

MOTO VENTURES LIMITED

QUARTERLY REPORT

MARCH 2017

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 29 March 2017 £'000s	13 weeks Ended 30 March 2016 £'000s
Non-fuel turnover	76,957	77,009
Fuel turnover	105,510	88,996
Turnover	182,467	166,005
Change in stocks of non-fuel goods.....	(134)	(117)
Change in stocks of fuel	(79)	(320)
Change in stocks of finished goods	(213)	(437)
Staff costs	(18,743)	(18,549)
Depreciation and amortization.....	(10,515)	(10,566)
Non-fuel operating costs.....	(47,904)	(48,145)
Cost of fuel purchased	(97,254)	(81,447)
Other operating costs	(145,158)	(129,592)
Profit on ordinary activities before interest being operating profit	7,838	6,861
Interest receivable and similar income	84	216
Interest receivable from group undertakings	65	53
Interest payable on bank loans.....	(24,362)	(8,977)
Fair value movement on derivative financial instruments	(7,927)	(7,013)
Loss on ordinary activities before taxation	(24,302)	(8,860)
Tax on loss on ordinary activities	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(24,302)	(8,860)
 Note: Adjusted EBITDA	 18,175	 17,268
 Fuel margin	 8,176	 7,228

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 29 March 2017 £'000s	As of 30 March 2016 £'000s
Cash.....	49,302	58,145
Current assets (excluding cash)	28,980	37,054
Net fixed assets.....	884,933	909,711
Total assets	963,215	1,004,911
Current liabilities.....	(65,159)	(65,123)
Long term borrowings	(588,847)	(552,094)
Retained Earnings	(507,526)	(430,609)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 29 March 2017 £'000s	13 weeks Ended 30 March 2016 £'000s
Net cash inflow from operating activities	23,843	15,793
Cash outflow from servicing bank loans	(14,231)	(8,173)
Net cash outflow from returns on investments and servicing of finance	(14,202)	(7,973)
Taxation	(747)	(912)
Net cash outflow for capital expenditure and financial investment	(6,171)	(4,651)
Net cash inflow from financing	15,947	-
Increase in net cash	18,670	2,257

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 13 weeks ended 30 March 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 13 weeks ended 29 March 2017 compared to the 13 weeks ended 30 March 2016

The following table sets forth our main operating results for the 13 weeks ended 29 March 2017 compared to the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	76,957	77,009	(52)	(0.1)%
Fuel Turnover	105,510	88,996	16,514	18.6%
Turnover	182,467	166,005	16,462	9.9%
Change in stocks of non-fuel goods	(134)	(117)	(17)	(14.5)%
Change in stocks of fuel	(79)	(320)	241	75.3%
Change in stocks of finished goods	(213)	(437)	224	51.3%
Staff costs	(18,743)	(18,549)	(194)	(1.0)%
Depreciation and amortization	(10,515)	(10,566)	51	0.5%
Non-fuel operating costs	(47,904)	(48,145)	241	0.5%
Cost of fuel purchased	(97,254)	(81,447)	(15,807)	(19.4)%
Other operating costs	(145,158)	(129,592)	(15,566)	(12.0)%
Profit on ordinary activities before interest being operating profit	7,838	6,861	977	14.2%
Interest receivable and similar income	84	216	(132)	(61.1)%
Interest receivable from group undertakings	65	53	12	22.6%
Interest payable on bank loans	(24,362)	(8,977)	(15,385)	(171.4)%
Fair value movement on derivative financial instruments	(7,927)	(7,013)	(914)	(13.0)%
Loss on ordinary activities before taxation	(24,302)	(8,860)	(15,442)	(174.3)%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(24,302)	(8,860)	(15,442)	(174.3)%
Note: EBITDA	18,352	17,427	925	5.3%
Loss on disposal of fixed assets	-	15	(15)	(100.0)%
Travelodge provision	(177)	(174)	(3)	1.7%
Adjusted EBITDA	18,175	17,268	907	5.3%

Turnover. Turnover increased by £16.5 million, or 18.6%, from £166.0 million in the 13 weeks ended 30 March 2016 to £182.5 million in the 13 weeks ended 29 March 2017. The change was primarily attributable to an increase in fuel turnover of £16.5 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover decreased by £0.1 million, as a result of the timing impact of the peak Easter trading period. The peak Easter trading period was in April 2017, but fell into March 2016 for the comparative period.

The following table shows the breakdown of our non-fuel turnover for the 13 weeks ended 29 March 2017 and the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s	Change
Catering	33,220	32,990	230
Convenience Food	19,508	19,519	(11)
CTN	9,578	10,033	(455)
Amusement	4,345	4,506	(161)
Other	4,556	4,330	226
Amenity Building	71,207	71,378	(171)
Forecourt.....	5,750	5,631	119
Total non-fuel turnover	76,957	77,009	(52)

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

	13 weeks Ended 29 March 2017
Amenity Building (including amusements)	(0.5)%
Forecourt.....	2.5%
LFL non-fuel turnover	(0.2)%

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

	13 weeks Ended 29 March 2017
Amenity Building (excluding amusements)	(0.6)%
Forecourt.....	2.0%
Total transactions	(0.1)%

The following table shows the average spend growth in 2017:

	13 weeks Ended 29 March 2017
Amenity Building (excluding amusements)	0.3%
Forecourt.....	0.5%
Total spend	0.1%

Change in stocks of finished goods. Change in stocks of finished goods was £0.2 million in the 13 weeks ended 29 March 2017 and £0.4 million in the 13 weeks ended 30 March 2016. The value of fuel stocks decreased by £0.1 million in the 13 weeks ended 29 March 2017 and there was a £0.1 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £0.2 million, or 1.0%, from £18.5 million in the 13 weeks ended 30 March 2016 to £18.7 million in the 13 weeks ended 29 March 2017. The ratio of staff costs to non-fuel turnover increased from 24.1% in the 13 weeks ended 30 March 2016 to 24.4% in the 13 weeks ended 29 March 2017, linked in part to increases in the hourly paid rate in line with the living wage legislation.

Depreciation and amortization. Depreciation and amortization decreased by £0.1 million, or 0.5%, from £10.6 million in the 13 weeks ended 30 March 2016 to £10.5 million in the 13 weeks ended 29 March 2017. Amortization charges were unchanged from 2016 to 2017.

Other operating costs. Other operating costs increased by £15.6 million, or 12.0%, from £129.6 million in the 13 weeks ended 30 March 2016 to £145.2 million in the 13 weeks ended 29 March 2017. The change was primarily attributable to a £15.8 million increase in the cost of fuel purchased, partly offset by a reduction of £0.2 million in non-fuel operating costs. The £0.2 million decrease in non-fuel operating costs is primarily attributable to (1) a £0.3 million reduction in the cost of non-fuel merchandise, reflecting the decrease in non-fuel turnover, (2) a £0.2 million decrease in utilities, (3) a £0.1 million decrease due to the increase in central income, offset by (4) a £0.2 million increase in cleaning, travel and admin.

The following represents a breakdown of our non-fuel operating costs for the 13 weeks ended 29 March 2017 and the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s	Change
Cost of non-fuel merchandise	31,465	31,751	(286)
Property taxes	4,210	4,303	(93)
Utilities	2,575	2,814	(239)
Franchise fees	2,084	2,071	13
Maintenance.....	1,362	1,295	67
Distribution	448	385	63
Cleaning, travel and admin	2,111	1,902	209
Rent expense	2,395	2,342	53
Central income.....	(100)	-	(100)
Corporate and other	1,531	1,456	75
Travelodge provision	(177)	(174)	(3)
Total non-fuel operating costs.....	47,904	48,145	(241)

Central income in the period was £0.1 million and related to the release of an excess provision for holiday pay that was released at the end of the holiday year (2016: nil).

Operating profit. Operating profit increased by £1.0 million, or 14.2%, from £6.9 million in the 13 weeks ended 30 March 2016 to £7.8 million in the 13 weeks ended 29 March 2017. The increase was due to the reasons outlined above.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.1 million, or 61.1%, from £0.2 million in the 13 weeks ended 30 March 2016 to £0.1 million in the 13 weeks ended 29 March 2017.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 13 weeks ended 29 March 2017.

Interest payable on bank loans. Interest payable on bank loans increased by £15.4 million, or 171.4%, from £9.0 million in the 13 weeks ended 30 March 2016 to £24.4 million in the 13 weeks ended 29 March 2017. The increase was attributable to (1) £10.0 million higher capitalised debt costs amortisation due to the full write-off of senior debt and high yield bond costs relating 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 due to a release of historic fees in 2016, offset by (4) £0.3 million lower hedge interest in the period relating the refinancing.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments increased by £0.9 million, or 13.0%, from £7.0 million in the 13 weeks ended 30 March 2016 to £7.9 million in the 13 weeks ended 29 March 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 174.3%, from £8.9 million in the 13 weeks ended 30 March 2016 to £24.3 million in the 13 weeks ended 29 March 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 13 weeks ended 29 March 2017 compared to the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s
Operating profit	7,838	6,861
Depreciation charge.....	9,363	9,414
Loss on disposal of tangible fixed assets.....	-	15
Goodwill amortization.....	1,152	1,152
Decrease in stocks.....	213	437
Decrease / (increase) in debtors.....	5,739	(2,509)
(Decrease) / increase in creditors.....	(462)	423
Net cash inflow from operating activities	23,843	15,793

Cash inflow from operating activities increased by £8.1 million, or 51.0%, from £15.8 million in the 13 weeks ended 30 March 2016 to £23.8 million in the 13 weeks ended 29 March 2017. This is attributable to (1) an increase in operating profit of £1.0 million, from £6.9 million in the 13 weeks ended 30 March 2016 to £7.8 million in the 13 weeks ended 29 March 2017, (2) an increase in the cash flow from working capital of £7.1 million, from a £1.6 million outflow in the 13 weeks ended 30 March 2016 to a £5.5 million inflow in the 13 weeks ended 29 March 2017, offset by (3) a decrease in the depreciation charge and loss on disposal of tangible fixed assets of £0.1 million. The main working capital differences relate to the impact of Easter and Christmas holiday timing on the receipt of the credit card debtor. In 2016 the Easter weekend delayed the receipt of credit card debt leading to a significantly increased debtor at quarter end. In 2017 the Easter weekend fell outside of the quarter so the credit card debtor was at more normal levels.

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 29 March 2017 compared to the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s
Interest received.....	84	216
Interest paid on bank loans	(14,231)	(8,173)
Bank interest and similar	(55)	(16)
Net cash outflow from returns on investments and servicing of finance.....	(14,202)	(7,973)

Interest received. Interest received increased from £0.216 million in the 13 weeks ended 30 March 2016 to £0.084 million in the 13 weeks ended 29 March 2017.

Interest paid on bank loans. Interest paid on bank loans increased from £8.2 million in the 13 weeks ended 30 March 2016 to £14.2 million in the 13 weeks ended 29 March 2017. The increase was attributable to (1) £5.6 million cost relating to redemption of the old high yield bond incurred during the period, (2) £0.3 million additional interest paid on the old high yield bond (covering the period between mid-month and refinancing) compared with 2016, and (3) £0.1 million relating to the increased quantum of senior debt due to the additional capex facility in place compared with 2016.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 13 weeks ended 29 March 2017. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 13 weeks ended 29 March 2017 compared to the 13 weeks ended 30 March 2016:

	13 weeks ended 29 March 2017 £'000s	13 weeks ended 30 March 2016 £'000s
Capital Expenditure by Category:		
Maintenance spend	(878)	(1,436)
Expansion spend.....	(5,149)	(2,770)
IT One-off projects spend.....	(144)	(445)
Cash outflow for capital expenditure.....	(6,171)	(4,651)

For the 13 weeks ended 29 March 2017, our capital expenditure amounted to £6.2 million, which consisted of £0.9 million for maintenance spending, £5.1 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units and the introduction of new catering brands at 2 sites, and ongoing spend on prior year projects and £0.1 million on IT projects.

For the 13 weeks ended 30 March 2016, our capital expenditure amounted to £4.7 million, which consisted of £1.4 million for maintenance spending, £2.8 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 £0.4 million on IT projects.

Net debt

The following table shows our net debt position as at 29 March 2017 compared to 30 March 2016:

	29 March 2017 £'000s	30 March 2016 £'000s
Cash in hand and at bank	49,302	58,145
Debt due after one year	(588,847)	(552,094)
Net debt	(539,545)	(493,949)

At 29 March 2017, the debt due after one year includes £450.0 million of senior debt and £150.0 million of corporate bonds, less £11.2 million of capitalised debt costs.

At 30 March 2016, the debt due after one year includes £390.3 million of senior debt and £175.0 million of corporate bonds, less £13.2 million of capitalised debt costs.

Explanation of transition to FRS 102

The 13 weeks ended 30 March 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:

	13 weeks ended 30 March 2016 £'000s
Loss for the period reported under previous UK GAAP	(3,478)
Fair value movement on derivative financial instruments	(7,013)
Reversal of 2015 revaluation	1,631
Loss for the period reported under FRS 102	(8,860)