

MOTO VENTURES LIMITED

QUARTERLY REPORT

DECEMBER 2014

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 24 December 2014 £'000s	13 weeks Ended 25 December 2013 £'000s	52 weeks Ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s
Non-fuel turnover.....	81,533	75,527	338,632	314,209
Fuel turnover.....	110,565	127,935	464,777	525,835
Turnover	192,098	203,462	803,409	840,044
Change in stocks of non-fuel goods.....	545	564	(127)	273
Change in stocks of fuel.....	(115)	(566)	(180)	(265)
Change in stocks of finished goods	430	(2)	(307)	8
Staff costs.....	(18,333)	(17,198)	(72,097)	(66,635)
Depreciation and amortization	(9,834)	(8,833)	(38,803)	(34,991)
Non-fuel operating costs	(50,658)	(50,763)	(205,408)	(204,914)
Cost of fuel purchased	(102,296)	(120,138)	(434,148)	(497,202)
Other operating costs	(152,954)	(170,901)	(639,556)	(702,116)
Effect of the revaluation of fixed assets.....	167	6,050	167	6,050
Profit on ordinary activities before interest being operating profit	11,574	12,578	52,813	42,360
Interest receivable and similar income.....	15	9	170	63
Interest receivable from group undertakings.....	40	32	151	123
Interest payable on bank loans	(15,438)	(15,500)	(62,414)	(62,531)
Loss on ordinary activities before taxation	(3,809)	(2,881)	(9,280)	(19,985)
Tax on loss on ordinary activities	-	(1,000)	-	(1,000)
Loss on ordinary activities after taxation being retained loss for the financial period	(3,809)	(3,881)	(9,280)	(20,985)
 Note: Adjusted EBITDA	 21,175	 17,083	 90,803	 79,851
 Fuel margin	 8,153	 7,232	 30,449	 28,368

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 24 December 2014 £'000s	As of 25 December 2013 £'000s
Cash.....	42,873	32,644
Current assets	45,774	48,121
Net fixed assets.....	960,805	781,197
Total assets	1,049,452	861,962
Short term borrowings.....	(14,000)	(9,900)
Current liabilities.....	(68,198)	(66,435)
Long term borrowings	(526,102)	(538,541)
Other long term liabilities.....	-	-
Retained Earnings	(299,029)	(289,749)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 24 December 2014 £'000s	13 weeks Ended 25 December 2013 £'000s	52 weeks Ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s
Net cash inflow from operating activities	17,503	17,514	95,496	79,175
Cash outflow from servicing bank loans	(4,907)	(5,167)	(55,834)	(56,394)
Cash outflow from servicing group loans	(3)	(1)	(16)	(16)
Net cash outflow from returns on investments and servicing of finance	(4,938)	(5,186)	(55,802)	(56,461)
Net cash outflow for capital expenditure and financial investment	(1,458)	(2,141)	(15,066)	(14,288)
Repayment of Senior Debt	-	-	(14,400)	(6,200)
Increase / (decrease) in net cash	11,107	10,187	10,228	2,226

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 52 weeks ended 24 December 2014 compared to the 52 weeks ended 25 December 2013

The following table sets forth our main operating results for the 52 weeks ended 24 December 2014 compared to the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	338,632	314,209	24,423	7.8%
Fuel Turnover	464,777	525,835	(61,058)	(11.6%)
Turnover	803,409	840,044	(36,635)	(4.4%)
Change in stocks of non-fuel goods	(127)	273	(400)	(146.5%)
Change in stocks of fuel	(180)	(265)	85	32.1%
Change in stocks of finished goods	(307)	8	(315)	(3,937.5%)
Staff costs	(72,097)	(66,635)	(5,462)	(8.2%)
Depreciation and amortization	(38,803)	(34,991)	(3,812)	(10.9%)
Non-fuel operating costs	(205,408)	(204,914)	(494)	(0.2%)
Cost of fuel purchased	(434,148)	(497,202)	63,054	12.7%
Other operating costs	(639,556)	(702,116)	62,560	8.9%
Effect of the revaluation of fixed assets	167	6,050	(5,883)	(97.2%)
Profit on ordinary activities before interest being operating profit	52,813	42,360	10,453	24.7%
Interest receivable and similar income	170	63	107	169.8%
Interest receivable from group undertakings	151	123	28	22.8%
Interest payable on bank loans	(62,414)	(62,531)	117	0.2%
Loss on ordinary activities before taxation	(9,280)	(19,985)	10,705	53.6%
Tax on loss on ordinary activities	-	(1,000)	1,000	100.0%
Loss on ordinary activities after taxation being retained loss for the financial period	(9,280)	(20,985)	11,705	55.8%
Note: EBITDA	91,449	71,301	20,148	28.3%
Amortization (PCPs and deferred CP Plus costs)	-	(393)	393	100.0%
Loss on disposal of fixed assets	167	427	(260)	(60.9%)
Travelodge provision	(813)	1,366	(2,179)	(159.5%)
Parking contract termination	-	7,150	(7,150)	(100.0%)
Adjusted EBITDA	90,803	79,851	10,952	13.7%

Turnover. Turnover decreased by £36.6 million, or 4.4%, from £840.0 million in the 52 weeks ended 25 December 2013 to £803.4 million in the 52 weeks ended 24 December 2014. The change was primarily attributable to a decrease in fuel turnover of £61.1 million as a result of the decline in oil and fuel prices. The decrease in fuel turnover was offset by a £24.4 million increase in non-fuel turnover primarily due to (1) £22.2 million higher like-for-like sales in the amenity building, and (2) £2.7 million additional other turnover from parking revenue.

The following table shows the breakdown of our non-fuel turnover for the 52 weeks ended 24 December 2014 and the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s	Change
Catering	144,352	130,074	14,278
Convenience Food	86,644	81,424	5,220
CTN	50,288	48,125	2,163
Amusement	14,977	11,909	3,068
Other	15,564	12,165	3,399
Amenity Building	311,825	283,697	28,128
Forecourt.....	26,807	30,512	(3,705)
Total non-fuel turnover	338,632	314,209	24,423

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	13 weeks Ended 24 December 2014	52 weeks Ended 24 December 2014
Amenity Building	9.1%	8.7%	9.0%	9.7%	9.1%
Forecourt.....	(2.3)%	2.4%	1.5%	1.5%	0.9%
LFL non-fuel turnover	7.8%	8.1%	8.4%	8.9%	8.3%

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	13 weeks Ended 24 December 2014	52 weeks Ended 24 December 2014
Amenity Building	6.8%	7.6%	7.0%	8.0%	7.4%
Forecourt.....	(3.9)%	0.1%	(2.3)%	(2.2)%	(2.2)%
Total transactions	4.0%	5.9%	5.0%	5.5%	5.1%

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	13 weeks Ended 24 December 2014	52 weeks Ended 24 December 2014
Amenity Building	1.4%	0.4%	1.1%	0.7%	0.9%
Forecourt.....	1.6%	2.8%	3.9%	3.8%	3.1%
Total spend	3.0%	1.5%	2.4%	2.2%	2.3%

Change in stocks of finished goods. Change in stocks of finished goods was £0.3 million in the 52 weeks ended 24 December 2014 and £0.008 million in the 52 weeks ended 25 December 2013. The value of fuel stocks decreased by £0.2 million in the 52 weeks ended 24 December 2014 and there was a £0.1 million decrease in non fuel stocks.

Staff costs. Staff costs increased by £5.5 million, or 8.2%, from £66.6 million in the 52 weeks ended 25 December 2013 to £72.1 million in the 52 weeks ended 24 December 2014. The ratio of staff costs to non-fuel turnover increased from 21.2% in the 52 weeks ended 25 December 2013 to 21.3% in the 52 weeks ended 24 December 2014, reflecting the investment in additional staff to support the significant sales growth, together with additional units and increases in the wage ratio.

Depreciation and amortization. Depreciation and amortization increased by £3.8 million, or 10.9%, from £35.0 million in the 52 weeks ended 25 December 2013 to £38.8 million in the 52 weeks ended 24 December 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 £62.6 million, or 8.9%, from £702.1 million in the 52 weeks ended 25 December 2013 to £639.6 million in the 52 weeks ended 24 December 2014. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £63.0 million. This decrease was partially offset by a £0.5 million increase in non-fuel operating costs primarily attributable to (1) a £8.2 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £1.1 million increase in franchise fees, reflecting the growth of the Greggs brand and the improved Costa and Burger King sales within catering, offset by (3) a £7.2 million one-off settlement to terminate a parking contract in 2013 which has not re-occurred in 2014, and (4) a £1.1 million decrease in property taxes due to a negotiation of lower rateable values with local councils across a number of sites.

The following represents a breakdown of our non-fuel operating costs for the 52 weeks ended 24 December 2014 and the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks ended 25 December 2013 £'000s	Change
Cost of non-fuel merchandise	141,634	133,444	8,190
Property taxes	16,903	18,012	(1,109)
Utilities	11,252	10,964	288
Franchise fees	8,903	7,836	1,067
Maintenance.....	4,487	4,171	316
Distribution	1,839	1,659	180
Cleaning, travel and admin	7,990	7,430	560
Rent expense.....	8,995	8,429	566
Central income.....	(1,856)	(1,100)	(756)
Corporate and other	6,074	5,553	521
Travelodge provision	(813)	1,366	(2,179)
Parking contract termination.....	-	7,150	(7,150)
Total non-fuel operating costs.....	205,408	204,914	494

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).

Effect of the revaluation of fixed assets. Effect of the revaluation of fixed assets decreased by £5.9 million, or 97.2%, from £6.1 million in the 52 weeks ended 25 December 2013 to £0.2 million in the 52 weeks ended 24 December 2014. The decrease was attributable to fewer reversals of past impairment losses recognised in the Profit and Loss account for the December 2014 revaluation.

Operating profit. Operating profit increased by £10.5 million, or 24.7%, from £42.4 million in the 52 weeks ended 25 December 2013 to £52.8 million in the 52 weeks ended 24 December 2014. The increase was due to the 7.8% increase in non-fuel turnover and the £2.1 million increase in fuel margin.

Interest receivable and similar income. Interest receivable and similar income increased by £0.1 million, or 169.8%, from £0.06 million in the 52 weeks ended 25 December 2013 to £0.17 million in the 52 weeks ended 24 December 2014.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.03 million, or 22.8%, from £0.12 million in the 52 weeks ended 25 December 2013 to £0.15 million receivable in the 52 weeks ended 24 December 2014.

Interest payable on bank loans. Interest payable on bank loans decreased by £0.1 million, or 0.2%, from £62.5 million in the 52 weeks ended 25 December 2013 to £62.4 million in the 52 weeks ended 24 December 2014. The decrease was attributable to (1) £1.1 million saving due to the repayments of senior debt since the prior year, (2) £0.2 million saving due to a lower differential between the 6 month LIBOR charged on the debt and the 3 month LIBOR hedge, (3) £0.1 million lower commitment fees as a result of cancelling Facility B of the senior debt facility, offset by (4) £0.9 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 decreased by £1.0 million, or 100.0%, from £1.0 million in the 52 weeks ended 25 December 2013 to £0.0 million in the 52 weeks ended 24 December 2014. The decrease was attributable to recalculation of the deferred tax asset due primarily to the effect of changes in tax rates.

Retained loss for the financial period. For the reasons set forth above, retained loss for the period reduced by 55.8%, from £21.0 million in the 52 weeks ended 25 December 2013 to £9.3 million in the 52 weeks ended 24 December 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 52 weeks ended 24 December 2014 compared to the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s
Operating profit	52,813	42,360
Depreciation charge.....	34,195	30,383
Loss on disposal of tangible fixed assets.....	167	427
Goodwill amortization.....	4,608	4,608
Effect of the revaluation of fixed assets	(167)	(6,050)
Decrease/ (Increase) in stocks.....	307	(8)
Decrease in debtors.....	2,256	7,120
Increase in creditors.....	1,317	335
Net cash inflow from operating activities	95,496	79,175

The principal factors affecting our net cash inflows from operating activities in the periods presented are the changes in our operating profit, the effect of the revaluation of fixed assets, the decrease in debtors due to better credit card receipts and the increase in creditors.

52 weeks ended 24 December 2014 compared to the 52 weeks ended 25 December 2013

Cash inflow from operating activities increased by £16.3 million, or 20.6%, from £79.2 million in the 52 weeks ended 25 December 2013 to £95.5 million in the 52 weeks ended 24 December 2014. This is primarily attributable to (1) an increase in operating profit of £10.5 million from £42.4 million in the 52 weeks ended 25 December 2013 to £52.8 million in the 52 weeks ended 24 December 2014, (2) an increase in the depreciation charge of £3.8 million, from £30.4 million in the 52 weeks ended 25 December 2013 to £34.2 million in the 52 weeks ended 24 December 2014, (3) a decrease in the effect of the revaluation of fixed assets of £5.9 million, from £6.1 million in the 52 weeks ended 25 December 2013 to £0.2 million in the 52 weeks ended 24 December 2014, offset by (4) a decrease in cash inflow from working capital of £3.6 million compared with 2013.

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 24 December 2014 compared to the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s
Interest received.....	169	63
Interest paid on bank loans	(55,834)	(56,394)
Bank interest and similar	(121)	(114)
Intercompany interest paid	(16)	(16)
Net cash outflow from returns on investments and servicing of finance.....	(55,802)	(56,461)

Interest received. Interest received increased from £0.06 million in the 52 weeks ended 25 December 2013 to £0.17 million in the 52 weeks ended 24 December 2014.

Interest paid on bank loans. Interest paid on bank loans decreased from £56.4 million in the 52 weeks ended 25 December 2013 to £55.8 million in the 52 weeks ended 24 December 2014. The decrease was attributable to (1) £0.7 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 and delayed payment of December 2014 fees, 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 increased slightly from £0.11 million in the 52 weeks ended 25 December 2013 to £0.12 million in the 52 weeks ended 24 December 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 £0.02 million in the 52 weeks ended 24 December 2014, and represents the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 52 weeks ended 24 December 2014 compared to the 52 weeks ended 25 December 2013:

	52 weeks ended 24 December 2014 £'000s	52 weeks Ended 25 December 2013 £'000s
Capital Expenditure by Category:		
Maintenance spend	(4,126)	(3,993)
Expansion spend	(6,838)	(9,549)
IT One-off projects spend	(512)	(1,071)
Leeming Bar acquisition	(3,590)	-
Cherwell Valley Rebuild	-	(34)
Insurance proceeds	-	359
Cash outflow for capital expenditure	<u>(15,066)</u>	<u>(14,288)</u>

For the 52 weeks ended 24 December 2014, our capital expenditure amounted to £15.1 million, which consisted of £4.1 million for maintenance spending, £6.8 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, £0.5 million on IT projects, and £3.6m to acquire a new site at Leeming Bar.

For the 52 weeks ended 25 December 2013, our capital expenditure amounted to £14.6 million, which consisted of £4.0 million for maintenance spending, £9.5 million for expansion including the continued roll-out of new Greggs stores, Burger King, Costa and M&S Store Refreshes, Harvester trial and ongoing spend on prior year projects, £1.1 million on IT projects and £0.03 million on the rebuild of Cherwell Valley. In addition to this expenditure, proceeds from the sale of tangible assets amounted to £0.4m.

Net debt

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

	24 December 2014 £'000s	25 December 2013 £'000s
Cash in hand and at bank	42,873	32,644
Debt due within one year	(14,000)	(9,900)
Debt due after one year	<u>(526,102)</u>	<u>(538,541)</u>
Net debt	<u>(497,229)</u>	<u>(515,797)</u>

At 24 December 2014, the debt due after one year includes £359.6 million of senior debt and £173.9 million of corporate bonds, less £7.4 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 December 2013, the debt due after one year includes £378.1 million of senior debt and £173.0 million of corporate bonds, less £12.5 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).