

**MOTO VENTURES LIMITED**

**QUARTERLY REPORT**

**MARCH 2015**

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

|  | <b>13 weeks<br/>Ended<br/>25 March<br/>2015<br/>£'000s</b> | <b>13 weeks<br/>Ended<br/>26 March<br/>2014<br/>£'000s</b> |
|--|--|--|
| Non-fuel turnover .....  | 71,582   | 68,182   |
| Fuel turnover .....  | 92,201   | 117,449  |
| <b>Turnover</b> .....  | <b>163,783</b>   | <b>185,631</b>   |
| Change in stocks of non-fuel goods.....  | (387)  | (623)  |
| Change in stocks of fuel .....   | (819)  | (189)  |
| <b>Change in stocks of finished goods</b> .....  | <b>(1,206)</b>   | <b>(812)</b>   |
| Staff costs .....  | (16,934)   | (16,307)   |
| Depreciation and amortization.....   | (11,603)   | (9,305)  |
| Non-fuel operating costs.....  | (44,790)   | (43,211)   |
| Cost of fuel purchased .....   | (84,535)   | (110,557)  |
| <b>Other operating costs</b> .....   | <b>(129,325)</b>   | <b>(153,768)</b>   |
| <b>Profit on ordinary activities before interest being<br/>operating profit</b> .....                    | <b>4,715</b>   | <b>5,439</b>   |
| Interest receivable and similar income .....   | 138  | 140  |
| Interest receivable from group undertakings .....  | 44   | 36   |
| Interest payable on bank loans.....  | (32,146)   | (15,517)   |
| <b>Loss on ordinary activities before taxation</b> .....   | <b>(27,249)</b>  | <b>(9,902)</b>   |
| Tax on loss on ordinary activities.....  | -  | -  |
| <b>Loss on ordinary activities after taxation being<br/>retained loss for the financial period</b> ..... | <b>(27,249)</b>  | <b>(9,902)</b>   |
| <br><b>Note: Adjusted EBITDA</b> .....   | <br><b>16,147</b>  | <br><b>14,541</b>  |
| <br><b>Fuel margin</b> .....   | <br><b>6,847</b>   | <br><b>6,703</b>   |

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

|                            | <b>As of<br/>25 March<br/>2015<br/>£'000s</b> | <b>As of<br/>26 March<br/>2014<br/>£'000s</b> |
|----------------------------|---|---|
| Cash.....                  | 25,835  | 17,156  |
| Current assets .....       | 39,892  | 43,941  |
| Net fixed assets.....      | 953,559                                       | 779,398                                       |
| Total assets .....         | 1,019,286                                     | 840,795                                       |
| Short term borrowings..... | -   | (12,600)                                      |
| Current liabilities.....   | (61,959)                                      | (58,755)                                      |
| Long term borrowings ..... | (546,400)                                     | (531,957)                                     |
| Retained Earnings .....    | (329,252)                                     | (299,651)                                     |

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | <b>13 weeks<br/>Ended<br/>25 March<br/>2015<br/>£'000s</b> | <b>13 weeks<br/>Ended<br/>26 March<br/>2014<br/>£'000s</b> |
|--|--|--|
| <b>Net cash inflow from operating activities .....</b>                                 | <b>23,129</b>  | <b>19,844</b>  |
| Cash outflow from servicing bank loans .....   | (32,718)   | (22,522)   |
| Cash outflow from servicing group loans .....  | (14)   | (14)   |
| <b>Net cash outflow from returns on investments<br/>and servicing of finance .....</b> | <b>(32,610)</b>  | <b>(22,426)</b>  |
| <b>Net cash outflow for capital expenditure<br/>and financial investment .....</b>     | <b>(4,357)</b>   | <b>(7,506)</b>   |
| <b>Net cash outflow from financing .....</b>   | <b>(3,200)</b>   | <b>(5,400)</b>   |
| <b>Decrease in net cash .....</b>  | <b>(17,038)</b>  | <b>(15,488)</b>  |

## 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 13 weeks ended 25 March 2015 compared to the 13 weeks ended 26 March 2014*

The following table sets forth our main operating results for the 13 weeks ended 25 March 2015 compared to the 13 weeks ended 26 March 2014:

|  | 13 weeks<br>ended<br>25 March<br>2015<br>£'000s | 13 weeks<br>Ended<br>26 March<br>2014<br>£'000s | Variance<br>£'000s | Variance<br>%   |
|--|---|---|--------------------|-----------------|
| Non-fuel Turnover .....  | 71,582  | 68,182  | 3,400              | 5.0%            |
| Fuel Turnover .....  | 92,201  | 117,449   | (25,248)           | (21.5)%         |
| <b>Turnover</b> .....  | <b>163,783</b>                                  | <b>185,631</b>                                  | <b>(21,848)</b>    | <b>(11.8)%</b>  |
| Change in stocks of non-fuel goods .....   | (387)   | (623)   | 236                | 37.9%           |
| Change in stocks of fuel .....   | (819)   | (189)   | (630)              | (333.3)%        |
| <b>Change in stocks of finished goods</b> .....  | <b>(1,206)</b>                                  | <b>(812)</b>                                    | <b>(394)</b>       | <b>(48.5)%</b>  |
| Staff costs .....  | (16,934)  | (16,307)  | (627)              | (3.8)%          |
| Depreciation and amortization .....  | (11,603)  | (9,305)   | (2,298)            | (24.7)%         |
| Non-fuel operating costs .....   | (44,790)  | (43,211)  | (1,579)            | (3.7)%          |
| Cost of fuel purchased .....   | (84,535)  | (110,557)                                       | 26,022             | 23.5%           |
| <b>Other operating costs</b> .....   | <b>(129,325)</b>                                | <b>(153,768)</b>                                | <b>24,443</b>      | <b>15.9%</b>    |
| <b>Profit on ordinary activities before interest being operating profit</b> .....                    | <b>4,715</b>                                    | <b>5,439</b>                                    | <b>(724)</b>       | <b>(13.3)%</b>  |
| Interest receivable and similar income .....   | 138   | 140   | (2)                | (1.4)%          |
| Interest receivable from group undertakings .....  | 44  | 36  | 8                  | 22.2%           |
| Interest payable on bank loans .....   | (32,146)  | (15,517)  | (16,629)           | (107.2)%        |
| <b>Loss on ordinary activities before taxation</b> .....   | <b>(27,249)</b>                                 | <b>(9,902)</b>                                  | <b>(17,347)</b>    | <b>(175.2)%</b> |
| Tax on loss on ordinary activities .....   | -   | -   | -                  | -               |
| <b>Loss on ordinary activities after taxation being retained loss for the financial period</b> ..... | <b>(27,249)</b>                                 | <b>(9,902)</b>                                  | <b>(17,347)</b>    | <b>(175.2)%</b> |
| <b>Note: EBITDA</b> .....  | <b>16,318</b>                                   | <b>14,744</b>                                   | <b>1,574</b>       | <b>10.7%</b>    |
| Loss on disposal of fixed assets .....   | -   | -   | -                  | -               |
| Travelodge provision .....   | (171)   | (203)   | 32                 | 15.8%           |
| <b>Adjusted EBITDA</b> .....   | <b>16,147</b>                                   | <b>14,541</b>                                   | <b>1,606</b>       | <b>11.0%</b>    |

*Turnover.* Turnover decreased by £21.8 million, or 11.8%, from £185.6 million in the 13 weeks ended 26 March 2014 to £163.8 million in the 13 weeks ended 25 March 2015. The change was primarily attributable to a decrease in fuel turnover of £25.2 million. The decrease in fuel turnover was partly offset by a £3.4 million increase in non-fuel turnover primarily due to £4.0 million higher sales in the amenity building, offset by a reduction of £0.6 million in forecourt shop sales.

The following table shows the breakdown of our non-fuel turnover for the 13 weeks ended 25 March 2015 and the 13 weeks ended 26 March 2014:

|                                      | 13 weeks<br>ended<br>25 March<br>2015<br>£'000s | 13 weeks<br>Ended<br>26 March<br>2014<br>£'000s | Change       |
|--------------------------------------|---|---|--------------|
| Catering .....                       | 30,346  | 28,242  | 2,104        |
| Convenience Food .....               | 17,808  | 17,196  | 612          |
| CTN .....                            | 9,750   | 9,553   | 197          |
| Amusement .....                      | 3,880   | 3,248   | 632          |
| Other .....                          | 3,836   | 3,361   | 475          |
| <b>Amenity Building .....</b>        | <b>65,620</b>                                   | <b>61,600</b>                                   | <b>4,020</b> |
| Forecourt.....                       | 5,962   | 6,582   | (620)        |
| <b>Total non-fuel turnover .....</b> | <b>71,582</b>                                   | <b>68,182</b>                                   | <b>3,400</b> |

The following table shows the like-for-like sales growth in 2015:

|  | 13 weeks<br>Ended<br>25 March<br>2015 |
|--|---------------------------------------|
| <b>Amenity Building (including amusements) .....</b> | <b>6.0%</b>                           |
| Forecourt.....                                       | 3.9%                                  |
| <b>LFL non-fuel turnover .....</b>                   | <b>5.8%</b>                           |

The following table shows the like-for-like transaction growth in 2015:

|  | 13 weeks<br>Ended<br>25 March<br>2015 |
|--|---------------------------------------|
| <b>Amenity Building (excluding amusements) .....</b> | <b>5.9%</b>                           |
| Forecourt.....                                       | (3.0)%                                |
| <b>Total transactions .....</b>                      | <b>4.1%</b>                           |

The following table shows the average spend growth in 2015:

|  | 13 weeks<br>Ended<br>25 March<br>2015 |
|--|---------------------------------------|
| <b>Amenity Building (excluding amusements) .....</b> | <b>(0.7%)</b>                         |
| Forecourt.....                                       | 7.0%                                  |
| <b>Total spend .....</b>                             | <b>1.0%</b>                           |

*Change in stocks of finished goods.* Change in stocks of finished goods was £1.2 million in the 13 weeks ended 25 March 2015 and £0.8 million in the 13 weeks ended 26 March 2014. The value of fuel stocks increased by £0.8 million in the 13 weeks ended 25 March 2015 and there was a £0.4 million increase in non-fuel stocks.

*Staff costs.* Staff costs increased by £0.6 million, or 3.8%, from £16.3 million in the 13 weeks ended 26 March 2014 to £16.9 million in the 13 weeks ended 25 March 2015. The ratio of staff costs to non-fuel turnover reduced from 23.9% in the 13 weeks ended 26 March 2014 to 23.7% in the 13 weeks ended 25 March 2015, despite the opening of additional units.

*Depreciation and amortization.* Depreciation and amortization increased by £2.3 million, or 24.7%, from £9.3 million in the 13 weeks ended 26 March 2014 to £11.6 million in the 13 weeks ended 25 March 2015. The revaluation in December 2014 increased the net book value of fixed assets by £203.3 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 2014 to 2015.

*Other operating costs.* Other operating costs decreased by £24.4 million, or 15.9%, from £153.8 million in the 13 weeks ended 26 March 2014 to £129.3 million in the 13 weeks ended 25 March 2015. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £26.0 million. This decrease was partially offset by a £1.6 million increase in non-fuel operating costs primarily attributable to (1) a £1.5 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, and (2) a £0.2 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 13 weeks ended 25 March 2015 and the 13 weeks ended 26 March 2014:

|  | 13 weeks<br>ended<br>25 March<br>2015<br>£'000s | 13 weeks<br>Ended<br>26 March<br>2014<br>£'000s | Change       |
|--|---|---|--------------|
| Cost of non-fuel merchandise .....         | 29,385  | 27,875  | 1,510        |
| Property taxes .....                       | 3,994   | 4,309   | (315)        |
| Utilities .....                            | 3,111   | 3,028   | 83           |
| Franchise fees .....                       | 1,923   | 1,700   | 223          |
| Maintenance.....                           | 1,171   | 1,070   | 101          |
| Distribution .....                         | 361   | 349   | 12           |
| Cleaning, travel and admin .....           | 1,795   | 1,826   | (31)         |
| Rent expense .....                         | 2,285   | 2,179   | 106          |
| Central income.....                        | (500)   | (500)   | -            |
| Corporate and other .....                  | 1,436   | 1,578   | (142)        |
| Travelodge provision .....                 | (171)   | (203)   | 32           |
| <b>Total non-fuel operating costs.....</b> | <b>44,790</b>                                   | <b>43,211</b>                                   | <b>1,579</b> |

Central income of £0.5 million relates to compensation from BP for the early termination of forecourt leases (2014: £0.2 million for Todhills CPO, and £0.3 million compensation from BP for the early termination of forecourt leases)

*Operating profit.* Operating profit decreased by £0.7 million, or 13.3%, from £5.4 million in the 13 weeks ended 26 March 2014 to £4.7 million in the 13 weeks ended 25 March 2015. The decrease was primarily due to increased depreciation and amortization (£2.3 million).

*Interest receivable and similar income.* Interest receivable and similar income has remained relatively flat in the period.

*Interest receivable from group undertakings.* Interest receivable from group undertakings has remained relatively flat in the period.

*Interest payable on bank loans.* Interest payable on bank loans increased by £16.6 million, or 107.2%, from £15.5 million in the 13 weeks ended 26 March 2014 to £32.1 million in the 13 weeks ended 25 March 2015. The increase was attributable to (1) £6.1 million higher capitalised debt costs amortisation relating to the previous senior debt and high yield bond, (2) £1.7 million additional write-off of previous high yield bond discount, (3) £9.4 million charge relating to redemption of the previous high yield bond, offset by (4) £0.4 million saving due to 7 fewer days interest accrued on hedge in the period and, (5) £0.2 million saving due to a lower hedge principal in the year-to-date period.

*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 increased by 175.2%, from £9.9 million in the 13 weeks ended 26 March 2014 to £27.2 million in the 13 weeks ended 25 March 2015.

## 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 13 weeks ended 25 March 2015 compared to the 13 weeks ended 26 March 2014:

|  | 13 weeks<br>ended<br>25 March<br>2015<br>£'000s | 13 weeks<br>Ended<br>26 March<br>2014<br>£'000s |
|--|---|---|
| <b>Operating profit</b> .....                          | 4,715   | 5,439   |
| Depreciation charge.....                               | 10,451  | 8,153   |
| Loss on disposal of tangible fixed assets.....         | -   | -   |
| Goodwill amortization.....                             | 1,152   | 1,152   |
| Decrease in stocks.....                                | 1,206   | 812   |
| Decrease in debtors.....                               | 1,759   | 3,465   |
| Increase in creditors.....                             | 3,846   | 823   |
| <b>Net cash inflow from operating activities</b> ..... | <b>23,129</b>                                   | <b>19,844</b>                                   |

Cash inflow from operating activities increased by £3.3 million, or 16.6%, from £19.8 million in the 13 weeks ended 26 March 2014 to £23.1 million in the 13 weeks ended 25 March 2015. This is primarily attributable to (1) an increase in the depreciation charge of £2.3 million, from £8.2 million in the 13 weeks ended 26 March 2014 to £10.5 million in the 13 weeks ended 25 March 2015, (2) an increase in the cash inflow from working capital of £1.7 million, offset by (3) a decrease in operating profit of £0.7 million, from £5.4 million in the 13 weeks ended 26 March 2014 to £4.7 million in the 13 weeks ended 25 March 2015.

### *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 13 weeks ended 25 March 2015 compared to the 13 weeks ended 26 March 2014:

|   | <b>13 weeks<br/>ended<br/>25 March<br/>2015<br/>£'000s</b> | <b>13 weeks<br/>Ended<br/>26 March<br/>2014<br/>£'000s</b> |
|---|--|--|
| Interest received.....  | 138  | 140  |
| Interest paid on bank loans .....   | (32,718)   | (22,522)   |
| Bank interest and similar .....   | (16)   | (30)   |
| Intercompany interest paid .....  | (14)   | (14)   |
| <b>Net cash outflow from returns on investments and servicing of<br/>finance.....</b> | <b>(32,610)</b>  | <b>(22,426)</b>  |

*Interest received.* Interest received decreased from £0.140 million in the 13 weeks ended 26 March 2014 to £0.138 million in the 13 weeks ended 25 March 2015.

*Interest paid on bank loans.* Interest paid on bank loans increased from £22.5 million in the 13 weeks ended 26 March 2014 to £32.7 million in the 13 weeks ended 25 March 2015. The increase was attributable to (1) £9.9 million payment relating to redemption of the previous high yield bond including accrued interest, and (2) £0.3 million higher interest payment on the accrued period until repayment of the previous senior debt.

*Bank interest and similar.* Bank interest and similar charges decrease slightly from £0.030 million in the 13 weeks ended 26 March 2014 to £0.016 million in the 13 weeks ended 25 March 2015. 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 13 weeks ended 25 March 2015, and represent the administrative costs of the holding companies.



## Capital expenditure

The following table shows our capital expenditures for the 13 weeks ended 25 March 2015 compared to the 13 weeks ended 26 March 2014:

|   | 13 weeks<br>ended<br>25 March<br>2015<br>£'000s | 13 weeks<br>Ended<br>26 March<br>2014<br>£'000s |
|---|---|---|
| <b>Capital Expenditure by Category:</b>           |   |   |
| Maintenance spend .....                           | (1,063)   | (1,157)   |
| Expansion spend .....                             | (2,654)   | (2,687)   |
| IT One-off projects spend .....                   | (640)   | (71)  |
| Leeming Bar acquisition .....                     | -   | (3,591)   |
| <b>Cash outflow for capital expenditure .....</b> | <b><u>(4,357)</u></b>                           | <b><u>(7,506)</u></b>                           |

For the 13 weeks ended 25 March 2015, our capital expenditure amounted to £4.4 million, which consisted of £1.1 million for maintenance spending, £2.7 million for expansion including the continued roll-out of new Greggs stores and 4 new M&S stores, and ongoing spend on prior year projects and £0.6 million on IT projects – till system and wide-area network.

For the 13 weeks ended 26 March 2014, our capital expenditure amounted to £7.5 million, which consisted of £1.2 million for maintenance spending, £2.7 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, £0.1 million on IT projects, and £3.6m to acquire a new site at Leeming Bar.

## Net debt

The following table shows our net debt position as at 25 March 2015 compared to 26 March 2014:

|                                | 25 March<br>2015<br>£'000s | 26 March<br>2014<br>£'000s |
|--------------------------------|----------------------------|----------------------------|
| Cash in hand and at bank ..... | 25,835                     | 17,156                     |
| Debt due within one year ..... | -                          | (12,600)                   |
| Debt due after one year .....  | (546,400)                  | (531,957)                  |
| <b>Net debt .....</b>          | <b><u>(520,565)</u></b>    | <b><u>(527,401)</u></b>    |

At 25 March 2015, the debt due after one year includes £385.0 million of senior debt and £175.0 million of corporate bonds, less £13.6 million of capitalised debt costs.

At 26 March 2014, the debt due after one year includes £370.0 million of senior debt and £173.2 million of corporate bonds, less £11.2 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).