

MOTO VENTURES LIMITED

QUARTERLY REPORT

SEPTEMBER 2014

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 24 September 2014 £'000s	13 weeks Ended 25 September 2013 £'000s	39 weeks Ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s
Non-fuel turnover.....	101,415	93,964	257,099	238,682
Fuel turnover.....	121,985	138,104	354,212	397,900
Turnover	223,400	232,068	611,311	636,582
Change in stocks of non-fuel goods.....	(23)	15	(672)	(291)
Change in stocks of fuel.....	(258)	372	(65)	301
Change in stocks of finished goods	(281)	387	(737)	10
Staff costs.....	(19,159)	(17,568)	(53,765)	(49,438)
Depreciation and amortization	(9,815)	(8,816)	(28,969)	(26,158)
Non-fuel operating costs	(59,423)	(63,219)	(154,749)	(154,150)
Cost of fuel purchased	(113,533)	(130,869)	(331,852)	(377,064)
Other operating costs	(172,956)	(194,088)	(486,601)	(531,214)
Profit on ordinary activities before interest being operating profit	21,189	11,983	41,239	29,782
Interest receivable and similar income.....	6	13	153	54
Interest receivable from group undertakings.....	40	32	112	91
Interest payable on bank loans	(15,853)	(15,476)	(46,975)	(47,031)
Profit / (loss) on ordinary activities before taxation	5,382	(3,448)	(5,471)	(17,104)
Tax on profit / (loss) on ordinary activities.....	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	5,382	(3,448)	(5,471)	(17,104)
 Note: Adjusted EBITDA	 30,801	 27,661	 69,628	 62,768
 Fuel margin	 8,193	 7,607	 22,296	 21,137

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 24 September 2014 £'000s	As of 25 September 2013 £'000s
Cash.....	31,765	22,459
Current assets	75,492	49,998
Net fixed assets.....	765,807	692,961
Total assets	841,298	765,418
Short term borrowings.....	(14,000)	(9,900)
Current liabilities.....	(61,097)	(56,791)
Long term borrowings.....	(524,587)	(537,026)
Retained Earnings	(295,220)	(285,866)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 24 September 2014 £'000s	13 weeks Ended 25 September 2013 £'000s	39 weeks Ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s
Net cash inflow from operating activities	28,339	20,054	77,993	62,020
Cash outflow from servicing bank loans	(23,280)	(22,786)	(50,927)	(51,227)
Cash outflow from servicing group loans.....	-	-	(14)	(15)
Net cash outflow from returns on investments and servicing of finance.....	(23,290)	(22,788)	(50,865)	(51,274)
Net cash outflow for capital expenditure and financial investment	(2,043)	(3,021)	(13,607)	(12,506)
Repayment of Senior Debt	(9,000)	(4,000)	(14,400)	(6,200)
Increase / (decrease) in net cash	(5,994)	(9,755)	(879)	(7,960)

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 39 weeks ended 24 September 2014 compared to the 39 weeks ended 25 September 2013

The following table sets forth our main operating results for the 39 weeks ended 24 September 2014 compared to the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	257,099	238,682	18,417	7.7%
Fuel Turnover	354,212	397,900	(43,688)	(11.0%)
Turnover	611,311	636,582	(25,271)	(4.0%)
Change in stocks of non-fuel goods	(672)	(291)	(381)	(130.9%)
Change in stocks of fuel	(65)	301	(366)	(121.6%)
Change in stocks of finished goods	(737)	10	(747)	(7,470.0%)
Staff costs	(53,765)	(49,438)	(4,327)	(8.8%)
Depreciation and amortization	(28,969)	(26,158)	(2,811)	(10.7%)
Non-fuel operating costs	(154,749)	(154,150)	(599)	(0.4%)
Cost of fuel purchased	(331,852)	(377,064)	45,212	12.0%
Other operating costs	(486,601)	(531,214)	44,613	8.4%
Profit on ordinary activities before interest being operating profit	41,239	29,782	11,457	38.5%
Interest receivable and similar income	153	54	99	183.3%
Interest receivable from group undertakings	112	91	21	23.1%
Interest payable on bank loans	(46,975)	(47,031)	56	0.1%
Loss on ordinary activities before taxation	(5,471)	(17,104)	11,633	68.0%
Tax on loss on ordinary activities	-	-	-	
Loss on ordinary activities after taxation being retained loss for the financial period	(5,471)	(17,104)	11,633	68.0%
Note: EBITDA	70,209	55,940	14,269	25.5%
Amortization (PCPs and deferred CP Plus costs)	-	(294)	294	100.0%
Loss on disposal of fixed assets	29	396	(367)	(92.7%)
Travelodge provision	(610)	(424)	(186)	(43.9%)
Parking contract termination	-	7,150	(7,150)	100.0%
Adjusted EBITDA	69,628	62,768	6,860	10.9%

Turnover. Turnover decreased by £25.3 million, or 4.0%, from £636.6 million in the 39 weeks ended 25 September 2013 to £611.3 million in the 39 weeks ended 24 September 2014. The change was primarily attributable to a decrease in fuel turnover of £43.7 million, £29.0 million of which relates to forecourts that Moto no longer operate. The decrease in fuel turnover was offset by a £18.4 million increase in non-fuel turnover primarily due to (1) £16.7 million higher like-for-like sales in the amenity building, and (2) £2.2 million additional other turnover from parking revenue.

The following table shows the breakdown of our non-fuel turnover for the 39 weeks ended 24 September 2014 and the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s	Change
Catering	109,252	98,243	11,009
Convenience Food	66,954	63,092	3,862
CTN	38,522	37,019	1,503
Amusement	10,845	8,702	2,143
Other	11,318	8,670	2,648
Amenity Building	236,891	215,726	21,165
Forecourt.....	20,208	22,956	(2,748)
Total non-fuel turnover	257,099	238,682	18,417

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

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	13 weeks Ended 24 September 2014	39 weeks Ended 24 September 2014
Amenity Building.....	9.1%	8.7%	9.0%	8.9%
Forecourt	(2.3)%	2.4%	1.5%	0.6%
LFL non-fuel turnover	7.8%	8.1%	8.4%	8.1%

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

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	13 weeks Ended 24 September 2014	39 weeks Ended 24 September 2014
Amenity Building.....	6.8%	7.6%	7.0%	7.2%
Forecourt	(3.9)%	0.1%	(2.3)%	(2.1)%
Total transactions	4.0%	5.9%	5.0%	5.0%

The following table shows the average spend growth in 2014:

	13 weeks Ended 26 March 2014	13 weeks Ended 25 June 2014	13 weeks Ended 24 September 2014	39 weeks Ended 24 September 2014
Amenity Building.....	1.4%	0.4%	1.1%	0.9%
Forecourt	1.6%	2.8%	3.9%	2.8%
Total spend.....	3.0%	1.5%	2.4%	2.3%

Change in stocks of finished goods. Change in stocks of finished goods was £0.7 million in the 39 weeks ended 24 September 2014 and £0.0 million in the 39 weeks ended 25 September 2013. The value of fuel stocks increased by £0.1 million in the 39 weeks ended 24 September 2014 and there was a £0.6 million increase in non fuel stocks.

Staff costs. Staff costs increased by £4.3 million, or 8.8%, from £49.4 million in the 39 weeks ended 25 September 2013 to £53.8 million in the 39 weeks ended 24 September 2014. The ratio of staff costs to non-fuel turnover increased from 20.7% in the 39 weeks ended 25 September 2013 to 20.9% in the 39 weeks ended 24 September 2014, reflecting the investment in additional staff to support the significant sales growth.

Depreciation and amortization. Depreciation and amortization increased by £2.8 million, or 10.7%, from £26.2 million in the 39 weeks ended 25 September 2013 to £29.0 million in the 39 weeks ended 24 September 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 £44.6 million, or 8.4%, from £531.2 million in the 39 weeks ended 25 September 2013 to £486.6 million in the 39 weeks ended 24 September 2014. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £45.2 million. This decrease was partially offset by a £0.6 million increase in non-fuel operating costs primarily attributable to (1) a £6.5 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.7 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 £7.2 million one-off settlement to terminate a parking contract in 2013 which has not re-occurred in 2014.

The following represents a breakdown of our non-fuel operating costs for the 39 weeks ended 24 September 2014 and the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s	Change
Cost of non-fuel merchandise	107,524	100,986	6,538
Property taxes	13,054	13,486	(432)
Utilities	8,361	8,165	196
Franchise fees	6,645	5,904	741
Maintenance.....	3,336	3,133	203
Distribution	1,317	1,271	46
Cleaning, travel and admin	5,814	5,540	274
Rent expense	6,692	6,296	396
Central income.....	(1,856)	(1,500)	(356)
Corporate and other	4,472	4,143	329
Travelodge provision	(610)	(424)	(186)
Parking contract termination.....	-	7,150	(7,150)
Total non-fuel operating costs.....	154,749	154,150	599

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 £11.5 million, or 38.5%, from £29.8 million in the 39 weeks ended 25 September 2013 to £41.2 million in the 39 weeks ended 24 September 2014. The increase was due to the 7.7% increase in non-fuel turnover, and the £1.2 million increase in fuel margin.

Interest receivable and similar income. Interest receivable and similar income increased by £0.1 million, or 183.3%, from £0.05 million in the 39 weeks ended 25 September 2013 to £0.15 million in the 39 weeks ended 24 September 2014.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.02 million, or 23.1%, from £0.09 million in the 39 weeks ended 25 September 2013 to £0.11 million receivable in the 39 weeks ended 24 September 2014.

Interest payable on bank loans. Interest payable on bank loans decreased by £0.05 million, or 0.1%, from £47.0 million in the 39 weeks ended 25 September 2013 to £46.95 million in the 39 weeks ended 24 September 2014. The decrease was attributable to (1) £0.7 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) £0.8 million additional interest due to the 0.25% annual increase in the margin on the senior debt and (5) £0.4 million additional costs associated with breaking the hedge.

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 68.0%, from £17.1 million in the 39 weeks ended 25 September 2013 to £5.5 million in the 39 weeks ended 24 September 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 39 weeks ended 24 September 2014 compared to the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s
Operating profit	41,239	29,782
Depreciation charge.....	25,513	22,702
Loss on disposal of tangible fixed assets.....	29	396
Goodwill amortization.....	3,456	3,456
Increase in stocks.....	737	(10)
Decrease in debtors.....	3,830	6,259
Increase in creditors.....	3,189	(565)
Net cash inflow from operating activities	77,993	62,020

Cash inflow from operating activities increased by £16.0 million, or 25.8%, from £62.0 million in the 39 weeks ended 25 September 2013 to £78.0 million in the 39 weeks ended 24 September 2014. This is primarily attributable to (1) an increase in operating profit of £11.5 million from £29.8 million in the 39 weeks ended 25 September 2013 to £41.2 million in the 39 weeks ended 24 September 2014, (2) an increase in the depreciation charge of £2.8 million, from £22.7 million in the 39 weeks ended 25 September 2013 to £25.5 million in the 39 weeks ended 24 September 2014 and (3) an increase in the cash inflow from working capital of £2.1 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 39 weeks ended 24 September 2014 compared to the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks Ended 25 September 2013 £'000s
Interest received.....	153	54
Interest paid on bank loans	(50,927)	(51,227)
Bank interest and similar	(77)	(86)
Intercompany interest paid	(14)	(15)
Net cash outflow from returns on investments and servicing of finance.....	(50,865)	(51,274)

Interest received. Interest received increased from £0.05 million in the 39 weeks ended 25 September 2013 to £0.15 million in the 39 weeks ended 24 September 2014.

Interest paid on bank loans. Interest paid on bank loans decreased from £51.2 million in the 39 weeks ended 25 September 2013 to £50.9 million in the 39 weeks ended 24 September 2014. The decrease was attributable to (1) £0.4 million lower interest payments on the senior debt, (2) £0.3 million lower commitment fees as a result of cancelling Facility B of the senior debt facility, offset by (3) £0.4 million additional costs associated with breaking the hedge on senior repaid in the period.

Bank interest and similar. Bank interest and similar charges decreased slightly from £0.09 million in the 39 weeks ended 25 September 2013 to £0.08 million in the 39 weeks ended 24 September 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 39 weeks ended 24 September 2014, and represent the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 39 weeks ended 24 September 2014 compared to the 39 weeks ended 25 September 2013:

	39 weeks ended 24 September 2014 £'000s	39 weeks ended 25 September 2013 £'000s
Capital Expenditure by Category:		
Maintenance spend	(3,327)	(2,783)
Expansion spend	(6,296)	(8,853)
IT One-off projects spend	(394)	(838)
Leeming Bar acquisition	(3,590)	-
Cherwell Valley Rebuild	-	(32)
Cash outflow for capital expenditure	<u>(13,607)</u>	<u>(12,506)</u>

For the 39 weeks ended 24 September 2014, our capital expenditure amounted to £13.6 million, which consisted of £3.3 million for maintenance spending, £6.3 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, £0.4 million on IT projects, and £3.6m to acquire a new site at Leeming Bar.

For the 39 weeks ended 25 September 2013, our capital expenditure amounted to £12.5 million, which consisted of £2.8 million for maintenance spending, £8.9 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 £0.03 million on the rebuild of Cherwell Valley.

Net debt

The following table shows our net debt position as at 24 September 2014 compared to 25 September 2013:

	24 September 2014 £'000s	25 September 2013 £'000s
Cash in hand and at bank	31,765	22,459
Debt due within one year	(14,000)	(9,900)
Debt due after one year	(524,587)	(537,026)
Net debt	<u>(506,822)</u>	<u>(524,467)</u>

At 24 September 2014, the debt due after one year includes £359.6 million of senior debt and £173.7 million of corporate bonds, less £8.7 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 31 December 2014 (£8.1 million) and 30 June 2015 (£5.9 million).

At 25 September 2013, the debt due after one year includes £378.1 million of senior debt and £172.7 million of corporate bonds, less £13.8 million of capitalised debt costs. The debt due within one year represents the senior debt due for repayment on 31 December 2013 (£5.4 million) and 30 June 2014 (£4.5 million).