

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2015

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 24 June 2015 £'000s	13 weeks Ended 25 June 2014 £'000s	26 weeks Ended 24 June 2015 £'000s	26 weeks Ended 25 June 2014 £'000s
Non-fuel turnover.....	91,886	87,501	163,468	155,683
Fuel turnover.....	106,540	114,779	198,741	232,228
Turnover	198,426	202,280	362,209	387,911
Change in stocks of non-fuel goods.....	288	(25)	(98)	(649)
Change in stocks of fuel.....	84	382	(735)	193
Change in stocks of finished goods	372	357	(833)	(456)
Staff costs.....	(19,073)	(18,298)	(36,008)	(34,605)
Depreciation and amortization	(11,134)	(9,849)	(22,737)	(19,154)
Non-fuel operating costs	(55,381)	(52,116)	(100,171)	(95,328)
Cost of fuel purchased.....	(98,660)	(107,762)	(183,195)	(218,318)
Other operating costs	(154,041)	(159,878)	(283,366)	(313,646)
Profit on ordinary activities before interest being operating profit	14,550	14,612	19,265	20,050
Interest receivable and similar income.....	14	7	151	147
Interest receivable from group undertakings.....	44	36	88	72
Interest payable on bank loans	(8,972)	(15,606)	(41,117)	(31,123)
Profit / (loss) on ordinary activities before taxation	5,636	(951)	(21,613)	(10,854)
Tax on profit / (loss) on ordinary activities.....	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	5,636	(951)	(21,613)	(10,854)
 Note: Adjusted EBITDA	 25,684	 24,285	 41,660	 38,826
 Fuel margin	 7,964	 7,399	 14,811	 14,103

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 24 June 2015 £'000s	As of 25 June 2014 £'000s
Cash.....	36,367	37,760
Current assets	44,209	47,144
Net fixed assets.....	946,448	773,578
Total assets	1,027,023	858,482
Short term borrowings.....	-	(12,600)
Current liabilities.....	(65,780)	(76,178)
Long term borrowings	(544,679)	(533,472)
Retained Earnings	(323,616)	(300,602)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 24 June 2015 £'000s	13 weeks Ended 25 June 2014 £'000s	26 weeks Ended 24 June 2015 £'000s	26 weeks Ended 25 June 2014 £'000s
Net cash inflow from operating activities	24,333	29,811	47,461	49,654
Cash outflow from servicing bank loans.....	(7,257)	(5,125)	(39,975)	(27,647)
Cash outflow from servicing group loans	(1)	-	(15)	(14)
Net cash outflow from returns on investments and servicing of finance	(7,275)	(5,149)	(39,884)	(27,575)
Net cash outflow for capital expenditure and financial investment	(4,022)	(4,059)	(8,380)	(11,564)
Net cash outflow from financing.....	(2,505)	-	(5,704)	(5,400)
Increase / (decrease) in net cash	10,531	20,603	(6,507)	5,115

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 24 June 2015 compared to the 26 weeks ended 25 June 2014

The following table sets forth our main operating results for the 26 weeks ended 24 June 2015 compared to the 26 weeks ended 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	163,468	155,683	7,785	5.0%
Fuel Turnover	198,741	232,228	(33,487)	(14.4)%
Turnover	362,209	387,911	(25,702)	(6.6)%
Change in stocks of non-fuel goods	(98)	(649)	551	84.9%
Change in stocks of fuel	(735)	193	(928)	(480.8)%
Change in stocks of finished goods	(833)	(456)	(377)	(82.7)%
Staff costs	(36,008)	(34,605)	(1,403)	(4.1)%
Depreciation and amortization	(22,737)	(19,154)	(3,583)	(18.7)%
Non-fuel operating costs	(100,171)	(95,328)	(4,843)	(5.1)%
Cost of fuel purchased	(183,195)	(218,318)	35,123	16.1%
Other operating costs	(283,366)	(313,646)	30,280	9.7%
Profit on ordinary activities before interest being operating profit	19,265	20,050	(785)	(3.9)%
Interest receivable and similar income	151	147	4	2.7%
Interest receivable from group undertakings	88	72	16	22.2%
Interest payable on bank loans	(41,117)	(31,123)	(9,994)	(32.1)%
Loss on ordinary activities before taxation	(21,613)	(10,854)	(10,759)	(99.1)%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(21,613)	(10,854)	(10,759)	(99.1)%
Note: EBITDA	42,002	39,204	2,798	7.1%
Amortization (PCPs and deferred CP Plus costs)	-	-	-	-
Loss on disposal of fixed assets	-	29	(29)	(100.0)%
Travelodge provision	(342)	(407)	65	16.0%
Adjusted EBITDA	41,660	38,826	2,834	7.3%

Turnover. Turnover decreased by £25.7 million, or 6.6%, from £387.9 million in the 26 weeks ended 25 June 2014 to £362.2 million in the 26 weeks ended 24 June 2015. The change was primarily attributable to a decrease in fuel turnover of £33.5 million. The decrease in fuel turnover was offset by a £7.8 million increase in non-fuel turnover due to (1) £8.1 million higher sales in the amenity building, offset by a reduction of £0.4 million in forecourt shop sales due to lost forecourts.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 24 June 2015 and the 26 weeks ended 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s	Change
Catering	69,838	65,218	4,620
Convenience Food	41,970	40,688	1,282
CTN	22,845	22,674	171
Amusement	8,072	6,930	1,142
Other	8,121	7,188	933
Amenity Building	150,846	142,698	8,148
Forecourt.....	12,622	12,985	(363)
Total non-fuel turnover	163,468	155,683	7,785

The following table shows the like-for-like sales growth in 2015:

	13 weeks Ended 25 March 2015	13 weeks Ended 24 June 2015	26 weeks Ended 24 June 2015
Amenity Building (including amusements)	6.0%	5.9%	5.9%
Forecourt	3.9%	0.2%	1.9%
LFL non-fuel turnover	5.8%	5.5%	5.6%

The following table shows the like-for-like transaction growth in 2015:

	13 weeks Ended 25 March 2015	13 weeks Ended 24 June 2015	26 weeks Ended 24 June 2015
Amenity Building (excluding amusements)	5.9%	5.1%	5.5%
Forecourt	(3.0)%	(3.1)%	(3.0)%
Total transactions	4.1%	3.5%	3.8%

The following table shows the average spend growth in 2015:

	13 weeks Ended 25 March 2015	13 weeks Ended 24 June 2015	26 weeks Ended 24 June 2015
Amenity Building (excluding amusements)	(0.7)%	0.4%	(0.1)%
Forecourt	7.0%	3.4%	5.1%
Total spend	1.0%	1.5%	1.3%

Change in stocks of finished goods. Change in stocks of finished goods was £0.8 million in the 26 weeks ended 24 June 2015 and £0.5 million in the 26 weeks ended 25 June 2014. The value of fuel stocks increased by £0.7 million in the 26 weeks ended 25 June 2015 and there was a £0.1 million decrease in non fuel stocks.

Staff costs. Staff costs increased by £1.4 million, or 4.1%, from £34.6 million in the 26 weeks ended 25 June 2014 to £36.0 million in the 26 weeks ended 24 June 2015. The ratio of staff costs to non-fuel turnover reduced from 22.2% in the 26 weeks ended 25 June 2014 to 22.0% in the 26 weeks ended 24 June 2015, despite the opening of additional units.

Depreciation and amortization. Depreciation and amortization increased by £3.6 million, or 18.7%, from £19.2 million in the 26 weeks ended 25 June 2014 to £22.7 million in the 26 weeks ended 24 June 2015. The revaluation in December 2014 increased the net book value of fixed assets by £203.5 million. Depreciation is recorded on a straight line basis over the remaining useful economic life of the assets, which resulted in an increased depreciation charge. Amortization charges were unchanged from 2014 to 2015.

Other operating costs. Other operating costs decreased by £30.3 million, or 9.7%, from £313.6 million in the 26 weeks ended 25 June 2014 to £283.4 million in the 26 weeks ended 24 June 2015. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £35.1 million. This decrease was partially offset by a £4.8 million increase in non-fuel operating costs primarily attributable to (1) a £3.3 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.4 million increase in franchise fees, reflecting the growth of the Greggs brand and the improved Costa and Burger King sales within catering, and (3) a £0.8 million reduction in Central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 24 June 2015 and the 26 weeks ended 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s	Change
Cost of non-fuel merchandise	68,457	65,131	3,326
Property taxes	8,382	8,675	(293)
Utilities	5,838	5,725	113
Franchise fees	4,370	3,978	392
Maintenance.....	2,332	2,189	143
Distribution	836	783	53
Cleaning, travel and admin	3,808	3,756	52
Rent expense	4,561	4,407	154
Central income.....	(1,074)	(1,856)	782
Corporate and other	3,002	2,947	55
Travelodge provision	(341)	(407)	66
Total non-fuel operating costs.....	100,171	95,328	4,843

Central income includes £0.65 million compensation from BP for early termination of forecourt leases, £0.5 million for Trowell CPO, £0.15 million for Cobham fire insurance, offset by £0.23m other costs. (2014: £0.8 million compensation from BP for the early termination of forecourt leases, £0.4 million for Todhills CPO, £0.4 million from Travelodge for historic maintenance recharges, and £0.2 million prior period VAT reclaims).

Operating profit. Operating profit decreased by £0.8 million, or 3.9%, from £20.1 million in the 26 weeks ended 25 June 2014 to £19.3 million in the 26 weeks ended 24 June 2015. The decrease was primarily due to increased Depreciation and amortisation and Non-fuel operating costs (£8.4 million in total).

Interest receivable and similar income. Interest receivable and similar income has remained relatively flat in the period.

Interest receivable from group undertakings. Interest receivable from group undertakings has remained relatively flat in the period.

Interest payable on bank loans. Interest payable on bank loans increased by £10.0 million, or 32.1%, from £31.1 million in the 26 weeks ended 25 June 2014 to £41.1 million in the 26 weeks ended 24 June 2015. The increase was attributable to (1) £5.6 million higher capitalised debt costs amortisation relating to the write-off of previous senior debt and high yield bond costs (£6.6 million) offset by a reduction in monthly amortisation (£1.0 million), (2) £1.6 million additional write-off of previous high yield bond discount, offset by (3) £4.7 million saving on interest charged for new senior debt and hedge and (4) £1.8 million saving on interest charge for new high yield bond.

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 99.1%, from £10.9 million in the 26 weeks ended 25 June 2014 to £21.6 million in the 26 weeks ended 24 June 2015.

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 24 June 2015 compared to the 26 weeks ended 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s
Operating profit	19,265	20,050
Depreciation charge.....	20,433	16,850
Loss on disposal of tangible fixed assets.....	0	29
Goodwill amortization.....	2,304	2,304
Decrease in stocks.....	833	456
Increase in debtors.....	(1,911)	654
Increase in creditors.....	6,537	9,311
Net cash inflow from operating activities	47,461	49,654

Cash inflow from operating activities decreased by £2.2 million, or 4.4%, from £49.7 million in the 26 weeks ended 25 June 2014 to £47.5 million in the 26 weeks ended 24 June 2015. This is primarily attributable to (1) a decrease in operating profit of £0.8 million from £20.1 million in the 26 weeks ended 25 June 2014 to £19.3 million in the 26 weeks ended 24 June 2015, (2) an increase in the cash outflow from working capital of £5.0 million, offset by (3) an increase in the depreciation charge of £3.6 million, from £16.9 million in the 26 weeks ended 25 June 2014 to £20.4 million in the 26 weeks ended 24 June 2015.

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 24 June 2015 compared to the 26 weeks 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s
Interest received.....	151	147
Interest paid on bank loans	(39,975)	(27,647)
Bank interest and similar	(45)	(61)
Intercompany interest paid	(15)	(14)
Net cash outflow from returns on investments and servicing of finance.....	(39,884)	(27,575)

Interest received. Interest received increased from £0.147 million in the 26 weeks ended 25 June 2014 to £0.151 million in the 26 weeks ended 24 June 2015.

Interest paid on bank loans. Interest paid on bank loans increased from £27.6 million in the 26 weeks ended 25 June 2014 to £40.0 million in the 26 weeks ended 24 June 2015. The increase was attributable to (1) £9.9 million payment relating to redemption of the previous high yield bond including accrued interest, (2) £8.7m increase due to the move to quarterly interest payments, offset by (3) £6.3 million saving relating to the lower interest rates on the new senior debt and high yield bond,

Bank interest and similar. Bank interest and similar charges decreased slightly from £0.061 million in the 26 weeks ended 25 June 2014 to £0.045 million in the 26 weeks ended 24 June 2015. 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 £0.015 million in the 26 weeks ended 24 June 2015, and represent the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 24 June 2015 compared to the 26 weeks ended 25 June 2014:

	26 weeks ended 24 June 2015 £'000s	26 weeks ended 25 June 2014 £'000s
Capital Expenditure by Category:		
Maintenance spend	(1,948)	(2,399)
Expansion spend	(5,545)	(5,231)
IT One-off projects spend	(887)	(344)
Leeming Bar acquisition	-	(3,590)
Cash outflow for capital expenditure	<u>(8,380)</u>	<u>(11,564)</u>

For the 26 weeks ended 24 June 2015, our capital expenditure amounted to £8.4 million, which consisted of £1.9 million for maintenance spending, £5.5 million for expansion including the continued roll-out of new Greggs stores and 4 new M&S stores, and ongoing spend on prior year projects and £0.9 million on IT projects – till system and wide-area network.

For the 26 weeks ended 25 June 2014, our capital expenditure amounted to £11.7 million, which consisted of £2.4 million for maintenance spending, £5.2 million for expansion including the continued roll-out of new Greggs stores, 2 new M&S stores, Wetherby and Lymm forecourt projects, Burger King and Costa Store Refreshes, and ongoing spend on prior year projects, £0.3 million on IT projects, and £3.6m to acquire a new site at Leeming Bar.

Net debt

The following table shows our net debt position as at 24 June 2015 compared to 25 June 2014:

	24 June 2015 £'000s	25 June 2014 £'000s
Cash in hand and at bank	36,367	37,760
Debt due within one year	-	(12,600)
Debt due after one year	(544,679)	(533,472)
Net debt	<u>(508,312)</u>	<u>(508,312)</u>

At 24 June 2015, the debt due after one year includes £385.0 million of senior debt and £175.0 million of corporate bonds, less £15.3 million of capitalised debt costs.

At 25 June 2014, the debt due after one year includes £370.0 million of senior debt and £173.4 million of corporate bonds, less £10.0 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 30 June 2014 (£4.5 million) and 31 December 2014 (£8.1 million).