

MOTO VENTURES LIMITED

QUARTERLY REPORT

DECEMBER 2017

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 27 December 2017 £'000s	13 weeks Ended 28 December 2016 £'000s	52 weeks Ended 27 December 2017 £'000s	52 weeks Ended 28 December 2016 £'000s
Non-fuel turnover.....	88,624	87,750	374,491	367,138
Fuel turnover.....	111,332	107,388	442,839	411,549
Turnover	199,956	195,138	817,330	778,687
Change in stocks of non-fuel goods.....	687	205	905	218
Change in stocks of fuel.....	(729)	(492)	(265)	(4)
Change in stocks of finished goods	(42)	(287)	640	214
Staff costs.....	(20,259)	(19,552)	(81,920)	(78,465)
Depreciation and amortization	(10,682)	(10,550)	(42,412)	(42,523)
Non-fuel operating costs	(54,157)	(53,162)	(226,521)	(219,612)
Cost of fuel purchased	(101,242)	(98,288)	(405,385)	(377,750)
Other operating costs	(155,399)	(151,450)	(631,906)	(597,362)
Profit on ordinary activities before interest being operating profit	13,574	13,299	61,732	60,551
Interest receivable and similar income.....	7	22	116	328
Interest receivable from group undertakings.....	71	60	272	225
Interest payable on bank loans	(7,713)	(9,030)	(47,506)	(36,048)
Fair value movement on derivative financial instruments	(4,846)	5,932	(3,500)	(4,726)
Profit on ordinary activities before taxation	1,093	10,283	11,114	20,330
Tax on profit on ordinary activities.....	-	3,864	-	3,864
Profit on ordinary activities after taxation being retained profit for the financial period	1,093	14,147	11,114	24,194
 Note: Adjusted EBITDA	 23,476	 23,676	 103,927	 102,394
 Fuel margin	 9,361	 8,609	 37,189	 33,796

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 27 December 2017 £'000s	As of 28 December 2016 £'000s
Cash.....	31,652	30,630
Current assets (excluding cash)	40,709	34,867
Net fixed assets.....	872,635	889,277
Total assets	944,996	954,774
Current liabilities.....	(66,702)	(59,728)
Long term borrowings (excluding derivatives)	(604,162)	(562,074)
Retained Earnings	(538,177)	(483,226)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 27 December 2017 £'000s	13 weeks Ended 28 December 2016 £'000s	52 weeks Ended 27 December 2017 £'000s	52 weeks Ended 28 December 2016 £'000s
Net cash inflow from operating activities	19,794	15,865	103,566	103,269
Cash outflow from servicing bank loans	(6,694)	(8,137)	(34,310)	(32,837)
Net cash outflow from returns on investments and servicing of finance	(6,768)	(8,156)	(34,481)	(32,600)
Taxation	(1,345)	(263)	(5,078)	(1,663)
Net cash outflow for capital expenditure and financial investment	(3,914)	(2,932)	(26,261)	(16,173)
Net cash inflow from financing	5,490	2,200	29,341	7,579
Equity dividends paid to shareholders	-	-	(66,065)	(85,671)
Increase / (decrease) in net cash	13,257	6,714	1,022	(25,259)

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 52 weeks ended 28 December 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 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016

The following table sets forth our main operating results for the 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	374,491	367,138	7,353	2.0%
Fuel Turnover	442,839	411,549	31,290	7.6%
Turnover	817,330	778,687	38,643	5.0%
Change in stocks of non-fuel goods.....	905	218	687	315.1%
Change in stocks of fuel.....	(265)	(4)	(261)	(6525.0)%
Change in stocks of finished goods	640	214	426	199.1%
Staff costs	(81,920)	(78,465)	(3,455)	(4.4)%
Depreciation and amortization	(42,412)	(42,523)	111	0.3%
Non-fuel operating costs	(226,521)	(219,612)	(6,909)	(3.1)%
Cost of fuel purchased	(405,385)	(377,750)	(27,635)	(7.3)%
Other operating costs.....	(631,906)	(597,362)	(34,544)	(5.8)%
Profit on ordinary activities before interest being operating profit	61,732	60,551	1,181	2.0%
Interest receivable and similar income.....	116	328	(212)	(64.6)%
Interest receivable from group undertakings.....	272	225	47	20.9%
Interest payable on bank loans	(47,506)	(36,048)	(11,458)	(31.8)%
Fair value movement on derivative financial instruments	(3,500)	(4,726)	1,226	25.9%
Profit on ordinary activities before taxation	11,114	20,330	(9,216)	(45.3)%
Tax on profit on ordinary activities	-	3,864	(3,864)	(100.0)%
Profit on ordinary activities after taxation being retained profit for the financial period	11,114	24,194	(13,080)	(54.1)%
Note: EBITDA	104,144	103,074	1,070	1.0%
Loss on disposal of fixed assets	490	15	475	3166.7%
Travelodge provision	(707)	(695)	(12)	(1.7)%
Adjusted EBITDA	103,927	102,394	1,533	1.5%

Turnover. Turnover increased by £38.6 million, or 5.0%, from £778.7 million in the 52 weeks ended 28 December 2016 to £817.3 million in the 52 weeks ended 27 December 2017. The change was primarily attributable to an increase in fuel turnover of £31.3 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by £7.4 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 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s	Change
Catering	165,826	159,630	6,196
Convenience Food	97,070	95,085	1,985
CTN	47,992	49,778	(1,786)
Amusement	17,996	18,395	(399)
Other	19,560	18,648	912
Amenity Building	348,444	341,536	6,908
Forecourt.....	26,047	25,602	445
Total non-fuel turnover	374,491	367,138	7,353

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	13 weeks Ended 27 December 2017	52 weeks Ended 27 December 2017
Amenity Building (including amusements).....	(0.5)%	5.3%	2.0%	0.6%	2.0%
Forecourt.....	2.5%	2.0%	1.0%	2.3%	1.9%
LFL non-fuel turnover	(0.2)%	5.1%	1.9%	0.7%	2.0%

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	13 weeks Ended 27 December 2017	52 weeks Ended 27 December 2017
Amenity Building (excluding amusements)	(0.6)%	2.1%	(0.4)%	(1.4)%	(0.0)%
Forecourt.....	2.0%	(2.0)%	(2.6)%	(2.1)%	(1.3)%
Total transactions	(0.1)%	1.4%	(0.8)%	(1.5)%	(0.3)%

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	13 weeks Ended 27 December 2017	52 weeks Ended 27 December 2017
Amenity Building (excluding amusements)	0.3%	3.3%	2.7%	2.3%	2.3%
Forecourt.....	0.5%	4.0%	3.7%	4.5%	3.3%
Total spend	0.1%	3.8%	3.0%	2.6%	2.5%

Change in stocks of finished goods. Change in stocks of finished goods was £0.6 million in the 52 weeks ended 27 December 2017 and £0.2 million in the 52 weeks ended 28 December 2016. The value of fuel stocks decreased by £0.3 million in the 52 weeks ended 27 December 2017 and there was a £0.9 million increase in non-fuel stocks.

Staff costs. Staff costs increased by £3.5 million, or 4.4%, from £78.5 million in the 52 weeks ended 28 December 2016 to £81.9 million in the 52 weeks ended 27 December 2017. The ratio of staff costs to non-fuel turnover increased from 21.4% in the 52 weeks ended 28 December 2016 to 21.9% in the 52 weeks ended 27 December 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 £0.1 million, or 0.3%, from £37.9 million in the 52 weeks ended 28 December 2016 to £37.8 million in the 52 weeks ended 27 December 2017. Amortization charges were unchanged from 2016 to 2017.

Other operating costs. Other operating costs increased by £34.5 million, or 5.8%, from £597.4 million in the 52 weeks ended 28 December 2016 to £631.9 million in the 52 weeks ended 27 December 2017. The increase was primarily attributable to the cost of fuel purchased, which increased by £27.6 million. The £6.9 million increase in non-fuel operating costs is primarily attributable to (1) a £2.6 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £1.2 million increase in Corporate and other, partly reflecting the loss on disposal of fixed assets, (3) a £1.7 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 52 weeks ended 27 December 2017 and the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s	Change
Cost of non-fuel merchandise	155,844	153,249	2,595
Property taxes	18,576	16,904	1,672
Utilities	10,640	10,404	236
Franchise fees	10,325	9,839	486
Maintenance.....	5,411	5,293	118
Distribution	2,133	1,919	214
Cleaning, travel and admin	8,844	8,508	336
Rent expense	9,610	9,440	170
Central income.....	(1,325)	(1,260)	(65)
Corporate and other	7,170	6,011	1,159
Travelodge provision	(707)	(695)	(12)
Total non-fuel operating costs.....	226,521	219,612	6,909

Central income of £1.3 million relates to (1) £1.4 million of backdated rates settlements, (2) £0.1 million of holiday pay provision release, and (3) costs of £0.2m being the net of a number of other one-off items. (2016: £1.9 million for backdated rates settlements, costs of £0.4 million for recognition of a dilapidations provision and other costs of £0.2 million being the net of a number of other one-off items).

Operating profit. Operating profit increased by £1.2 million, or 2.0%, from £60.6 million in the 52 weeks ended 28 December 2016 to £61.7 million in the 52 weeks ended 27 December 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 64.6%, from £0.3 million in the 52 weeks ended 28 December 2016 to £0.1 million in the 52 weeks ended 27 December 2017.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 52 weeks ended 27 December 2017.

Interest payable on bank loans. Interest payable on bank loans increased by £11.5 million, or 31.8%, from £36.0 million in the 52 weeks ended 28 December 2016 to £47.5 million in the 52 weeks ended 27 December 2017. The increase was attributable to (1) £9.6 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, and (2) £5.6 million redemption premium for the old high yield bond, offset by (3) £3.5 million saving due to more favourable interest rates on the new debt arrangements, and (4) £0.3 million lower hedge interest in the period up to 29 March 2017.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was £3.5 million in the 52 weeks ended 27 December 2017 compared with £4.7 million in the 52 weeks ended 28 December 2016. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on profit on ordinary activities. Tax on profit on ordinary activities decreased by £3.9 million, or 100.0%, from £3.9 million in the 52 weeks ended 28 December 2016 to £0.0 million in the 52 weeks ended 27 December 2017. The tax charge for the 52 weeks ended 27 December 2017 will be posted in the statutory accounts.

Retained profit for the financial period. For the reasons set forth above, retained profit for the period decreased by £13.1 million, or 54.1%, from a profit of £24.2 million in the 52 weeks ended 28 December 2016 to a profit £11.1 million in the 52 weeks ended 27 December 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 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s
Operating profit	61,732	60,551
Depreciation charge	37,804	37,915
Loss on disposal of tangible fixed assets	490	15
Goodwill amortization	4,608	4,608
(Increase)/decrease in stocks	(640)	(214)
(Increase) in debtors	(2,544)	(106)
Increase in creditors.....	2,116	500
Net cash inflow from operating activities	103,566	103,269

Cash inflow from operating activities increased by £0.3 million, or 0.3%, from £103.3 million in the 52 weeks ended 28 December 2016 to £103.6 million in the 52 weeks ended 27 December 2017. This is primarily attributable to (1) a increase in operating profit of £1.2 million from £60.6 million in the 52 weeks ended 28 December 2016 to £61.7 million in the 52 weeks ended 27 December 2017, (2) an increase in the loss on disposal of tangible fixed assets of £0.5 million, offset by (3) a decrease in the cash inflow from working capital of £1.2 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 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s
Interest received.....	116	328
Interest paid on bank loans	(34,310)	(32,837)
Bank interest and similar	(287)	(91)
Net cash outflow from returns on investments and servicing of finance.....	(34,481)	(32,600)

Interest received. Interest received decreased from £0.3 million in the 52 weeks ended 28 December 2016 to £0.1 million in the 52 weeks ended 27 December 2017.

Interest paid on bank loans. Interest paid on bank loans increased from £32.8 million in the 52 weeks ended 28 December 2016 to £34.3 million in the 52 weeks ended 27 December 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) £3.5 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £0.6 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 52 weeks ended 28 December 2016 to £0.3 million in the 52 weeks ended 27 December 2017. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 52 weeks ended 27 December 2017 compared to the 52 weeks ended 28 December 2016:

	52 weeks ended 27 December 2017 £'000s	52 weeks ended 28 December 2016 £'000s
Capital Expenditure by Category:		
Maintenance spend	(5,096)	(4,929)
Expansion spend.....	(20,593)	(10,102)
IT One-off projects spend.....	(572)	(1,142)
Cash outflow for capital expenditure.....	(26,261)	(16,173)

For the 52 weeks ended 27 December 2017, our capital expenditure amounted to £26.3 million, which consisted of £5.1 million for maintenance spending, £20.6 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 £0.6 million on IT projects.

For the 52 weeks ended 28 December 2016, our capital expenditure amounted to £16.2 million, which consisted of £4.9 million for maintenance spending, £10.1 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 £1.1 million on IT projects.

Net debt

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

	27 December 2017 £'000s	28 December 2016 £'000s
Cash in hand and at bank	31,652	30,630
Debt due after one year	(604,162)	(562,074)
Net debt	(572,510)	(531,444)

At 27 December 2017, the debt due after one year includes £465.3 million of senior debt, £150.0 million of corporate bonds, less £11.1 million of capitalised debt costs.

At 28 December 2016, the debt due after one year includes £397.9 million of senior debt, £175.0 million of corporate bonds, less £10.8 million of capitalised debt costs.

Explanation of transition to FRS 102 and year-end corporation tax adjustment

The 52 weeks ended 28 December 2016 have been restated to reflect the newly adopted Financial Reporting Standard 102 (FRS 102) and a year-end corporation tax adjustment. 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:

	52 weeks ended 28 December 2016 £'000s
Profit for the period reported under previous UK GAAP	18,534
Fair value movement on derivative financial instruments	(4,726)
Reversal of 2015 revaluation	6,522
Year-end corporation tax	3,864
Profit for the period reported under FRS 102	24,194