

**MOTO VENTURES LIMITED**

**QUARTERLY REPORT**

**SEPTEMBER 2017**

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 27 September 2017 £'000s	13 weeks Ended 28 September 2016 £'000s	39 weeks Ended 27 September 2017 £'000s	39 weeks Ended 28 September 2016 £'000s
Non-fuel turnover.....	110,151	108,209	285,867	279,387
Fuel turnover.....	115,103	109,964	331,507	304,161
<b>Turnover</b> .....	<b>225,254</b>	<b>218,173</b>	<b>617,374</b>	<b>583,548</b>
Change in stocks of non-fuel goods.....	(36)	(105)	218	13
Change in stocks of fuel.....	763	496	465	488
<b>Change in stocks of finished goods</b> .....	<b>727</b>	<b>391</b>	<b>683</b>	<b>501</b>
Staff costs.....	(21,467)	(20,595)	(61,661)	(58,913)
Depreciation and amortization .....	(10,611)	(10,681)	(31,730)	(31,973)
Non-fuel operating costs .....	(65,069)	(62,505)	(172,364)	(166,450)
Cost of fuel purchased.....	(105,769)	(101,047)	(304,144)	(279,462)
<b>Other operating costs</b> .....	<b>(170,838)</b>	<b>(163,552)</b>	<b>(476,508)</b>	<b>(445,912)</b>
<b>Profit on ordinary activities before interest being operating profit</b> .....	<b>23,065</b>	<b>23,736</b>	<b>48,158</b>	<b>47,251</b>
Interest receivable and similar income.....	10	36	108	306
Interest receivable from group undertakings.....	72	59	202	166
Interest payable on bank loans .....	(7,808)	(9,027)	(39,793)	(27,018)
Fair value movement on derivative financial instruments .....	6,485	(5)	1,346	(10,657)
<b>Profit on ordinary activities before taxation</b> .....	<b>21,824</b>	<b>14,799</b>	<b>10,021</b>	<b>10,048</b>
Tax profit on ordinary activities.....	-	-	-	-
<b>Profit on ordinary activities after taxation being retained profit for the financial period</b> .....	<b>21,824</b>	<b>14,799</b>	<b>10,021</b>	<b>10,048</b>
 <b>Note: Adjusted EBITDA</b> .....	 <b>34,592</b>	 <b>34,243</b>	 <b>80,451</b>	 <b>78,718</b>
 <b>Fuel margin</b> .....	 <b>10,096</b>	 <b>9,413</b>	 <b>27,828</b>	 <b>25,187</b>

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	<b>As of 27 September 2017 £'000s</b>	<b>As of 28 September 2016 £'000s</b>
Cash.....	18,395	23,916
Current assets (excluding cash) .....	34,566	29,910
Net fixed assets.....	878,801	896,895
Total assets .....	931,762	950,720
Current liabilities.....	(65,538)	(67,069)
Long term borrowings (excluding derivatives) .....	(598,031)	(559,075)
Retained Earnings .....	(539,270)	(497,371)

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>13 weeks Ended 27 September 2017 £'000s</b>	<b>13 weeks Ended 28 September 2016 £'000s</b>	<b>39 weeks Ended 27 September 2017 £'000s</b>	<b>39 weeks Ended 28 September 2016 £'000s</b>
<b>Net cash inflow from operating activities .....</b>	<b>34,473</b>	<b>35,022</b>	<b>83,772</b>	<b>87,404</b>
Cash outflow from servicing bank loans.....	(7,344)	(8,335)	(27,616)	(24,699)
<b>Net cash outflow from returns on investments and servicing of finance .....</b>	<b>(7,418)</b>	<b>(8,333)</b>	<b>(27,713)</b>	<b>(24,444)</b>
<b>Taxation .....</b>	<b>(2,251)</b>	<b>(488)</b>	<b>(3,733)</b>	<b>(1,400)</b>
<b>Net cash outflow for capital expenditure and financial investment .....</b>	<b>(6,707)</b>	<b>(2,500)</b>	<b>(22,347)</b>	<b>(13,241)</b>
<b>Net cash (outflow) / inflow from financing .....</b>	<b>(408)</b>	<b>(1)</b>	<b>23,851</b>	<b>5,379</b>
<b>Equity dividends paid to shareholders.....</b>	<b>(25,611)</b>	<b>(29,751)</b>	<b>(66,065)</b>	<b>(85,671)</b>
<b>Decrease in net cash.....</b>	<b>(7,922)</b>	<b>(6,051)</b>	<b>(12,235)</b>	<b>(31,973)</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.

Comparative figures for the 39 weeks ended 28 September 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 39 weeks ended 27 September 2017 compared to the 39 weeks ended 28 September 2016

The following table sets forth our main operating results for the 39 weeks ended 27 September 2017 compared to the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s	Variance £'000s	Variance %
Non-fuel Turnover .....	285,867	279,387	6,480	2.3%
Fuel Turnover .....	331,507	304,161	27,346	9.0%
<b>Turnover .....</b>	<b>617,374</b>	<b>583,548</b>	<b>33,826</b>	<b>5.8%</b>
Change in stocks of non-fuel goods.....	218	13	205	1576.9%
Change in stocks of fuel.....	465	488	(23)	(4.7)%
<b>Change in stocks of finished goods .....</b>	<b>683</b>	<b>501</b>	<b>182</b>	<b>36.3%</b>
Staff costs .....	(61,661)	(58,913)	(2,748)	(4.7)%
Depreciation and amortization .....	(31,730)	(31,973)	243	0.8%
Non-fuel operating costs .....	(172,364)	(166,450)	(5,914)	(3.6)%
Cost of fuel purchased .....	(304,144)	(279,462)	(24,682)	(8.8)%
<b>Other operating costs.....</b>	<b>(476,508)</b>	<b>(445,912)</b>	<b>(30,596)</b>	<b>(6.9)%</b>
<b>Profit on ordinary activities before interest being operating profit .....</b>	<b>48,158</b>	<b>47,251</b>	<b>907</b>	<b>1.9%</b>
Interest receivable and similar income.....	108	306	(198)	(64.7)%
Interest receivable from group undertakings.....	202	166	36	21.7%
Interest payable on bank loans .....	(39,793)	(27,018)	(12,775)	(47.3)%
Fair value movement on derivative financial instruments .....	1,346	(10,657)	12,003	(112.6)%
<b>Profit on ordinary activities before taxation .....</b>	<b>10,021</b>	<b>10,048</b>	<b>(27)</b>	<b>(0.3)%</b>
Tax on profit on ordinary activities .....	-	-	-	-
<b>Profit on ordinary activities after taxation being retained profit for the financial period .....</b>	<b>10,021</b>	<b>10,048</b>	<b>(27)</b>	<b>(0.3)%</b>
<b>Note: EBITDA .....</b>	<b>79,888</b>	<b>79,224</b>	<b>664</b>	<b>0.8%</b>
Loss on disposal of fixed assets .....	1,093	15	1,078	7186.7%
Travelodge provision .....	(530)	(521)	(9)	(1.7)%
<b>Adjusted EBITDA .....</b>	<b>80,451</b>	<b>78,718</b>	<b>1,733</b>	<b>2.2%</b>

*Turnover.* Turnover increased by £33.8 million, or 5.8%, from £583.5 million in the 39 weeks ended 28 September 2016 to £617.4 million in the 39 weeks ended 27 September 2017. The change was primarily attributable to an increase in fuel turnover of £27.3 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by £6.5 million, as a result of continued growth in catering and convenience food.

The following table shows the breakdown of our non-fuel turnover for the 39 weeks ended 27 September 2017 and the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s	Change
Catering .....	126,049	120,961	5,088
Convenience Food .....	75,389	73,335	2,054
CTN .....	36,984	38,315	(1,331)
Amusement .....	13,554	13,746	(192)
Other .....	14,459	13,888	571
<b>Amenity Building .....</b>	<b>266,435</b>	<b>260,245</b>	<b>6,190</b>
Forecourt.....	19,432	19,142	290
<b>Total non-fuel turnover .....</b>	<b>285,867</b>	<b>279,387</b>	<b>6,480</b>

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

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	13 weeks Ended 27 September 2017	39 weeks Ended 27 September 2017
<b>Amenity Building (including amusements) .....</b>	<b>(0.5)%</b>	<b>5.3%</b>	<b>2.0%</b>	<b>2.4%</b>
Forecourt .....	2.5%	2.0%	1.0%	1.8%
<b>LFL non-fuel turnover .....</b>	<b>(0.2)%</b>	<b>5.1%</b>	<b>1.9%</b>	<b>2.4%</b>

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

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	13 weeks Ended 27 September 2017	39 weeks Ended 27 September 2017
<b>Amenity Building (excluding amusements) .....</b>	<b>(0.6)%</b>	<b>2.1%</b>	<b>(0.4)%</b>	<b>0.4%</b>
Forecourt .....	2.0%	(2.0)%	(2.6)%	(1.0)%
<b>Total transactions .....</b>	<b>(0.1)%</b>	<b>1.4%</b>	<b>(0.8)%</b>	<b>0.1%</b>

The following table shows the average spend growth in 2017:

	13 weeks Ended 29 March 2017	13 weeks Ended 28 June 2017	13 weeks Ended 27 September 2017	39 weeks Ended 27 September 2017
<b>Amenity Building (excluding amusements) .....</b>	<b>0.3%</b>	<b>3.3%</b>	<b>2.7%</b>	<b>2.3%</b>
Forecourt .....	0.5%	4.0%	3.7%	2.8%
<b>Total spend .....</b>	<b>0.1%</b>	<b>3.8%</b>	<b>3.0%</b>	<b>2.5%</b>

*Change in stocks of finished goods.* Change in stocks of finished goods was £0.7 million in the 39 weeks ended 27 September 2017 and £0.5 million in the 39 weeks ended 28 September 2016. The value of non-fuel stocks increased by £0.2 million in the 39 weeks ended 27 September 2017 and fuel stock values remain materially unchanged.

*Staff costs.* Staff costs increased by £2.7 million, or 4.7%, from £58.9 million in the 39 weeks ended 28 September 2016 to £61.7 million in the 39 weeks ended 27 September 2017. The ratio of staff costs to non-fuel turnover increased from 21.1% in the 39 weeks ended 28 September 2016 to 21.6% in the 39 weeks ended 27 September 2017, linked in part to increases in the hourly paid rate in line with living wage legislation.

*Depreciation and amortization.* Depreciation and amortization decreased by £0.2 million, or 0.8%, from £32.0 million in the 39 weeks ended 28 September 2016 to £31.7 million in the 39 weeks ended 27 September 2017. Amortization charges were unchanged from 2016 to 2017.

*Other operating costs.* Other operating costs increased by £30.6 million, or 6.9%, from £445.9 million in the 39 weeks ended 28 September 2016 to £476.5 million in the 39 weeks ended 27 September 2017. The increase was primarily attributable to the cost of fuel purchased, which increased by £24.7 million. The £5.9 million increase in non-fuel operating costs is primarily attributable to (1) a £2.0 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £1.6 million increase in Corporate and other, mainly reflecting the loss on disposal of fixed assets, (3) a £1.1 million increase in property taxes, reflecting the April 2017 business rates revaluation and new units.

The following represents a breakdown of our non-fuel operating costs for the 39 weeks ended 27 September 2017 and the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s	Change
Cost of non-fuel merchandise .....	118,597	116,618	1,979
Property taxes .....	13,779	12,677	1,102
Utilities .....	7,826	7,688	138
Franchise fees .....	7,842	7,459	383
Maintenance.....	4,064	3,994	70
Distribution .....	1,623	1,474	149
Cleaning, travel and admin .....	6,573	6,160	413
Rent expense .....	7,280	7,115	165
Central income.....	(763)	(723)	(40)
Corporate and other .....	6,073	4,509	1,564
Travelodge provision .....	(530)	(521)	(9)
<b>Total non-fuel operating costs.....</b>	<b>172,364</b>	<b>166,450</b>	<b>5,914</b>

Central income of £0.8 million relates to (1) £0.1 million of holiday pay provision release, and (2) £0.7 million of backdated rates settlements. (2016: £0.7 million of backdated rates settlement).

*Operating profit.* Operating profit increased by £0.9 million, or 1.9%, from £47.3 million in the 39 weeks ended 28 September 2016 to £48.2 million in the 39 weeks ended 27 September 2017. The reasons for the increase in operating profit are outlined in the commentary above.

*Interest receivable and similar income.* Interest receivable and similar income decreased by £0.2 million, or 64.7%, from £0.3 million in the 39 weeks ended 28 September 2016 to £0.1 million in the 39 weeks ended 27 September 2017.

*Interest receivable from group undertakings.* Interest receivable from group undertakings remains materially unchanged in the 39 weeks ended 27 September 2017.

*Interest payable on bank loans.* Interest payable on bank loans increased by £12.8 million, or 47.3%, from £27.0 million in the 39 weeks ended 28 September 2016 to £39.8 million in the 39 weeks ended 27 September 2017. The increase was attributable to (1) £9.7 million higher capitalised debt costs amortisation primarily due to the full write-off of old senior debt and high yield bond costs 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 up to 29 March 2017 due to a release of fees in 2016, offset by (4) £2.3 million saving due to more favourable interest rates on the new debt arrangements, and (5) £0.3 million lower hedge interest in the period up to 29 March 2017.

*Tax on profit on ordinary activities.* Tax on profit 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 profit for the financial period.* For the reasons set forth above, retained profit for the period decreased by 0.3%, from a profit of £10.05 million in the 39 weeks ended 28 September 2016 to a profit of £10.02 million in the 39 weeks ended 27 September 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 39 weeks ended 27 September 2017 compared to the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s
<b>Operating profit</b> .....	48,158	47,251
Depreciation charge .....	28,274	28,517
Loss on disposal of tangible fixed assets .....	1,093	15
Goodwill amortization .....	3,456	3,456
(Increase) in stocks .....	(683)	(501)
Decrease in debtors.....	2,254	6,075
Increase in creditors.....	1,220	2,591
<b>Net cash inflow from operating activities</b> .....	<b>83,772</b>	<b>87,404</b>

Cash inflow from operating activities decreased by £3.6 million, or 4.2%, from £87.4 million in the 39 weeks ended 28 September 2016 to £83.8 million in the 39 weeks ended 27 September 2017. This is primarily attributable to (1) an increase in operating profit of £0.9 million from £47.3 million in the 39 weeks ended 28 September 2016 to £48.2 million in the 39 weeks ended 27 September 2017, (2) an increase in the loss on disposal of fixed assets of £1.1 million, offset by (3) a decrease in the cash inflow from working capital of £5.4 million from £8.2 million in the 39 weeks ended 28 September 2016 to £2.8 million in the 39 weeks ended 27 September 2017, and (4) a decrease in the depreciation charge of £0.2 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 27 September 2017 compared to the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s
Interest received.....	108	305
Interest paid on bank loans .....	(27,616)	(24,699)
Bank interest and similar .....	(205)	(50)
<b>Net cash outflow from returns on investments and servicing of finance.....</b>	<b>(27,713)</b>	<b>(24,444)</b>

*Interest received.* Interest received decreased from £0.3 million in the 39 weeks ended 28 September 2016 to £0.1 million in the 39 weeks ended 27 September 2017.

*Interest paid on bank loans.* Interest paid on bank loans increased from £24.7 million in the 39 weeks ended 28 September 2016 to £27.6 million in the 39 weeks ended 27 September 2017. The increase was attributable to (1) £5.6 million cost relating to redemption of the old high yield bond incurred during the period, offset by (2) £2.3 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £0.4 million timing differences relating to the payment of commitment fees, hedge interest and high yield bond fees.

*Bank interest and similar.* Bank interest and similar charges increased from £0.1 million in the 39 weeks ended 28 September 2016 to £0.2 million in the 39 weeks ended 27 September 2017.

### *Capital expenditure*

The following table shows our capital expenditures for the 39 weeks ended 27 September 2017 compared to the 39 weeks ended 28 September 2016:

	39 weeks ended 27 September 2017 £'000s	39 weeks ended 28 September 2016 £'000s
<b>Capital Expenditure by Category:</b>		
Maintenance spend .....	(3,754)	(4,023)
Expansion spend.....	(18,072)	(8,459)
IT One-off projects spend.....	(521)	(759)
<b>Cash outflow for capital expenditure.....</b>	<b>(22,347)</b>	<b>(13,241)</b>

For the 39 weeks ended 27 September 2017, our capital expenditure amounted to £22.3 million, which consisted of £3.8 million for maintenance spending, £18.1 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units, 2 Costa Drive Thru units, the introduction of new catering brands at 3 sites, and ongoing spend on prior year projects and £0.5 million on IT projects.

For the 39 weeks ended 28 September 2016, our capital expenditure amounted to £13.2 million, which consisted of £4.0 million for maintenance spending, £8.5 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 £0.8 million on IT projects.



### **Equity dividends paid to shareholders**

Equity dividends paid to shareholders decreased from £85.7 million in the 39 weeks ended 28 September 2016 to £66.1 million in the 39 weeks ended 27 September 2017. Equity dividends were debited from retained earnings and funded from balance sheet cash.

### **Net debt**

The following table shows our net debt position as at 27 September 2017 compared to 28 September 2016:

	<b>27 September 2017 £'000s</b>	<b>28 September 2016 £'000s</b>
Cash in hand and at bank .....	18,395	23,916
Debt due after one year .....	(598,031)	(559,075)
<b>Net debt</b> .....	<b>(579,636)</b>	<b>(535,159)</b>

At 27 September 2017, the debt due after one year includes £459.8 million of senior debt and £150.0 million of corporate bonds, less £11.8 million of capitalised debt costs.

At 28 September 2016, the debt due after one year includes £395.7 million of senior debt and £175.0 million of corporate bonds, less £11.6 million of capitalised debt costs.

### **Explanation of transition to FRS 102**

The 39 weeks ended 28 September 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:

	<b>39 weeks ended 28 September 2016 £'000s</b>
<b>Profit for the period reported under previous UK GAAP</b>	15,813
Fair value movement on derivative financial instruments .....	(10,657)
Reversal of 2015 revaluation.....	4,892
<b>Profit for the period reported under FRS 102</b> .....	<b>10,048</b>