

MOTO VENTURES LIMITED

QUARTERLY REPORT

DECEMBER 2016

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 28 December 2016 £'000s	14 weeks Ended 30 December 2015 £'000s	52 weeks Ended 28 December 2016 £'000s	53 weeks Ended 30 December 2015 £'000s
Non-fuel turnover.....	87,750	92,953	367,138	363,391
Fuel turnover.....	107,388	105,414	411,549	410,720
Turnover	195,138	198,367	778,687	774,111
Change in stocks of non-fuel goods.....	205	327	218	135
Change in stocks of fuel.....	(492)	302	(4)	(729)
Change in stocks of finished goods	(287)	629	214	(594)
Staff costs.....	(19,552)	(20,160)	(78,465)	(76,207)
Depreciation and amortization	(12,180)	(11,841)	(49,045)	(45,707)
Non-fuel operating costs	(53,162)	(56,690)	(219,612)	(215,167)
Cost of fuel purchased	(98,288)	(97,245)	(377,750)	(378,031)
Other operating costs	(151,450)	(153,935)	(597,362)	(593,198)
Effect of the revaluation of fixed assets.....	-	211	-	211
Profit on ordinary activities before interest being operating profit	11,669	13,271	54,029	58,616
Interest receivable and similar income.....	22	26	328	191
Interest receivable from group undertakings.....	60	52	225	190
Interest payable on bank loans	(9,030)	(9,637)	(36,048)	(59,675)
Profit / (loss) on ordinary activities before taxation	2,721	3,712	18,534	(678)
Tax on profit / (loss) on ordinary activities.....	-	(4,487)	-	(4,487)
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	2,721	(775)	18,534	(5,165)
 Note: Adjusted EBITDA	 23,676	 24,770	 102,394	 103,467
 Fuel margin	 8,609	 8,472	 33,796	 31,960

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 28 December 2016 £'000s	As of 30 December 2015 £'000s
Cash.....	30,630	55,888
Total current assets	76,222	103,522
Net fixed assets.....	1,017,588	1,050,476
Total assets	1,093,810	1,153,998
Current liabilities.....	(63,773)	(66,104)
Long term borrowings	(562,074)	(551,296)
Retained Earnings	(394,305)	(327,169)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 28 December 2016 £'000s	14 weeks Ended 30 December 2015 £'000s	52 weeks Ended 28 December 2016 £'000s	53 weeks Ended 30 December 2015 £'000s
Net cash inflow from operating activities	15,865	22,130	103,269	104,463
Cash outflow from servicing bank loans	(8,137)	(8,090)	(32,837)	(56,206)
Cash outflow from servicing group loans	-	(1)	-	(16)
Net cash outflow from returns on investments and servicing of finance	(8,156)	(8,107)	(32,600)	(56,139)
Taxation.....	(263)	(1,287)	(1,663)	(1,494)
Net cash outflow for capital expenditure and financial investment	(2,932)	(2,606)	(16,173)	(13,117)
Net cash inflow/ (outflow) from financing	2,200	5,018	7,579	(698)
Equity dividends paid to shareholders.....	-	(20,000)	(85,671)	(20,000)
Increase / (decrease) in net cash	6,714	(4,852)	(25,259)	13,015

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.

The operating results presented in this report compare a 52- and 53- week financial period for Fiscal Year 2016 and 2015 respectively. Pro forma figures for Fiscal Year 2015 (on a 52- week basis) have not been prepared unless otherwise stated. The financial impact of the additional week in Fiscal Year 2015 has been calculated by management as £2.4 million at a profit level with an estimated non-fuel turnover impact of £6.6 million.

Comparative figures for Fiscal Year 2015 have been restated to reflect a statutory accounts adjustment for corporation tax of £4.5 million not reflected in the original December 2015 report.

Results of Operations

Results of operations for the 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015

The following table sets forth our main operating results for the 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	367,138	363,391	3,747	1.0%
Fuel Turnover	411,549	410,720	829	0.2%
Turnover	778,687	774,111	4,576	0.6%
Change in stocks of non-fuel goods	218	135	83	61.5%
Change in stocks of fuel	(4)	(729)	725	99.5%
Change in stocks of finished goods	214	(594)	808	136.0%
Staff costs	(78,465)	(76,207)	(2,258)	(3.0)%
Depreciation and amortization	(49,045)	(45,707)	(3,338)	(7.3)%
Non-fuel operating costs	(219,612)	(215,167)	(4,445)	(2.1)%
Cost of fuel purchased	(377,750)	(378,031)	281	0.1%
Other operating costs.....	(597,362)	(593,198)	(4,164)	(0.7)%
Effect of the revaluation of fixed assets	-	211	(211)	(100.0)%
Profit on ordinary activities before interest being operating profit	54,029	58,616	(4,587)	(7.8)%
Interest receivable and similar income.....	328	191	137	71.7%
Interest receivable from group undertakings.....	225	190	35	18.4%
Interest payable on bank loans	(36,048)	(59,675)	23,627	39.6%
Profit / (loss) on ordinary activities before taxation.....	18,534	(678)	19,212	2,833.6%
Tax on profit / (loss) on ordinary activities.....	-	(4,487)	4,487	100.0%
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	18,534	(5,165)	23,699	458.8%
Note: EBITDA	103,074	104,111	(1,037)	(1.0)%
Loss on disposal of fixed assets	15	39	(24)	(61.5)%
Travelodge provision	(695)	(683)	(12)	(1.8)%
Adjusted EBITDA	102,394	103,467	(1,073)	(1.0)%

Turnover. Turnover increased by £4.6 million, or 0.6%, from £774.1 million in the 53 weeks ended 30 December 2015 to £778.7 million in the 52 weeks ended 28 December 2016. The change was primarily attributable to an increase in non-fuel turnover of £3.8 million. Fuel turnover increased by £0.8 million.

The following table shows the breakdown of our non-fuel turnover for the 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s	Change
Catering	159,630	157,972	1,658
Convenience Food	95,085	92,508	2,577
CTN	49,778	51,776	(1,998)
Amusement	18,395	17,161	1,234
Other	18,648	17,375	1,273
Amenity Building	341,536	336,792	4,744
Forecourt.....	25,602	26,599	(997)
Total non-fuel turnover	367,138	363,391	3,747

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

	13 weeks Ended 30 March 2016	13 weeks Ended 29 June 2016	13 weeks Ended 28 September 2016	13 weeks Ended 28 December 2016	52 weeks Ended 28 December 2016
Amenity Building (including amusements).....	8.0%	0.6%	1.8%	1.9%	2.7%
Forecourt.....	0.6%	3.4%	4.6%	5.5%	3.6%
LFL non-fuel turnover	7.4%	0.8%	2.0%	2.2%	2.8%

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

	13 weeks Ended 30 March 2016	13 weeks Ended 29 June 2016	13 weeks Ended 28 September 2016	13 weeks Ended 28 December 2016	52 weeks Ended 28 December 2016
Amenity Building (excluding amusements)	6.7%	2.0%	2.6%	2.7%	3.3%
Forecourt.....	1.0%	2.4%	3.8%	4.4%	2.9%
Total transactions	5.6%	2.0%	2.8%	3.0%	3.2%

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

	13 weeks Ended 30 March 2016	13 weeks Ended 29 June 2016	13 weeks Ended 28 September 2016	13 weeks Ended 28 December 2016	52 weeks Ended 28 December 2016
Amenity Building (excluding amusements)	1.2%	(1.4)%	(0.8)%	(0.7)%	(0.5)%
Forecourt.....	(0.3)%	1.0%	0.8%	1.1%	0.7%
Total spend	1.7%	(1.2)%	(0.8)%	(0.8)%	(0.4)%

* 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 52 weeks ended 28 December 2016 with the 52 weeks ended 30 December 2015.

Change in stocks of finished goods. Change in stocks of finished goods was £0.2 million in the 52 weeks ended 28 December 2016 and £0.6 million in the 53 weeks ended 30 December 2015. The value of fuel stocks increased by £0.2 million in the 53 weeks ended 30 December 2015 and there was a £0.004 million decrease in non fuel stocks.

Staff costs. Staff costs increased by £2.3 million, or 3.0%, from £76.2 million in the 53 weeks ended 30 December 2015 to £78.5 million in the 52 weeks ended 28 December 2016. The ratio of staff costs to non-fuel turnover increased from 21.0% in the 53 weeks ended 30 December 2015 to 21.4% in the 52 weeks ended 28 December 2016, linked in part to increases in the hourly paid rate in line with living wage legislation.

Depreciation and amortization. Depreciation and amortization increased by £3.3 million, or 7.3%, from £45.7 million in the 53 weeks ended 30 December 2015 to £49.0 million in the 52 weeks ended 28 December 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 £4.2 million, or 0.7%, from £593.2 million in the 53 weeks ended 30 December 2015 to £597.4 million in the 52 weeks ended 28 December 2016. The increase was primarily attributable to non-fuel operating costs, which increased by £4.4 million. This increase was attributable to (1) a £3.6 million decrease in central income, due primarily to the exceptional Doncaster income recognised in 2015 which has not repeated, (2) a £1.4 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, offset by (3) a £0.2 million decrease in property taxes and (4) a £1.2 million decrease in utilities. The cost of fuel purchased reduced by £0.3 million.

The following represents a breakdown of our non-fuel operating costs for the 52 weeks ended 28 December 2016 and the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s	Change
Cost of non-fuel merchandise	153,249	151,800	1,449
Property taxes	16,904	17,107	(203)
Utilities	10,404	11,557	(1,153)
Franchise fees	9,839	9,763	76
Maintenance.....	5,293	4,988	305
Distribution	1,919	1,911	8
Cleaning, travel and admin	8,508	8,253	253
Rent expense	9,440	9,302	138
Central income.....	(1,260)	(4,875)	3,615
Corporate and other	6,013	6,044	(31)
Travelodge provision	(695)	(683)	(12)
Total non-fuel operating costs.....	219,612	215,167	4,445

Central income includes £1.9 million for backdated rates settlements, costs of £0.4 million for recognition of a dilapidations provision and other costs of £0.2 million being the net of a number of other one-off items. (2015: £0.65 million compensation from BP for the early termination of forecourt leases, £1.0 million for the Trowell CPO, £3.8 million profit share from the Doncaster freehold sale (site sold and leased back in 2000), costs of £0.4 million in relation to BP rebranding and costs of £0.2 million being the net of a number of other one-off items).

Effect of the revaluation of fixed assets. Effect of the revaluation of fixed assets decreased by £0.2 million, or 100.0%, from £0.211 million in the 53 weeks ended 30 December 2015 to £0.0 million in the 52 weeks ended 28 December 2016. The prior period figure was attributable to additional reversals of past impairment losses recognised in the Profit and Loss account for the October 2015 revaluation.

Operating profit. Operating profit decreased by £4.6 million, or 7.8%, from £58.6 million in the 53 weeks ended 30 December 2015 to £54.0 million in the 52 weeks ended 28 December 2016. The reasons for the decrease in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income increased by £0.1 million, or 71.7%, from £0.2 million in the 53 weeks ended 30 December 2015 to £0.3 million in the 52 weeks ended 28 December

2016. The increase is largely attributable to the more favourable interest rate received under the current banking arrangements.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 52 weeks ended 28 December 2016.

Interest payable on bank loans. Interest payable on bank loans decreased by £23.6 million, or 39.6%, from £59.7 million in the 53 weeks ended 30 December 2015 to £36.0 million in the 52 weeks ended 28 December 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) £5.6 million saving due to more favourable interest rates on the new debt arrangements.

Tax on loss on ordinary activities. Tax on profit / (loss) on ordinary activities decreased by £4.5 million, or 100.0%, from £4.5 million in the 53 weeks ended 30 December 2015 to £0.0 million in the 52 weeks ended 28 December 2016. The tax charge for the 52 weeks ended 28 December 2016 will be posted in the statutory accounts.

Retained profit / (loss) for the financial period. For the reasons set forth above, retained profit / (loss) for the period increased by £23.7 million, or 458.8%, from a loss of £5.2 million in the 53 weeks ended 30 December 2015 to a profit £18.5 million in the 52 weeks ended 28 December 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 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s
Operating profit	54,029	58,616
Depreciation charge	44,437	41,099
Loss on disposal of tangible fixed assets	15	39
Goodwill amortization.....	4,608	4,608
Effect of the revaluation of fixed assets	-	(211)
(Increase)/decrease in stocks	(214)	594
(Increase) in debtors	(97)	(5,224)
Increase in creditors.....	491	4,942
Net cash inflow from operating activities	103,269	104,463

Cash inflow from operating activities decreased by £1.2 million, or 1.1%, from £104.5 million in the 53 weeks ended 30 December 2015 to £103.3 million in the 52 weeks ended 28 December 2016. This is primarily attributable to (1) a decrease in operating profit of £4.6 million from £58.6 million in the 53 weeks ended 30 December 2015 to £54.0 million in the 52 weeks ended 28 December 2016, (2) a decrease in cash inflow from working capital of £0.1 million, offset by (3) an increase in the depreciation charge of £3.3 million from £41.1 million in the 53 weeks ended 30 December 2015 to £44.4 million in the 52 weeks ended 28 December 2016.

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 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s
Interest received.....	328	191
Interest paid on bank loans	(32,837)	(56,206)
Bank interest and similar	(91)	(108)
Intercompany interest paid	-	(16)
Net cash outflow from returns on investments and servicing of finance.....	<u>(32,600)</u>	<u>(56,139)</u>

Interest received. Interest received increased from £0.191 million in the 53 weeks ended 30 December 2015 to £0.328 million in the 52 weeks ended 28 December 2016.

Interest paid on bank loans. Interest paid on bank loans decreased from £56.2 million in the 53 weeks ended 30 December 2015 to £32.8 million in the 52 weeks ended 28 December 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) £4.6 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £8.9 million lower interest payments due to timing differences relating to the move to quarterly interest payments on the Senior Facility and high yield bond.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 52 weeks ended 28 December 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 52 weeks ended 28 December 2016 compared to the 53 weeks ended 30 December 2015:

	52 weeks ended 28 December 2016 £'000s	53 weeks ended 30 December 2015 £'000s
Capital Expenditure by Category:		
Maintenance spend	(4,929)	(4,500)
Expansion spend	(10,102)	(7,516)
IT One-off projects spend	(1,142)	(1,101)
Cash outflow for capital expenditure	<u>(16,173)</u>	<u>(13,117)</u>

For the 52 weeks ended 28 December 2016, our capital expenditure amounted to £16.2 million, which consisted of £4.9 million for maintenance spending, £10.1 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 £1.1 million on IT projects.

For the 53 weeks ended 30 December 2015, our capital expenditure amounted to £13.1 million, which consisted of £4.5 million for maintenance spending, £7.5 million for expansion including the continued roll-out of new Greggs stores, 4 new M&S stores, and ongoing spend on prior year projects, and £1.1 million on IT projects.

Net debt

The following table shows our net debt position as at 28 December 2016 compared to 30 December 2015:

	28 December 2016 £'000s	30 December 2015 £'000s
Cash in hand and at bank	30,630	55,888
Debt due after one year	(562,074)	(551,296)
Net debt	<u>(531,444)</u>	<u>(495,408)</u>

At 28 December 2016, the debt due after one year includes £397.9 million of senior debt, £175.0 million of corporate bonds, less £10.8 million of capitalised debt costs.

At 30 December 2015, the debt due after one year includes £390.3 million of senior debt, £175.0 million of corporate bonds, less £14.0 million of capitalised debt costs.