

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2014

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 25 June 2014 £'000s	13 weeks Ended 26 June 2013 £'000s	26 weeks Ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s
Non-fuel turnover.....	87,501	81,620	155,683	144,718
Fuel turnover.....	114,779	132,925	232,228	259,796
Turnover	202,280	214,545	387,911	404,514
Change in stocks of non-fuel goods.....	(25)	25	(649)	(305)
Change in stocks of fuel.....	382	143	193	(72)
Change in stocks of finished goods	357	168	(456)	(377)
Staff costs.....	(18,298)	(16,534)	(34,605)	(31,870)
Depreciation and amortization	(9,849)	(8,731)	(19,154)	(17,342)
Non-fuel operating costs	(52,116)	(49,858)	(95,328)	(90,930)
Cost of fuel purchased.....	(107,762)	(125,676)	(218,318)	(246,196)
Other operating costs	(159,878)	(175,534)	(313,646)	(337,126)
Profit on ordinary activities before interest being operating profit	14,612	13,914	20,050	17,799
Interest receivable and similar income.....	7	20	147	40
Interest receivable from group undertakings.....	36	29	72	59
Interest payable on bank loans	(15,606)	(15,690)	(31,123)	(31,555)
Loss on ordinary activities before taxation	(951)	(1,727)	(10,854)	(13,657)
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(951)	(1,727)	(10,854)	(13,657)
 Note: Adjusted EBITDA	 24,285	 22,805	 38,826	 35,108
 Fuel margin	 7,399	 7,392	 14,103	 13,529

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 25 June 2014 £'000s	As of 26 June 2013 £'000s
Cash.....	37,760	32,212
Current assets	47,144	51,165
Net fixed assets.....	773,578	698,729
Total assets	858,482	782,106
Short term borrowings.....	(12,600)	(9,400)
Current liabilities.....	(76,178)	(67,550)
Long term borrowings	(533,472)	(540,011)
Retained Earnings	(300,602)	(282,422)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 25 June 2014 £'000s	13 weeks Ended 26 June 2013 £'000s	26 weeks Ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s
Net cash inflow from operating activities	29,811	22,255	49,654	41,966
Cash outflow from servicing bank loans.....	(5,125)	(5,455)	(27,647)	(28,442)
Cash outflow from servicing group loans	-	(1)	(14)	(15)
Net cash outflow from returns on investments and servicing of finance	(5,149)	(5,479)	(27,575)	(28,486)
Net cash outflow for capital expenditure and financial investment	(4,059)	(5,238)	(11,564)	(9,485)
Repayment of Senior Debt	-	-	(5,400)	(2,200)
Increase / (decrease) in net cash	20,603	11,538	5,115	1,795

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 25 June 2014 compared to the 26 weeks ended 26 June 2013

The following table sets forth our main operating results for the 26 weeks ended 25 June 2014 compared to the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	155,683	144,718	10,965	7.6%
Fuel Turnover	232,228	259,796	(27,568)	(10.6)%
Turnover	387,911	404,514	(16,603)	(4.1)%
Change in stocks of non-fuel goods	(649)	(305)	(344)	(112.8)%
Change in stocks of fuel	193	(72)	265	368.1%
Change in stocks of finished goods	(456)	(377)	(79)	(21.0)%
Staff costs	(34,605)	(31,870)	(2,735)	(8.6)%
Depreciation and amortization	(19,154)	(17,342)	(1,812)	(10.4)%
Non-fuel operating costs	(95,328)	(90,930)	(4,398)	(4.8)%
Cost of fuel purchased	(218,318)	(246,196)	27,878	11.3%
Other operating costs	(313,646)	(337,126)	23,480	7.0%
Profit on ordinary activities before interest being operating profit	20,050	17,799	2,251	12.6%
Interest receivable and similar income	147	40	107	267.5%
Interest receivable from group undertakings	72	59	13	22.0%
Interest payable on bank loans	(31,123)	(31,555)	432	1.4%
Loss on ordinary activities before taxation	(10,854)	(13,657)	2,803	20.5%
Tax on loss on ordinary activities	-	-	-	-%
Loss on ordinary activities after taxation being retained loss for the financial period	(10,854)	(13,657)	2,803	20.5%
Note: EBITDA	39,204	35,141	4,063	11.6%
Amortization (PCPs and deferred CP Plus costs)	-	(196)	196	100.0%
Loss on disposal of fixed assets	29	422	(393)	(93.1)%
Travelodge provision	(407)	(259)	(148)	(57.1)%
Adjusted EBITDA	38,826	35,108	3,718	10.6%

Turnover. Turnover decreased by £16.6 million, or 4.1%, from £404.5 million in the 26 weeks ended 26 June 2013 to £387.9 million in the 26 weeks ended 25 June 2014. The change was primarily attributable to a decrease in fuel turnover of £27.6 million, £17.4 million of which relates to forecourts that Moto no longer operate. The decrease in fuel turnover was offset by a £11.0 million increase in non-fuel turnover primarily due to (1) £9.9 million higher like-for-like sales in the amenity building, and (2) £1.6 million additional other turnover from parking revenue.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 25 June 2014 and the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s	Change
Catering	65,218	58,728	6,490
Convenience Food	40,688	38,408	2,280
CTN	22,674	21,823	851
Amusement	6,930	5,692	1,238
Other	7,188	5,435	1,753
Amenity Building	142,698	130,086	12,612
Forecourt.....	12,985	14,632	(1,647)
Total non-fuel turnover	155,683	144,718	10,965

The following table shows the like-for-like sales growth in 2014:

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	26 weeks Ended 25 June 2014
Amenity Building	9.1%	8.7%	8.9%
Forecourt	(2.3)%	2.4%	0.2%
LFL non-fuel turnover	7.8%	8.1%	8.0%

The following table shows the like-for-like transaction growth in 2014:

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	26 weeks Ended 25 June 2014
Amenity Building.....	6.8%	7.6%	7.3%
Forecourt	(3.9)%	0.1%	(2.0)%
Total transactions	4.0%	5.9%	5.0%

The following table shows the average spend growth in 2014:

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	26 weeks Ended 25 June 2014
Amenity Building.....	1.4%	0.4%	0.8%
Forecourt	1.6%	2.8%	2.2%
Total spend.....	3.0%	1.5%	2.2%

Change in stocks of finished goods. Change in stocks of finished goods was £0.5 million in the 26 weeks ended 25 June 2014 and £0.4 million in the 26 weeks ended 26 June 2013. The value of fuel stocks decreased by £0.2 million in the 26 weeks ended 25 June 2014 and there was a £0.6 million increase in non fuel stocks.

Staff costs. Staff costs increased by £2.7 million, or 8.6%, from £31.9 million in the 26 weeks ended 26 June 2013 to £34.6 million in the 26 weeks ended 25 June 2014. The ratio of staff costs to non-fuel turnover increased from 22.0% in the 26 weeks ended 26 June 2013 to 22.2% in the 26 weeks ended 25 June 2014, reflecting the investment in additional staff to support the significant sales growth.

Depreciation and amortization. Depreciation and amortization increased by £1.8 million, or 8.6%, from £17.3 million in the 26 weeks ended 26 June 2013 to £19.2 million in the 26 weeks ended 25 June 2014. The revaluation in December 2013 increased the net book value of fixed assets by £95.3 million, from £631.5 million to £726.8 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 2013 to 2014.

Other operating costs. Other operating costs decreased by £23.5 million, or 7.0%, from £337.1 million in the 26 weeks ended 26 June 2013 to £313.6 million in the 26 weeks ended 26 June 2014. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £27.9 million. This decrease was partially offset by a £4.4 million increase in non-fuel operating costs primarily attributable to (1) a £4.1 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, and (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.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 25 June 2014 and the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s	Change
Cost of non-fuel merchandise	65,131	61,071	4,060
Property taxes	8,675	8,960	(285)
Utilities	5,725	5,599	126
Franchise fees	3,978	3,545	433
Maintenance.....	2,189	2,073	116
Distribution	783	764	19
Cleaning, travel and admin	3,756	3,612	144
Rent expense	4,407	4,147	260
Central income.....	(1,856)	(1,500)	(356)
Corporate and other	2,947	2,918	29
Travelodge provision	(407)	(259)	(148)
Total non-fuel operating costs.....	95,328	90,930	4,398

Central income includes £0.8 million compensation from BP for the early termination of forecourt leases at Reading and Stafford, £0.4 million for Todhills CPO, £0.4 million from Travelodge for historic maintenance recharges, and £0.2 million prior period VAT reclaims (2013: £1.0 million for Todhills CPO and £0.5 million from Esso for dilapidations).

Operating profit. Operating profit increased by £2.3 million, or 12.6%, from £17.8 million in the 26 weeks ended 26 June 2013 to £20.1 million in the 26 weeks ended 25 June 2014. The increase was due to the 7.6% increase in non-fuel turnover, and the £0.6 million increase in fuel margin.

Interest receivable and similar income. Interest receivable and similar income increased by £0.1 million, or 267.5%, from £0.04 million in the 26 weeks ended 26 June 2013 to £0.15 million in the 26 weeks ended 25 June 2014.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.01 million, or 24.1%, from £0.06 million in the 26 weeks ended 26 June 2013 to £0.07 million receivable in the 26 weeks ended 25 June 2014.

Interest payable on bank loans. Interest payable on bank loans decreased by £0.4 million, or 1.4%, from £31.6 million in the 26 weeks ended 26 June 2013 to £31.1 million in the 26 weeks ended 25 June 2014. The decrease was attributable to (1) £0.5 million saving due to the repayments of senior debt since the prior year, (2) £0.3 million saving due to a lower differential between the 6 month LIBOR charged on the debt and the 3 month LIBOR hedge, (3) £0.2 million lower commitment fees as a result of cancelling Facility B of the senior debt facility, offset by (4) £0.5 million additional interest due to the 0.25% annual increase in the margin on the senior debt.

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 reduced by 20.5%, from £13.7 million in the 26 weeks ended 26 June 2013 to £10.9 million in the 26 weeks ended 25 June 2014.

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 25 June 2014 compared to the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 25 June 2013 £'000s
Operating profit	20,050	17,799
Depreciation charge	16,850	15,038
Loss on disposal of tangible fixed assets	29	422
Goodwill amortization	2,304	2,304
Increase in stocks.....	456	377
Decrease in debtors.....	654	4,672
Increase in creditors.....	9,311	1,354
Net cash inflow from operating activities	49,654	41,966

Cash inflow from operating activities increased by £7.7 million, or 18.3%, from £42.0 million in the 26 weeks ended 26 June 2013 to £49.7 million in the 26 weeks ended 25 June 2014. This is primarily attributable to (1) an increase in operating profit of £2.3 million from £17.8 million in the 26 weeks ended 26 June 2013 to £20.1 million in the 26 weeks ended 25 June 2014, (2) an increase in the depreciation charge of £1.8 million, from £15.0 million in the 26 weeks ended 26 June 2013 to £16.9 million in the 26 weeks ended 25 June 2014 and (4) an increase in the cash inflow from working capital of £4.0 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 26 weeks ended 25 June 2014 compared to the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s
Interest received.....	147	40
Interest paid on bank loans	(27,647)	(28,442)
Bank interest and similar	(61)	(69)
Intercompany interest paid	(14)	(15)
Net cash outflow from returns on investments and servicing of finance.....	(27,575)	(28,486)

Interest received. Interest received increased from £0.04 million in the 26 weeks ended 26 June 2013 to £0.15 million in the 26 weeks ended 25 June 2014.

Interest paid on bank loans. Interest paid on bank loans decreased from £28.4 million in the 26 weeks ended 26 June 2013 to £27.6 million in the 26 weeks ended 25 June 2014. The decrease was attributable to (1) £0.5 million lower interest payments on the senior debt, and (2) £0.2 million lower commitment fees as a result of cancelling Facility B of the senior debt facility.

Bank interest and similar. Bank interest and similar charges decreased slightly from £0.07 million in the 26 weeks ended 26 June 2013 to £0.06 million in the 26 weeks ended 25 June 2014. 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 £0.014 million in the 26 weeks ended 25 June 2014, and represents the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 25 June 2014 compared to the 26 weeks ended 26 June 2013:

	26 weeks ended 25 June 2014 £'000s	26 weeks Ended 26 June 2013 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,399)	(2,009)
Expansion spend	(5,231)	(6,706)
IT One-off projects spend	(344)	(770)
Leeming Bar acquisition	(3,590)	-
Cash outflow for capital expenditure	(11,654)	(9,485)

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.

For the 26 weeks ended 26 June 2013, our capital expenditure amounted to £9.5 million, which consisted of £2.0 million for maintenance spending, £6.7 million for expansion including the continued roll-out of new Greggs stores, Burger King Store Refreshes, Harvester trial and ongoing spend on prior year projects, £0.8 million on IT projects and £0.02 million on the rebuild of Cherwell Valley.

Net debt

The following table shows our net debt position as at 25 June 2014 compared to 26 June 2013:

	25 June 2014 £'000s	26 June 2013 £'000s
Cash in hand and at bank	37,760	32,212
Debt due within one year	(12,600)	(9,400)
Debt due after one year	(533,472)	(540,011)
Net debt	(508,312)	(517,199)

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).

At 26 June 2013, the debt due after one year includes £382.6 million of senior debt and £172.5 million of corporate bonds, less £15.1 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 30 June 2013 (£4.0 million) and 31 December 2013 (£5.4 million).