

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2017

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 28 June 2017 £'000s	13 weeks Ended 29 June 2016 £'000s	26 weeks Ended 28 June 2017 £'000s	26 weeks Ended 29 June 2016 £'000s
Non-fuel turnover.....	98,759	94,169	175,716	171,179
Fuel turnover.....	110,894	105,201	216,404	194,196
Turnover	209,653	199,370	392,120	365,375
Change in stocks of non-fuel goods.....	388	235	254	118
Change in stocks of fuel.....	(219)	312	(298)	(8)
Change in stocks of finished goods	169	547	(44)	110
Staff costs.....	(21,451)	(19,769)	(40,194)	(38,318)
Depreciation and amortization	(10,604)	(10,726)	(21,119)	(21,292)
Non-fuel operating costs	(59,391)	(55,799)	(107,295)	(103,945)
Cost of fuel purchased.....	(101,120)	(96,968)	(198,374)	(178,415)
Other operating costs	(160,511)	(152,767)	(305,669)	(282,360)
Profit on ordinary activities before interest being operating profit	17,256	16,655	25,094	23,515
Interest receivable and similar income.....	14	54	98	270
Interest receivable from group undertakings.....	65	54	129	107
Interest payable on bank loans	(7,623)	(9,014)	(31,985)	(17,991)
Fair value movement on derivative financial instruments	2,788	(3,639)	(5,139)	(10,652)
Profit / (loss) on ordinary activities before taxation	12,500	4,110	(11,803)	(4,751)
Tax on profit / (loss) on ordinary activities.....	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	12,500	4,110	(11,803)	(4,751)
Note: Adjusted EBITDA	27,684	27,207	45,859	44,475
Fuel margin	9,556	8,545	17,732	15,773

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 28 June 2017 £'000s	As of 29 June 2016 £'000s
Cash.....	26,317	29,267
Current assets (excluding cash)	29,814	26,228
Net fixed assets.....	883,797	905,076
Total assets	939,928	961,271
Current liabilities.....	(63,684)	(63,471)
Long term borrowings (excluding derivatives)	(597,778)	(558,276)
Retained Earnings	(535,482)	(482,419)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 28 June 2017 £'000s	13 weeks Ended 29 June 2016 £'000s	26 weeks Ended 28 June 2017 £'000s	26 weeks Ended 29 June 2016 £'000s
Net cash inflow from operating activities	25,455	36,589	49,298	52,382
Cash outflow from servicing bank loans.....	(6,041)	(8,191)	(20,272)	(16,364)
Net cash outflow from returns on investments and servicing of finance	(6,093)	(8,138)	(20,295)	(16,111)
Taxation.....	(735)	-	(1,482)	(912)
Net cash outflow for capital expenditure and financial investment	(9,469)	(6,090)	(15,640)	(10,741)
Net cash inflow from financing.....	8,312	5,380	24,260	5,380
Equity dividends paid to shareholders.....	(40,454)	(55,920)	(40,454)	(55,920)
Decrease in net cash.....	(22,984)	(28,179)	(4,313)	(25,922)

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.

Comparative figures for the 26 weeks ended 29 June 2016 have been restated to reflect the newly adopted Financial Reporting Standard 102 (FRS 102). Further details are provided in the 'Explanation of transition to FRS 102' section of this report.

Results of Operations

Results of operations for the 26 weeks ended 28 June 2017 compared to the 26 weeks ended 29 June 2016

The following table sets forth our main operating results for the 26 weeks ended 28 June 2017 compared to the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	175,716	171,179	4,537	2.7%
Fuel Turnover	216,404	194,196	22,208	11.4%
Turnover	392,120	365,375	26,745	7.3%
Change in stocks of non-fuel goods.....	254	118	136	115.3%
Change in stocks of fuel.....	(298)	(8)	(290)	(3625.0)%
Change in stocks of finished goods	(44)	110	(154)	(140.0)%
Staff costs	(40,194)	(38,318)	(1,876)	(4.9)%
Depreciation and amortization	(21,119)	(21,292)	173	0.8%
Non-fuel operating costs	(107,295)	(103,945)	(3,350)	(3.2)%
Cost of fuel purchased	(198,374)	(178,415)	(19,959)	(11.2)%
Other operating costs.....	(305,669)	(282,360)	(23,309)	(8.3)%
Profit on ordinary activities before interest being operating profit	25,094	23,515	1,579	6.7%
Interest receivable and similar income.....	98	270	(172)	(63.7)%
Interest receivable from group undertakings.....	129	107	22	20.6%
Interest payable on bank loans	(31,985)	(17,991)	(13,994)	(77.8)%
Fair value movement on derivative financial instruments	(5,139)	(10,652)	5,513	51.8%
Profit / (loss) on ordinary activities before taxation.....	(11,803)	(4,751)	(7,052)	(148.4)%
Tax on loss on ordinary activities	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	(11,803)	(4,751)	(7,052)	(148.4)%
Note: EBITDA	46,212	44,807	1,405	3.1%
Loss on disposal of fixed assets	1	15	(14)	(93.3)%
Travelodge provision	(354)	(347)	(7)	(2.0)%
Adjusted EBITDA	45,859	44,475	1,384	3.1%

Turnover. Turnover increased by £26.7 million, or 7.3%, from £365.4 million in the 26 weeks ended 29 June 2016 to £392.1 million in the 26 weeks ended 28 June 2017. The change was primarily attributable to an increase in fuel turnover of £22.2 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by £4.5 million, as a result of continued growth in catering and convenience food.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 28 June 2017 and the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s	Change
Catering	76,155	73,338	2,817
Convenience Food	46,466	44,811	1,655
CTN	22,322	22,887	(565)
Amusement	8,991	9,048	(57)
Other	9,438	8,984	454
Amenity Building	163,372	159,068	4,304
Forecourt	12,344	12,111	233
Total non-fuel turnover	175,716	171,179	4,537

The following table shows the like-for-like sales growth in 2017:

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	26 weeks Ended 28 June 2017
Amenity Building (including amusements)	(0.5)%	5.3%	2.7%
Forecourt	2.5%	2.0%	2.2%
LFL non-fuel turnover	(0.2)%	5.1%	2.7%

The following table shows the like-for-like transaction growth in 2017:

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	26 weeks Ended 28 June 2017
Amenity Building (excluding amusements)	(0.6)%	2.1%	0.9%
Forecourt	2.0%	(2.0)%	(0.1)%
Total transactions	(0.1)%	1.4%	0.7%

The following table shows the average spend growth in 2017:

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	26 weeks Ended 28 June 2017
Amenity Building (excluding amusements)	0.3%	3.3%	2.0%
Forecourt	0.5%	4.0%	2.4%
Total spend	0.1%	3.8%	2.1%

Change in stocks of finished goods. Change in stocks of finished goods was a decrease of £0.05 million in the 26 weeks ended 28 June 2017 compared with a £0.1 million increase in the 26 weeks ended 29 June 2016. The value of fuel stocks decreased by £0.30 million in the 26 weeks ended 28 June 2017 and there was a £0.25 million increase in non-fuel stocks.

Staff costs. Staff costs increased by £1.9 million, or 4.9%, from £38.3 million in the 26 weeks ended 29 June 2016 to £40.2 million in the 26 weeks ended 28 June 2017. The ratio of staff costs to non-fuel turnover increased from 22.4% in the 26 weeks ended 29 June 2016 to 22.9% in the 26 weeks ended 28 June 2016, linked in part to increases in the hourly paid rate in line with living wage legislation.

Depreciation and amortization. Depreciation and amortization decreased by £0.2 million, or 0.8%, from £21.3 million in the 26 weeks ended 29 June 2016 to £21.1 million in the 26 weeks ended 28 June 2017. Amortization charges were unchanged from 2016 to 2017.

Other operating costs. Other operating costs increased by £23.3 million, or 8.3%, from £282.4 million in the 26 weeks ended 29 June 2016 to £305.7 million in the 26 weeks ended 28 June 2017. The increase was primarily attributable to the cost of fuel purchased, which increased by £20.0 million. The £3.4 million increase in non-fuel operating costs is primarily attributable to (1) a £1.7 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.5 million increase in property taxes, (3) a £0.3 million increase in cleaning, travel and admin, and (4) a £0.3 million reduction in Central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 28 June 2017 and the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s	Change
Cost of non-fuel merchandise	73,148	71,498	1,650
Property taxes	8,994	8,503	491
Utilities	5,185	5,298	(113)
Franchise fees	4,764	4,558	206
Maintenance.....	2,746	2,606	140
Distribution	973	876	97
Cleaning, travel and admin	4,275	3,989	286
Rent expense	4,825	4,690	135
Central income.....	(463)	(723)	260
Corporate and other	3,202	2,997	205
Travelodge provision	(354)	(347)	(7)
Total non-fuel operating costs.....	107,295	103,945	3,350

Central income of £0.5 million relates to (1) £0.1 million of holiday pay provision release, and (2) £0.4 million of backdated rates settlements. (2016: £0.7 million of backdated rates settlements).

Operating profit. Operating profit increased by £1.6 million, or 6.7%, from £23.5 million in the 26 weeks ended 29 June 2016 to £25.1 million in the 26 weeks ended 28 June 2017. The reasons for the increase in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.2 million, or 63.7%, from £0.3 million in the 26 weeks ended 29 June 2016 to £0.1 million in the 26 weeks ended 28 June 2017.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 26 weeks ended 28 June 2017.

Interest payable on bank loans. Interest payable on bank loans increased by £14.0 million, or 77.8%, from £18.0 million in the 26 weeks ended 29 June 2016 to £32.0 million in the 26 weeks ended 28 June 2017. The increase was attributable to (1) £9.8 million higher capitalised debt costs amortisation primarily due to the full write-off of old senior debt and high yield bond costs relating to the old debt in the period, (2) £5.6 million redemption premium for the old high yield bond, and (3) £0.1 million higher commitment fees accrued in the period up to 29 March 2017 due to a release of fees in 2016, offset by (4) £1.2 million saving due to more favourable interest rates on the new debt arrangements, and (5) £0.3 million lower hedge interest in the period up to 29 March 2017.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments decreased by £5.5 million, or 51.8%, from £10.7 million in the 26 weeks ended 29 June 2016 to £5.1 million in the 26 weeks ended 28 June 2017. This represents the change in the fair value of interest rate swaps used to mitigate the interest rate risk on the floating element of the bank debt.

Tax on loss on ordinary activities. Tax on loss on ordinary activities was nil in both periods. The tax charge for 2017 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained loss for the financial period. For the reasons set forth above, retained loss for the period increased by 148.4%, from a loss of £4.8 million in the 26 weeks ended 29 June 2016 to a loss of £11.8 million in the 26 weeks ended 28 June 2017.

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 28 June 2017 compared to the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s
Operating profit	25,094	23,515
Depreciation charge.....	18,815	18,988
Loss on disposal of tangible fixed assets.....	1	15
Goodwill amortization.....	2,304	2,304
Decrease / (increase) in stocks.....	44	(110)
Decrease in debtors.....	5,139	8,919
(Decrease) in creditors.....	(2,099)	(1,249)
Net cash inflow from operating activities	49,298	52,382

Cash inflow from operating activities decreased by £3.1 million, or 5.9%, from £52.4 million in the 26 weeks ended 29 June 2016 to £49.3 million in the 26 weeks ended 28 June 2017. This is primarily attributable to (1) an increase in operating profit of £1.6 million from £23.5 million in the 26 weeks ended 29 June 2016 to £25.1 million in the 26 weeks ended 28 June 2017, and (2) a decrease in the cash inflow from working capital of £4.5 million from £7.6 million in the 26 weeks ended 29 June 2016 to £3.1 million in the 26 weeks ended 28 June 2017.

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 28 June 2017 compared to the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s
Interest received.....	98	270
Interest paid on bank loans	(20,272)	(16,364)
Bank interest and similar	(121)	(17)
Net cash outflow from returns on investments and servicing of finance.....	(20,295)	(16,111)

Interest received. Interest received decreased from £0.3 million in the 26 weeks ended 29 June 2016 to £0.1 million in the 26 weeks ended 28 June 2017.

Interest paid on bank loans. Interest paid on bank loans increased from £16.4 million in the 26 weeks ended 29 June 2016 to £20.3 million in the 26 weeks ended 28 June 2017. The increase was attributable to (1) 5.6 million cost relating to redemption of the old high yield bond incurred during the period, offset by (2) £1.2 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £0.5 million timing differences relating to the payment of commitment fees, hedge interest and high yield bond fees.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 26 weeks ended 28 June 2017. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 28 June 2017 compared to the 26 weeks ended 29 June 2016:

	26 weeks ended 28 June 2017 £'000s	26 weeks ended 29 June 2016 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,261)	(3,255)
Expansion spend.....	(13,124)	(6,976)
IT One-off projects spend.....	(255)	(510)
Cash outflow for capital expenditure.....	(15,640)	(10,741)

For the 26 weeks ended 26 June 2017, our capital expenditure amounted to £15.6 million, which consisted of £2.3 million for maintenance spending, £13.0 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units and the introduction of new catering brands at 3 sites, and ongoing spend on prior year projects and £0.3 million on IT projects.

For the 26 weeks ended 29 June 2016, our capital expenditure amounted to £10.7 million, which consisted of £3.3 million for maintenance spending, £7.0 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 £0.5 million on IT projects.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £55.9 million in the 26 weeks ended 29 June 2016 to £40.5 million in the 26 weeks ended 28 June 2017. Equity dividends were debited from retained earnings and funded from balance sheet cash.

Net debt

The following table shows our net debt position as at 28 June 2017 compared to 29 June 2016:

	28 June 2017 £'000s	29 June 2016 £'000s
Cash in hand and at bank	26,317	29,267
Debt due after one year	(597,778)	(558,276)
Net debt	(571,461)	(529,009)

At 28 June 2017, the debt due after one year includes £459.8 million of senior debt and £150.0 million of corporate bonds, less £12.0 million of capitalised debt costs.

At 29 June 2016, the debt due after one year includes £395.7 million of senior debt and £175.0 million of corporate bonds, less £12.4 million of capitalised debt costs.

Explanation of transition to FRS 102

The 26 weeks ended 29 June 2016 have been restated to reflect the newly adopted Financial Reporting Standard 102 (FRS 102). As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with the standard. The following adjustments have been made to the comparative figures presented in this report:

	26 weeks ended 29 June 2016 £'000s
Profit for the period reported under previous UK GAAP	2,640
Fair value movement on derivative financial instruments	(10,652)
Reversal of 2015 revaluation.....	3,261
Loss for the period reported under FRS 102	(4,751)