4,744
Convenience Food	38,408	35,333	3,075
CTN	21,823	22,276	(453)
Amusement	5,692	6,024	(332)
Other	5,435	4,888	547
Amenity Building	130,086	122,505	7,581
Forecourt.....	14,632	14,725	(93)
Total non-fuel turnover	144,718	137,230	7,488

The following table shows the like-for-like sales growth in 2013:

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	26 weeks Ended 26 June 2013
Amenity Building	4.7%	2.3%	3.3%
Forecourt.....	2.0%	1.7%	1.9%
LFL non-fuel turnover	4.4%	2.2%	3.2%

The following table shows the like-for-like transaction decline in 2013:

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	26 weeks Ended 26 June 2013
Amenity Building	1.3%	0.9%	1.1%
Forecourt	(4.4)%	(2.9)%	(3.6)%
Total transactions	(0.3)%	(0.0)%	(0.2)%

The following table shows the average spend growth in 2013:

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	26 weeks Ended 26 June 2013
Amenity Building	4.3%	1.5%	2.7%
Forecourt	6.7%	4.7%	5.7%
Total spend	5.6%	2.4%	3.7%

Change in stocks of finished goods. Change in stocks of finished goods was £(0.4) million in the 26 weeks ended 26 June 2013 and £0.5 million in the 26 weeks ended 27 June 2012. The value of fuel stocks decreased by £0.1 million in the 26 weeks ended 26 June 2013 and there was a £0.3 million decrease in non fuel stocks.

Staff costs. Staff costs increased by £1.2 million, or 3.9%, from £30.7 million in the 26 weeks ended 27 June 2012 to £31.9 million in the 26 weeks ended 26 June 2013. The ratio of staff costs to non-fuel turnover reduced from 22.3% in the 26 weeks ended 27 June 2012 to 22.0% in the 26 weeks ended 26 June 2013, despite the contractual increases in the minimum wage hourly rate plus the opening of additional units.

Depreciation and amortization. Depreciation and amortization increased by £0.5 million, or 3.0%, from £16.8 million in the 26 weeks ended 27 June 2012 to £17.3 million in the 26 weeks ended 26 June 2013. This reflects the fairly stable level of capital expenditure. Amortization charges were unchanged from 2012 to 2013.

Other operating costs. Other operating costs decreased by £11.7 million, or 3.3%, from £348.8 million in the 26 weeks ended 27 June 2012 to £337.1 million in the 26 weeks ended 26 June 2013. The decrease was primarily attributable to cost of fuel purchased, which decreased by £15.1 million. This decrease was partially offset by a £3.4 million increase in non-fuel operating costs primarily attributable to (1) a £3.1 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.9 million increase in rent expense due to new units at Extra sites £0.4 million, and lower Travelodge rent payable £0.5 million (£0.3m reduction in rent contributions from Travelodge and £0.2 due to reclassifying the contribution as rent receivable), (3) a £0.4 million increase in franchise fees, reflecting the growth of the Greggs brand and the improved Costa sales within catering, offset by (4) a £0.9 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 26 June 2013 and the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s	Change
Cost of non-fuel merchandise	61,071	57,938	3,133
Property taxes	8,960	8,775	185
Utilities	5,599	5,512	87
Franchise fees	3,545	3,138	407
Maintenance.....	2,073	2,076	(3)
Distribution	764	776	(12)
Cleaning, travel and admin	3,612	3,734	(122)
Rent expense	4,147	3,207	940
Central income.....	(1,500)	(580)	(920)
Corporate and other	2,918	2,944	(26)
Travelodge provision	(259)	-	(259)
Total non-fuel operating costs.....	90,930	87,520	3,410

Central income includes £1.0 million for Todhills CPO and £0.5 million from Esso for dilapidations (2012: £0.5 million for prior year rates refunds).

Operating profit. Operating profit increased by £2.7 million, or 18.2%, from £15.1 million in the 26 weeks ended 27 June 2012 to £17.8 million in the 26 weeks ended 26 June 2013. The increase was primarily attributable to the improved sales of non-fuel goods, and the £1.0 million increase in fuel margin.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.002 million, or 4.8%, from £0.042 million in the 26 weeks ended 27 June 2012 to £0.042 million in the 26 weeks ended 26 June 2013.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.01 million, or 28.3%, from £0.05 million in the 26 weeks ended 27 June 2012 to £0.06 million receivable in the 26 weeks ended 26 June 2013.

Interest payable on bank loans. Interest payable on bank loans decreased by £0.3 million, or 1.0%, from £31.9 million in the 26 weeks ended 27 June 2012 to £31.6 million in the 26 weeks ended 26 June 2013. The decrease was attributable to (1) £0.7 million swap break costs paid in 2012, (2) £0.3 million saving due to the repayments of senior debt, offset by (3) £0.5 million additional interest due to the 0.25% annual increase in the margin on the senior debt, and (4) £0.1 million finance charge relating to the discounted onerous lease provision for Travelodge.

Tax on loss on ordinary activities. Tax on loss on ordinary activities was nil in both periods.

Retained loss for the financial period. For the reasons set forth above, retained loss for the period decreased by 18.3%, from £16.7 million in the 26 weeks ended 27 June 2012 to £13.7 million in the 26 weeks ended 26 June 2013.

Liquidity and Capital Resources

Net cash inflow from operating activities

The following table summarizes the principal components of our net cash inflow from operating activities for the 26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s
Operating profit	17,799	15,058
Depreciation charge.....	15,038	14,535
Loss on disposal of tangible fixed assets.....	422	373
Goodwill amortization.....	2,304	2,304
Decrease /.(increase) in stocks.....	377	(466)
Decrease in debtors.....	4,672	1,005
Increase in creditors.....	1,354	6,788
Net cash inflow from operating activities	41,966	39,597

The principal factors affecting our net cash inflows from operating activities in the periods presented are the changes in our operating profit, the decrease in stocks, the decrease in debtors and the increase in creditors.

26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012

Cash inflow from operating activities increased by £2.4 million, or 6.0%, from £39.6 million in the 26 weeks ended 27 June 2012 to £42.0 million in the 26 weeks ended 26 June 2013. This is primarily attributable to (1) an increase in operating profit of £2.7 million from £15.1 million in the 26 weeks ended 27 June 2012 to £17.8 million in the 26 weeks ended 26 June 2013, (2) an increase in the depreciation charge of £0.5 million, from £14.5 million in the 26 weeks ended 27 June 2012 to £15.0 million in the 26 weeks ended 26 June 2013 and (3) a decrease in cash inflow from working capital of £0.9 million during the period.

Net cash outflow from returns on investments and servicing of finance

The following table summarizes the principal components of our net cash outflow from returns on investments and servicing of our financing arrangements for the 26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s
Interest received.....	40	42
Interest paid on bank loans	(28,442)	(28,486)
Bank interest and similar	(69)	(34)
Intercompany interest paid	(15)	(14)
Issue costs of new bank loans	-	(171)
Net cash outflow from returns on investments and servicing of finance.....	(28,486)	(28,663)

Interest received. Interest received decreased slightly from £0.042 million in the 26 weeks ended 27 June 2012 to £0.04 million in the 26 weeks ended 26 June 2013.

Interest paid on bank loans. Interest paid on bank loans decreased slightly from £28.5 million in the 26 weeks ended 27 June 2012 to £28.4 million in the 26 weeks ended 26 June 2013. This is attributable to a £0.5 million higher payment on the interest rate swap in June 2013, as the 3 month LIBOR rate was 0.53% higher than the same period last year, offset by the inclusion of £0.7 million of swap break costs in the 2012 figures. The annual 0.25% step up in interest rates on the senior debt, is offset by the senior debt repayments over the last 12 months.

Bank interest and similar. Bank interest and similar charges decreased slightly from £0.042 million in the 26 weeks ended 27 June 2012 to £0.04 million in the 26 weeks ended 26 June 2013. This represents the banking costs of the group.

Intercompany interest paid. The intercompany interest reflects payments made during the period to Moto Holdings Limited, Moto International Holdings Limited and Moto International Parent Limited under intercompany loan agreements. Such payments amounted to £0.02 million in the 26 weeks ended 26 June 2013, and represents the administrative costs of the holding companies.

Issue costs of new bank loans. The £0.2 million issue costs of new bank loans in the 26 weeks ended 27 June 2012 represents residual costs incurred related to the Refinancing.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 26 June 2013 compared to the 26 weeks ended 27 June 2012:

	26 weeks ended 26 June 2013 £'000s	26 weeks Ended 27 June 2012 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,009)	(1,665)
Expansion spend	(6,687)	(6,083)
IT One-off projects spend	(770)	(558)
Cherwell Valley Rebuild	(19)	(57)
Cash outflow for capital expenditure	(9,485)	(8,363)

For the 26 weeks ended 26 June 2013, our capital expenditure amounted to £9.5 million, which consisted of £2.0 million for maintenance spending, £6.7 million for expansion including the continued roll-out of new Greggs stores, Burger King Store Refreshes, Harvester trial and ongoing spend on prior year projects, £0.8 million on IT projects and £0.02 million on the rebuild of Cherwell Valley.

For the 26 weeks ended 27 June 2012, our capital expenditure amounted to £8.4 million, which consisted of £1.7 million for maintenance spending, £6.1 million for expansion including the roll-out of two new M&S stores, major layout improvements at Toddington North, Burger King store improvements, rollout of Adblue fuel additive, and utilities usage savings, £0.6 million on IT projects and £0.06 million on the rebuild of Cherwell Valley.

Net debt

The following table shows our net debt position as at 26 June 2013 compared to 27 June 2012:

	26 June 2013 £'000s	27 June 2012 £'000s
Cash in hand and at bank	32,212	30,159
Debt due within one year	(9,400)	(4,000)
Debt due after one year	(540,011)	(543,656)
Net debt	(517,199)	(517,497)

At 26 June 2013, the debt due after one year includes £382.6 million of senior debt and £172.5 million of corporate bonds, less £15.1 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 30 June 2013 (£4.0 million) and 31 December 2013 (£5.4 million).

At 27 June 2012, the debt due after one year includes £392.3 million of senior debt and £171.5 million of corporate bonds, less £20.2 million of capitalised debt costs. The debt due within one year of £4.0 million represents the senior debt due for repayment on 30 June 2012 (£1.8 million) and 31 December 2012 (£2.2 million).