

MOTO VENTURES LIMITED

QUARTERLY REPORT

SEPTEMBER 2013

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 25 September 2013 £'000s	13 weeks Ended 26 September 2012 £'000s	39 weeks Ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s
Non-fuel turnover.....	93,964	88,629	238,682	225,859
Fuel turnover.....	138,104	142,129	397,900	415,785
Turnover	232,068	230,758	636,582	641,644
Change in stocks of non-fuel goods.....	15	73	(291)	431
Change in stocks of fuel.....	372	152	301	260
Change in stocks of finished goods	387	225	10	691
Staff costs.....	(17,568)	(16,261)	(49,438)	(46,930)
Depreciation and amortization	(8,816)	(8,488)	(26,158)	(25,327)
Non-fuel operating costs	(63,219)	(52,764)	(154,150)	(140,284)
Cost of fuel purchased	(130,869)	(135,089)	(377,064)	(396,355)
Other operating costs	(194,088)	(187,853)	(531,214)	(536,639)
Profit on ordinary activities before interest being operating profit	11,983	18,381	29,782	33,439
Interest receivable and similar income.....	13	28	54	69
Interest receivable from group undertakings.....	32	26	91	72
Interest payable on bank loans	(15,476)	(15,839)	(47,031)	(47,711)
Loss on ordinary activities before taxation	(3,448)	2,596	(17,104)	(14,131)
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(3,448)	2,596	(17,104)	(14,131)
 Note: Adjusted EBITDA	 27,661	 26,914	 62,768	 59,278
 Fuel margin	 7,607	 7,192	 21,137	 19,690

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 25 September 2013 £'000s	As of 26 September 2012 £'000s
Cash.....	22,459	27,330
Current assets	49,998	36,694
Net fixed assets.....	692,961	712,861
Total assets	765,418	776,885
Short term borrowings.....	(9,900)	(6,200)
Current liabilities.....	(56,791)	(52,769)
Long term borrowings.....	(537,026)	(540,871)
Other long term liabilities.....	-	(321)
Retained Earnings	(285,866)	(270,843)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 25 September 2013 £'000s	13 weeks Ended 26 September 2012 £'000s	39 weeks Ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s
Net cash inflow from operating activities	20,054	25,408	62,020	65,007
Cash outflow from servicing bank loans	(22,786)	(23,523)	(51,227)	(52,009)
Cash outflow from servicing group loans	-	-	(15)	(14)
Net cash outflow from returns on investments and servicing of finance.....	(22,788)	(23,572)	(51,274)	(52,232)
Net cash outflow for capital expenditure and financial investment	(3,021)	(2,565)	(12,506)	(10,929)
Repayment of Senior Debt	(4,000)	(2,100)	(6,200)	(5,800)
Increase / (decrease) in net cash	(9,755)	(2,829)	(7,960)	(3,954)

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 39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012

The following table sets forth our main operating results for the 39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	238,682	225,859	12,823	5.7%
Fuel Turnover	397,900	415,785	(17,885)	(4.3)%
Turnover	636,582	641,644	(5,062)	(0.8)%
Change in stocks of non-fuel goods	(291)	431	(722)	(167.5)%
Change in stocks of fuel	301	260	41	15.8%
Change in stocks of finished goods	10	691	(681)	(98.6)%
Staff costs	(49,438)	(46,930)	(2,508)	(5.3)%
Depreciation and amortization	(26,158)	(25,327)	(831)	(3.3)%
Non-fuel operating costs	(154,150)	(140,284)	(13,866)	(9.9)%
Cost of fuel purchased	(377,064)	(396,355)	19,291	4.9%
Other operating costs	(531,214)	(536,639)	5,425	1.0%
Profit on ordinary activities before interest being operating profit	29,782	33,439	(3,657)	(10.9)%
Interest receivable and similar income	54	69	(15)	(21.7)%
Interest receivable from group undertakings	91	72	19	26.4%
Interest payable on bank loans	(47,031)	(47,711)	680	1.4%
Loss on ordinary activities before taxation	(17,104)	(14,131)	(2,973)	(21.0)%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(17,104)	(14,131)	(2,973)	(21.0)%
Note: EBITDA	55,940	58,766	(2,826)	(4.8)%
Amortization (PCPs and deferred CP Plus costs)	(294)	142	(436)	(307.0)%
Loss on disposal of fixed assets	396	370	26	7.0%
Travelodge provision	(424)	-	(424)	-
Parking contract termination	7,150	-	7,150	-
Adjusted EBITDA	62,768	59,278	3,490	5.9%

Turnover. Turnover decreased by £5.1 million, or 0.8%, from £641.6 million in the 39 weeks ended 26 September 2012 to £636.6 million in the 39 weeks ended 25 September 2013. The change was primarily attributable to a decrease in fuel turnover of £17.9 million as a result of lower full margin fuel volumes. The decrease in fuel turnover was offset by a £12.8 million increase in non-fuel turnover primarily due to (1) £7.4 million higher like-for-like sales, (2) £4.3 million sales from new Costa, Greggs and M&S units opened at Extra sites and (3) £1.1 million additional other turnover from parking revenue and rental income.

The following table shows the breakdown of our non-fuel turnover for the 39 weeks ended 25 September 2013 and the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s	Change
Catering	98,243	90,419	7,824
Convenience Food	63,092	58,159	4,933
CTN	37,019	37,334	(315)
Amusement	8,702	9,200	(498)
Other	8,670	7,548	1,122
Amenity Building	215,726	202,660	13,066
Forecourt.....	22,956	23,199	(243)
Total non-fuel turnover	238,682	225,859	12,823

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

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	13 weeks Ended 25 September 2013	39 weeks Ended 25 September 2013
Amenity Building.....	4.7%	2.3%	4.0%	3.6%
Forecourt.....	2.0%	1.7%	1.8%	1.8%
LFL non-fuel turnover	4.4%	2.2%	3.8%	3.4%

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

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	13 weeks Ended 25 September 2013	39 weeks Ended 25 September 2013
Amenity Building.....	1.3%	0.9%	4.2%	2.3%
Forecourt	(4.4)%	(2.9)%	(0.9)%	(2.6)%
Total transactions	(0.3)%	(0.0)%	3.0%	1.0%

The following table shows the average spend growth in 2013:

	13 weeks Ended 27 March 2013	13 weeks Ended 26 June 2013	13 weeks Ended 25 September 2013	39 weeks Ended 25 September 2013
Amenity Building.....	4.3%	1.5%	0.2%	1.7%
Forecourt	6.7%	4.7%	2.7%	4.6%
Total spend.....	5.6%	2.4%	1.1%	2.7%

Change in stocks of finished goods. Change in stocks of finished goods was £0.01 million in the 39 weeks ended 25 September 2013 and £0.7 million in the 39 weeks ended 26 September 2012. The value of fuel stocks increased by £0.3 million in the 39 weeks ended 25 September 2013 and there was a £0.3 million decrease in non fuel stocks.

Staff costs. Staff costs increased by £2.5 million, or 5.3%, from £46.9 million in the 39 weeks ended 26 September 2012 to £49.4 million in the 39 weeks ended 25 September 2013. The ratio of staff costs to non-fuel turnover reduced from 20.8% in the 39 weeks ended 26 September 2012 to 20.7% in the 39 weeks ended 25 September 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 £0.8 million, or 3.3%, from £25.3 million in the 39 weeks ended 26 September 2012 to £26.2 million in the 39 weeks ended 25 September 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 £5.4 million, or 1.0%, from £536.6 million in the 39 weeks ended 26 September 2012 to £531.2 million in the 39 weeks ended 26 September 2013. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £19.3 million. This decrease was partially offset by a £13.9 million increase in non-fuel operating costs primarily attributable to (1) the £7.2 million settlement to terminate a parking contract, expected to generate a £1.6 million per annum increase in EBITDA going forward and £0.7m in 2013, (2) a £5.9 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (3) a £1.4 million increase in rent expense due to new units at Extra sites £0.6 million, and lower Travelodge rent payable £0.6 million (£0.4 million reduction in rent contributions from Travelodge and £0.2 million due to reclassifying the contribution as rent receivable), (4) a £0.7 million increase in franchise fees, reflecting the growth of the Greggs brand and the improved Costa sales within catering, offset by (5) a £0.8 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 39 weeks ended 25 September 2013 and the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s	Change
Cost of non-fuel merchandise	100,986	95,071	5,915
Property taxes	13,486	13,231	255
Utilities	8,165	8,118	47
Franchise fees	5,904	5,205	699
Maintenance.....	3,133	3,134	(1)
Distribution	1,271	1,300	(29)
Cleaning, travel and admin	5,540	5,667	(127)
Rent expense	6,296	4,895	1,401
Central income.....	(1,500)	(680)	(820)
Corporate and other	4,143	4,343	(200)
Travelodge provision	(424)	-	(424)
Parking contract termination.....	7,150	-	7,150
Total non-fuel operating costs.....	154,150	140,284	13,866

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 and £0.1 million insurance for business interruption at Heston).

Operating profit. Operating profit decreased by £3.7 million, or 10.9%, from £33.4 million in the 39 weeks ended 26 September 2012 to £29.8 million in the 39 weeks ended 25 September 2013. The decrease was primarily attributable to the £7.2 million settlement to terminate a parking contract. This was offset by improved sales of non-fuel goods, and the £1.4 million increase in fuel margin.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.02 million, or 21.7%, from £0.069 million in the 39 weeks ended 26 September 2012 to £0.054 million in the 39 weeks ended 25 September 2013.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.02 million, or 26.4%, from £0.07 million in the 39 weeks ended 26 September 2012 to £0.09 million receivable in the 39 weeks ended 25 September 2013.

Interest payable on bank loans. Interest payable on bank loans decreased by £0.7 million, or 1.4%, from £47.7 million in the 39 weeks ended 26 September 2012 to £47.0 million in the 39 weeks ended 25 September 2013. The decrease was attributable to (1) £0.7 million swap break costs paid in 2012, (2) £0.5 million saving due to the repayments of senior debt, (3) £0.2 million saving due to lower differential between the 6 month LIBOR charged on the debt and the 3 month LIBOR hedge, offset by (4) £0.7 million additional interest due to the 0.25% annual increase in the margin on the senior debt, and (5) £0.2 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 increased by 21.0%, from £14.1 million in the 39 weeks ended 26 September 2012 to £17.1 million in the 39 weeks ended 25 September 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 39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s
Operating profit	29,782	33,439
Depreciation charge.....	22,702	21,871
Loss on disposal of tangible fixed assets.....	396	370
Goodwill amortization.....	3,456	3,456
Increase in stocks.....	(10)	(691)
Decrease / (increase) in debtors.....	6,259	(1,686)
(Decrease) / increase in creditors.....	(565)	8,248
Net cash inflow from operating activities	62,020	65,007

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 debtors and the decrease in creditors.

39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012

Cash inflow from operating activities decreased by £3.0 million, or 4.6%, from £65.0 million in the 39 weeks ended 26 September 2012 to £62.0 million in the 39 weeks ended 25 September 2013. This is primarily attributable to (1) a decrease in operating profit of £3.7 million from £33.4 million in the 39 weeks ended 26 September 2012 to £29.8 million in the 39 weeks ended 25 September 2013, (2) an increase in the depreciation charge of £0.8 million, from £21.9 million in the 39 weeks ended 26 September 2012 to £22.7 million in the 39 weeks ended 25 September 2013 and (3) a decrease in cash inflow from working capital of £0.2 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 39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s
Interest received.....	54	69
Interest paid on bank loans	(51,227)	(52,009)
Bank interest and similar	(86)	(107)
Intercompany interest paid	(15)	(14)
Issue costs of new bank loans	-	(171)
Net cash outflow from returns on investments and servicing of finance.....	(51,274)	(52,232)

Interest received. Interest received decreased from £0.07 million in the 39 weeks ended 26 September 2012 to £0.05 million in the 39 weeks ended 25 September 2013.

Interest paid on bank loans. Interest paid on bank loans decreased from £52.0 million in the 39 weeks ended 26 September 2012 to £51.2 million in the 39 weeks ended 25 September 2013. This is attributable to the inclusion of £0.7 million of swap break costs in the 2012 figures.

Bank interest and similar. Bank interest and similar charges decreased slightly from £0.1 million in the 39 weeks ended 26 September 2012 to £0.09 million in the 39 weeks ended 25 September 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 39 weeks ended 25 September 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 39 weeks ended 26 September 2012 represents residual costs incurred related to the Refinancing.

Capital expenditure

The following table shows our capital expenditures for the 39 weeks ended 25 September 2013 compared to the 39 weeks ended 26 September 2012:

	39 weeks ended 25 September 2013 £'000s	39 weeks Ended 26 September 2012 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,783)	(2,352)
Expansion spend	(8,853)	(7,835)
IT One-off projects spend	(838)	(673)
Cherwell Valley Rebuild	(32)	(69)
Cash outflow for capital expenditure	(12,506)	(10,929)

For the 39 weeks ended 25 September 2013, our capital expenditure amounted to £12.5 million, which consisted of £2.8 million for maintenance spending, £8.9 million for expansion including the continued roll-out of new Greggs stores, Burger King, Costa and M&S Store Refreshes, Harvester trial and ongoing spend on prior year projects, £0.8 million on IT projects and £0.03 million on the rebuild of Cherwell Valley.

For the 39 weeks ended 26 September 2012, our capital expenditure amounted to £10.9 million, which consisted of £2.4 million for maintenance spending, £7.8 million for expansion including the roll-out of two new M&S stores, major layout improvements at Toddington North, KFC trial, Greggs trial, Burger King store improvements, rollout of Adblue fuel additive, and utilities usage savings, £0.7 million on IT projects and £0.07 million on the rebuild of Cherwell Valley.

Net debt

The following table shows our net debt position as at 25 September 2013 compared to 26 September 2012:

	25 September 2013 £'000s	26 September 2012 £'000s
Cash in hand and at bank	22,459	27,330
Debt due within one year	(9,900)	(6,200)
Debt due after one year	(537,026)	(540,871)
Net debt	(524,467)	(519,741)

At 25 September 2013, the debt due after one year includes £378.1 million of senior debt and £172.7 million of corporate bonds, less £13.8 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 31 December 2013 (£5.4 million) and 30 June 2014 (£4.5 million).

At 26 September 2012, the debt due after one year includes £388.0 million of senior debt and £171.8 million of corporate bonds, less £18.9 million of capitalised debt costs. The debt due within one year of £6.2 million represents the senior debt due for repayment on 31 December 2012 (£2.2 million) and 30 June 2013 (£4.0 million).