

MOTO VENTURES LIMITED

QUARTERLY REPORT

MARCH 2016

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 30 March 2016 £'000s	13 weeks Ended 25 March 2015 £'000s
Non-fuel turnover	77,009	71,582
Fuel turnover	88,996	92,201
Turnover	166,005	163,783
Change in stocks of non-fuel goods.....	(117)	(387)
Change in stocks of fuel	(320)	(819)
Change in stocks of finished goods	(437)	(1,206)
Staff costs	(18,549)	(16,934)
Depreciation and amortization.....	(12,197)	(11,603)
Non-fuel operating costs.....	(48,145)	(44,790)
Cost of fuel purchased	(81,447)	(84,535)
Other operating costs	(129,592)	(129,325)
Profit on ordinary activities before interest being operating profit	5,230	4,715
Interest receivable and similar income	216	138
Interest receivable from group undertakings	53	44
Interest payable on bank loans.....	(8,977)	(32,146)
Loss on ordinary activities before taxation	(3,478)	(27,249)
Tax on loss on ordinary activities.....	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(3,478)	(27,249)
 Note: Adjusted EBITDA	 17,268	 16,147
 Fuel margin	 7,228	 6,847

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 30 March 2016 £'000s	As of 25 March 2015 £'000s
Cash.....	58,145	25,835
Current assets (excluding cash)	47,779	39,892
Net fixed assets.....	1,042,915	953,559
Total assets	1,148,839	1,019,286
Current liabilities.....	(65,123)	(61,959)
Long term borrowings	(552,094)	(546,400)
Retained Earnings	(330,646)	(329,252)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 30 March 2016 £'000s	13 weeks Ended 25 March 2015 £'000s
Net cash inflow from operating activities	15,793	23,129
Cash outflow from servicing bank loans	(8,173)	(32,718)
Cash outflow from servicing group loans	-	(14)
Net cash outflow from returns on investments and servicing of finance	(7,973)	(32,610)
Taxation	(912)	-
Net cash outflow for capital expenditure and financial investment	(4,651)	(4,357)
Net cash outflow from financing	-	(3,200)
Increase / (decrease) in net cash	2,257	(17,038)

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 13 weeks ended 30 March 2016 compared to the 13 weeks ended 25 March 2015

The following table sets forth our main operating results for the 13 weeks ended 30 March 2016 compared to the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	77,009	71,582	5,427	7.6%
Fuel Turnover	88,996	92,201	(3,205)	(3.5)%
Turnover	166,005	163,783	2,222	1.4%
Change in stocks of non-fuel goods	(117)	(387)	270	69.8%
Change in stocks of fuel	(320)	(819)	499	60.9%
Change in stocks of finished goods	(437)	(1,206)	769	63.8%
Staff costs	(18,549)	(16,934)	(1,615)	(9.5)%
Depreciation and amortization	(12,197)	(11,603)	(594)	(5.1)%
Non-fuel operating costs	(48,145)	(44,790)	(3,355)	(7.5)%
Cost of fuel purchased	(81,447)	(84,535)	3,088	3.7%
Other operating costs	(129,592)	(129,325)	(267)	(0.2)%
Profit on ordinary activities before interest being operating profit	5,230	4,715	515	10.9%
Interest receivable and similar income	216	138	78	56.5%
Interest receivable from group undertakings	53	44	9	20.5%
Interest payable on bank loans	(8,977)	(32,146)	23,169	72.1%
Loss on ordinary activities before taxation	(3,478)	(27,249)	23,771	87.2%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(3,478)	(27,249)	23,771	87.2%
Note: EBITDA	17,427	16,318	1,109	6.8%
Loss on disposal of fixed assets	15	-	15	100%
Travelodge provision	(174)	(171)	(3)	(1.8)%
Adjusted EBITDA	17,268	16,147	1,121	6.9%

Turnover. Turnover increased by £2.2 million, or 1.4%, from £163.8 million in the 13 weeks ended 25 March 2015 to £166.0 million in the 13 weeks ended 30 March 2016. The change was primarily attributable to an increase in non-fuel turnover of £5.4 million, as a result of continued growth in catering and convenience food, and the timing impact of Easter. The peak Easter trading week was in March 2016, but April 2015, increasing turnover in 2016 by c. £0.9 million. This was partly offset by a £3.2 million decrease in fuel turnover, attributable to a decline in the pump price of fuel sold.

The following table shows the breakdown of our non-fuel turnover for the 13 weeks ended 30 March 2016 and the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s	Change
Catering	32,990	30,346	2,644
Convenience Food	19,519	17,808	1,711
CTN	10,033	9,750	283
Amusement	4,506	3,880	626
Other	4,330	3,836	494
Amenity Building	71,378	65,620	5,758
Forecourt.....	5,631	5,962	(331)
Total non-fuel turnover	77,009	71,582	5,427

The following table shows the shifted* like-for-like sales growth in 2016:

	13 weeks Ended 30 March 2016
Amenity Building (including amusements)	8.0%
Forecourt.....	0.6%
LFL non-fuel turnover	7.4%

The following table shows the shifted* like-for-like transaction growth in 2016:

	13 weeks Ended 30 March 2016
Amenity Building (excluding amusements)	6.7%
Forecourt.....	1.0%
Total transactions	5.6%

The following table shows the shifted* average spend growth in 2016:

	13 weeks Ended 30 March 2016
Amenity Building (excluding amusements)	1.2%
Forecourt.....	(0.3)%
Total spend	1.7%

* The like-for-like sales, transaction and average spend growth above is presented on a shifted basis, to compensate for the impact of the 53rd week of trading in 2015. This analysis compares the 13 weeks ended 30 March 2016 with the 13 weeks ended 1 April 2015. The earlier timing of Easter in 2016 has a positive impact on the sales and transaction growth rates in the period.

Change in stocks of finished goods. Change in stocks of finished goods was £0.4 million in the 13 weeks ended 30 March 2016 and £1.2 million in the 13 weeks ended 25 March 2015. The value of fuel stocks decreased by £0.3 million in the 13 weeks ended 30 March 2016 and there was a £0.1 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £1.6 million, or 9.5%, from £16.9 million in the 13 weeks ended 25 March 2015 to £18.5 million in the 13 weeks ended 30 March 2016. The ratio of staff costs to non-fuel turnover increased from 23.7% in the 13 weeks ended 25 March 2015 to 24.1% (23.8% after adjusting for higher bonus accruals) in the 13 weeks ended 30 March 2016.

Depreciation and amortization. Depreciation and amortization increased by £0.6 million, or 5.1%, from £11.6 million in the 13 weeks ended 25 March 2015 to £12.2 million in the 13 weeks ended 30 March 2016. The revaluation posted in October 2015 increased the net book value of fixed assets by £122.3 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 2015 to 2016.

Other operating costs. Other operating costs increased by £0.3 million, or 0.2%, from £129.3 million in the 13 weeks ended 25 March 2015 to £129.6 million in the 13 weeks ended 30 March 2016. The change was attributable to a £3.4 million increase in non-fuel operating costs, partially offset by a reduction of £3.1 million in the cost of fuel purchased. The £3.4 million increase in non-fuel operating costs is primarily attributable to (1) a £2.4 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.3 million increase in property taxes, (3) a £0.5 million increase due to the reduction in central income, offset by (4) a £0.3 million decrease in utilities.

The following represents a breakdown of our non-fuel operating costs for the 13 weeks ended 30 March 2016 and the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s	Change
Cost of non-fuel merchandise	31,751	29,385	2,366
Property taxes	4,303	3,994	309
Utilities	2,814	3,111	(297)
Franchise fees	2,071	1,923	148
Maintenance.....	1,295	1,171	124
Distribution	385	361	24
Cleaning, travel and admin	1,902	1,795	107
Rent expense	2,342	2,285	57
Central income.....	-	(500)	500
Corporate and other	1,456	1,436	20
Travelodge provision	(174)	(171)	(3)
Total non-fuel operating costs.....	48,145	44,790	3,355

Central income in the period was nil (2014: £0.5 million relates to compensation from BP for the early termination of forecourt leases)

Operating profit. Operating profit increased by £0.5 million, or 10.9%, from £4.7 million in the 13 weeks ended 25 March 2015 to £5.2 million in the 13 weeks ended 30 March 2016. The increase was due to reasons outlined above.

Interest receivable and similar income. Interest receivable and similar income remains materially unchanged in the 13 weeks ended 30 March 2016.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 13 weeks ended 30 March 2016.

Interest payable on bank loans. Interest payable on bank loans decreased by £23.2 million, or 72.1%, from £32.1 million in the 13 weeks ended 25 March 2015 to £9.0 million in the 13 weeks ended 30 March 2016. The decrease was attributable to (1) £6.6 million lower capitalised debt costs amortisation due to the full write-off of old senior debt and high yield bond costs in 2015, (2) £2.1 million saving on write-off of old high yield bond discount, (3) £9.3 million saving relating to redemption of the old high yield bond charged in 2015, and (4) £5.2 million saving due to more favourable interest rates on the new debt arrangements.

Tax on loss on ordinary activities. Tax on loss on ordinary activities was nil in both periods. The tax charge for 2016 will be posted in the statutory accounts as a final year-end adjustment.

Retained loss for the financial period. For the reasons set forth above, retained loss for the period decreased by 87.2%, from £27.2 million in the 13 weeks ended 25 March 2015 to £3.5 million in the 13 weeks ended 30 March 2016.

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 13 weeks ended 30 March 2016 compared to the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s
Operating profit	5,230	4,715
Depreciation charge	11,045	10,451
Loss on disposal of tangible fixed assets	15	-
Goodwill amortization	1,152	1,152
Decrease in stocks	437	1,206
(Increase) / decrease in debtors.....	(2,509)	1,759
Increase in creditors.....	423	3,846
Net cash inflow from operating activities	15,793	23,129

Cash inflow from operating activities decreased by £7.3 million, or 31.7%, from £23.1 million in the 13 weeks ended 25 March 2015 to £15.8 million in the 13 weeks ended 30 March 2016. This is primarily attributable to (1) an increase in operating profit of £0.5 million, from £4.7 million in the 13 weeks ended 25 March 2015 to £5.2 million in the 13 weeks ended 30 March 2016, (2) an increase in the depreciation charge of £0.6 million, from £10.5 million in the 13 weeks ended 25 March 2015 to £11.0 million in the 13 weeks ended 30 March 2016, offset by (3) a decrease in the cash flow from working capital of £8.5 million, from a £6.8m inflow in the 13 weeks ended 25 March 2015 to £1.6 million outflow in the 13 weeks ended 30 March 2016. The main working capital differences relate to (i) the receipt of £3.8 million deferred income within the 2015 creditors figure profit share from the Doncaster freehold sale, (ii) the later timing of the period end resulted in the £1.5 million prepayment of April rates being included in the 2016 debtors movement, and (3) the impact of different bank holiday timing at both the start and end of the quarter reduced the impact of credit card receipts in the period by £0.8 million.

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 13 weeks ended 30 March 2016 compared to the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s
Interest received.....	216	138
Interest paid on bank loans	(8,173)	(32,718)
Bank interest and similar	(16)	(16)
Intercompany interest paid	-	(14)
Net cash outflow from returns on investments and servicing of finance.....	<u>(7,973)</u>	<u>(32,610)</u>

Interest received. Interest received increased from £0.138 million in the 13 weeks ended 25 March 2015 to £0.216 million in the 13 weeks ended 30 March 2016.

Interest paid on bank loans. Interest paid on bank loans decreased from £32.7 million in the 13 weeks ended 25 March 2015 to £8.2 million in the 13 weeks ended 30 March 2016. The decrease was attributable to (1) £9.9 million saving relating to redemption of the old high yield bond including accrued interest paid in 2015, (2) £5.2 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £9.4 million lower interest payment, as the change to quarterly interest payments under the current Senior Facility means the March payment relates to three months of interest rather than six months.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 13 weeks ended 30 March 2016. 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 and represent the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 13 weeks ended 30 March 2016 compared to the 13 weeks ended 25 March 2015:

	13 weeks ended 30 March 2016 £'000s	13 weeks ended 25 March 2015 £'000s
Capital Expenditure by Category:		
Maintenance spend	(1,436)	(1,063)
Expansion spend	(2,770)	(2,654)
IT One-off projects spend	(445)	(640)
Cash outflow for capital expenditure	<u>(4,651)</u>	<u>(4,357)</u>

For the 13 weeks ended 30 March 2016, our capital expenditure amounted to £4.7 million, which consisted of £1.4 million for maintenance spending, £2.8 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units and the introduction of food courts at 2 sites, and ongoing spend on prior year projects and £0.4 million on IT projects.

For the 13 weeks ended 25 March 2015, our capital expenditure amounted to £4.4 million, which consisted of £1.1 million for maintenance spending, £2.7 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 £0.6 million on IT projects – till system and wide-area network

Net debt

The following table shows our net debt position as at 30 March 2016 compared to 25 March 2015:

	30 March 2016 £'000s	25 March 2015 £'000s
Cash in hand and at bank	58,145	25,835
Debt due after one year	(552,094)	(546,400)
Net debt	<u>(493,949)</u>	<u>(520,565)</u>

At 30 March 2016, the debt due after one year includes £390.3 million of senior debt and £175.0 million of corporate bonds, less £13.2 million of capitalised debt costs.

At 25 March 2015, the debt due after one year includes £385.0 million of senior debt and £175.0 million of corporate bonds, less £13.6 million of capitalised debt costs.