



Company

Watch

tracking corporate financial health

August 2007

ChoicesUK Plc

“ChoicesUK calls in administrators

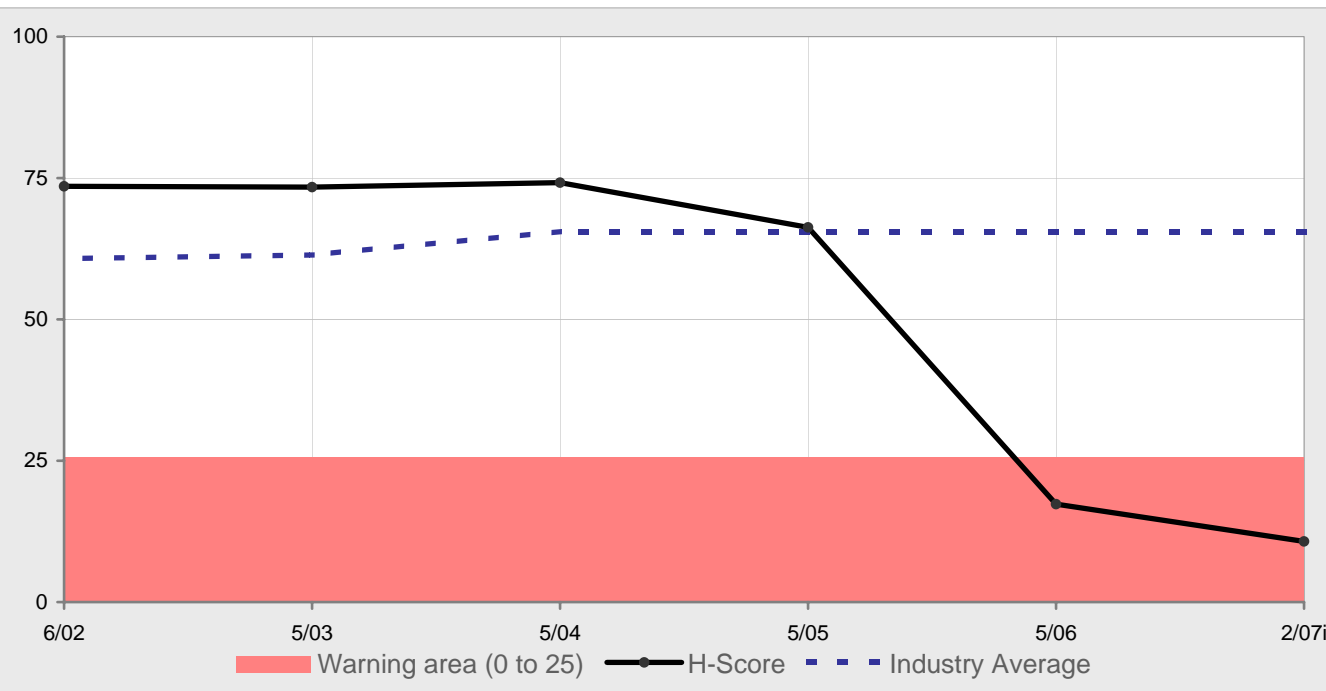
Entertainment retailer ChoicesUK is to call in the administrators - leaving hundreds of jobs under threat”

BBC 21 August 2007



what the Company Watch model says

Health Profile - **H-Score**®



H-Score®: **11**

The **H-Score** is the overall measure of the company's financial health. Companies in the Warning Area may be vulnerable and should be viewed with care. As long as any company remains outside the Warning Area, it has a low likelihood of failure. For further information please see Appendix 2 (page 9).

Industry Average: **66** The Industry Average is the average H-Score of companies in the same Industry sector.

	6/02	5/03	5/04	5/05	5/06	2/07i
H-Score	74	73	74	66	17	11
Industry Average	61	61	66	66	66	66

Financial Summary

Currency: **GBP'000s**

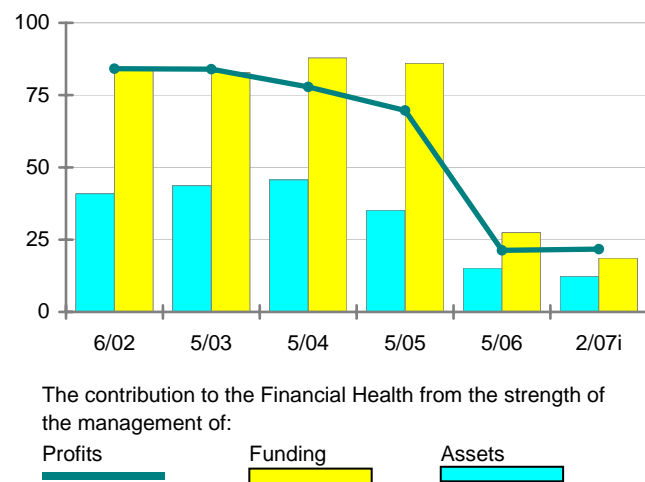
(See pages 5 to 7)

Period	Sales	Earnings before tax	Total assets	Net worth
2/07i	102,902	-2,859	42,952	13,717
05/06	134,206	-4,193	45,513	16,513
05/05	140,467	4,449	41,610	19,707
05/04	128,862	4,701	35,609	17,277
05/03	120,664	5,950	34,181	15,344
06/02	103,038	4,727	27,826	12,713

Comments

[Interim accounts](#) - where the reported data lacks detail, values have been extrapolated from the previous year-end.

Factor Profile - Fundamentals

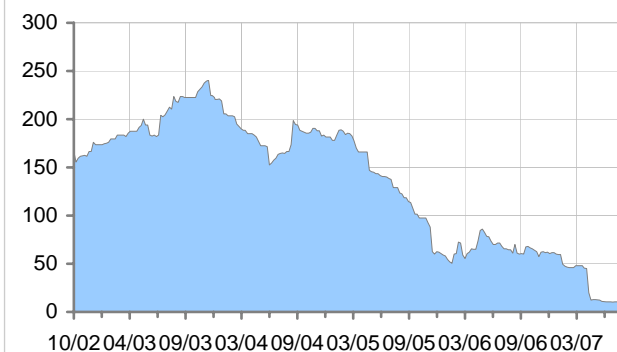


The contribution to the Financial Health from the strength of the management of:

Profits Funding Assets

For further information please see Appendix 3 (page 10)

Equity Profile - Market view

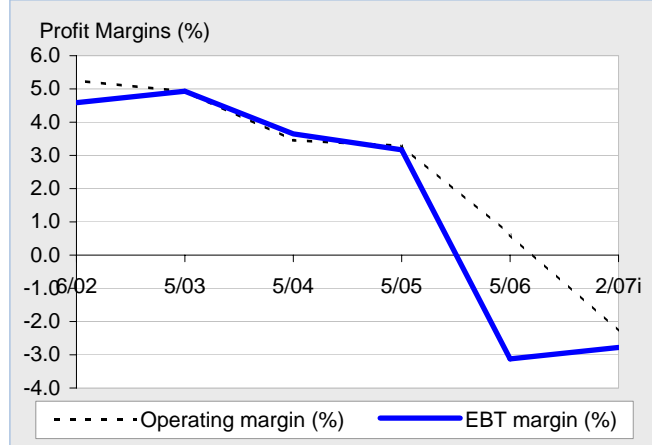
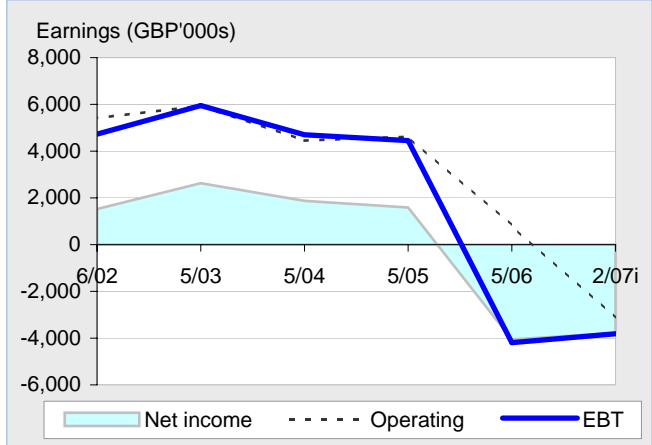
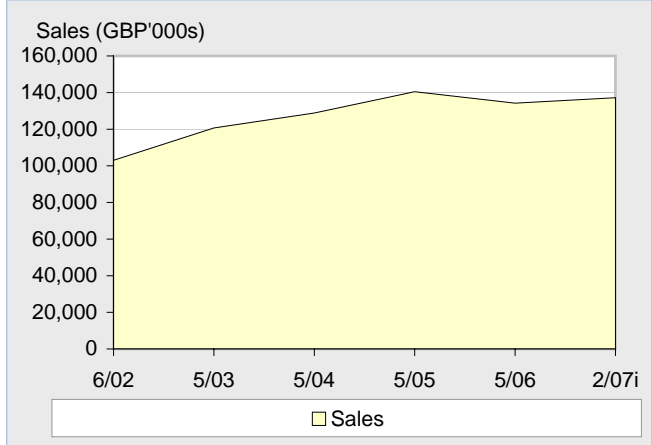


Data as at: 16 Aug 2007 (GBP)

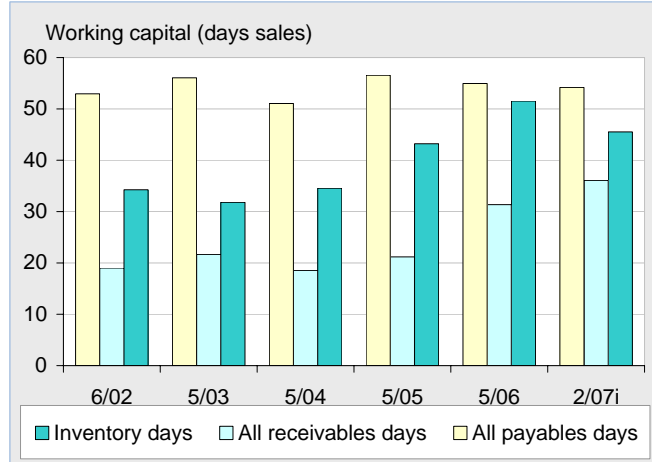
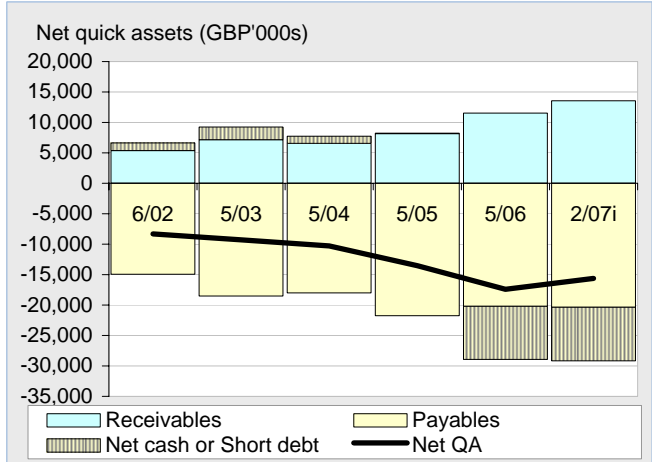
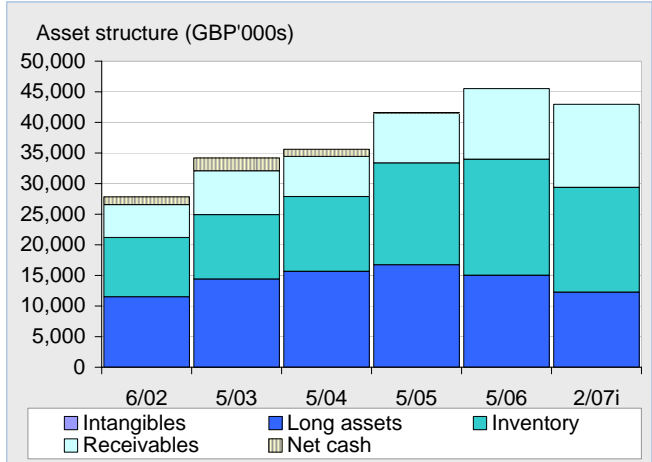
Stock Price (p)	52 Week High (p)	52 Week Low (p)	PE Ratio	Market Cap. (m)
10	74	10		1.0

(p = pence)

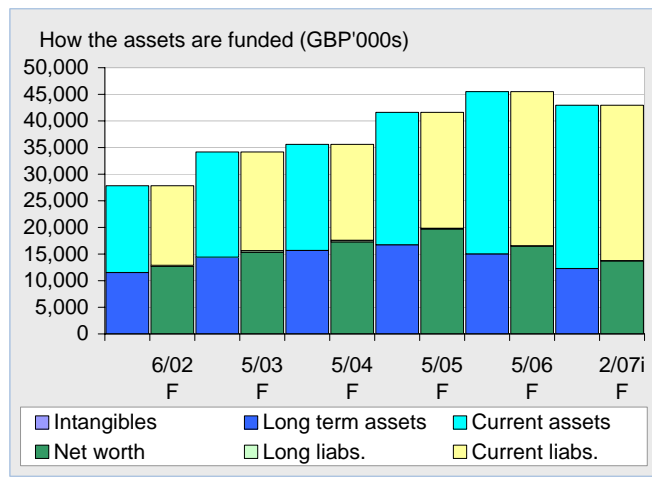
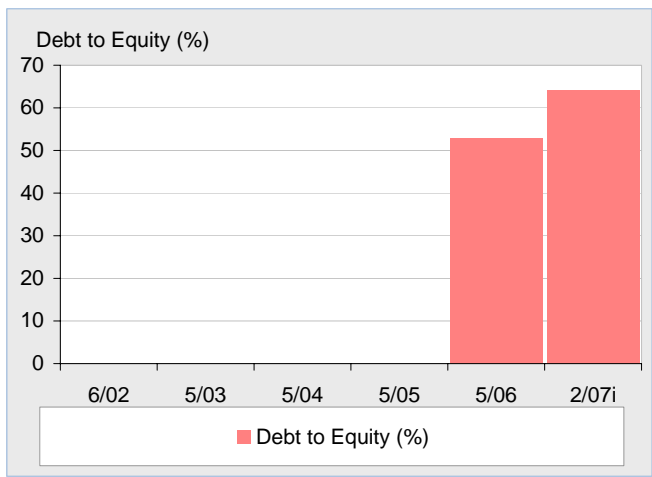
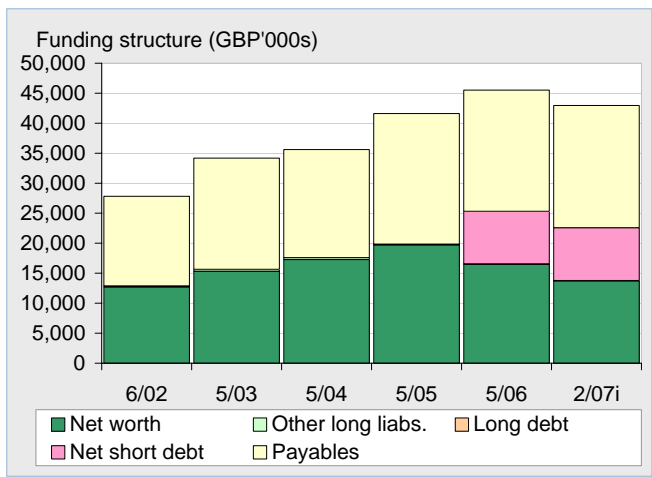
Income



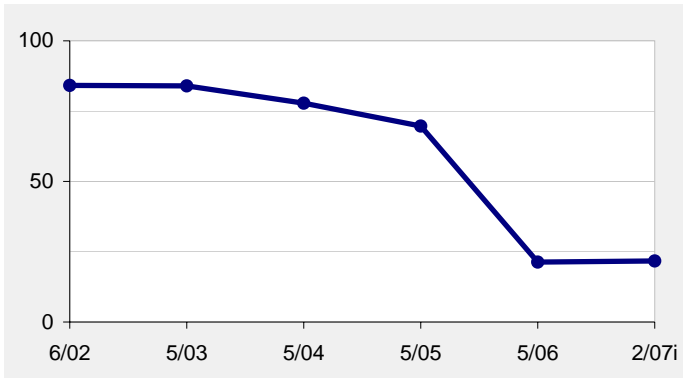
Assets



Funding



PROFIT MANAGEMENT - 1. Profitability



Factor Description

The Profit Management factor measures the contribution that profits are making towards minimising immediate financial risk.

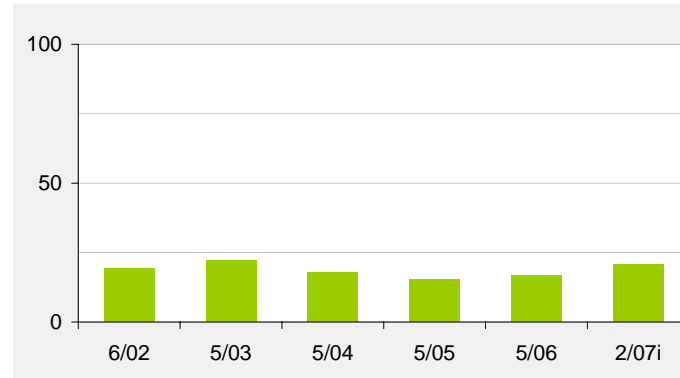
(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		84	84	78	70	21	22
Earnings before tax -1	(H)	4,727	5,950	4,701	4,449	-4,193	-3,812
Current liabilities - 2	(L)	14,947	18,533	18,022	21,768	28,946	29,181

- (1) In cases where the financial year is shorter or longer than 12 months EBT has been annualised
- (2) Cash (incl. Marketable securities) & Debt due within 1 year are netted off

ASSET MANAGEMENT - 2. Liquidity

Currency: GBP'000s



Factor Description

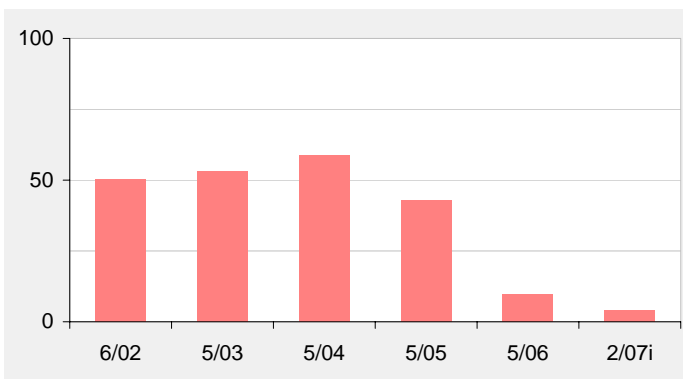
The Liquidity Factor is a measure of: The adequacy of the Quick Assets (Cash & Receivables) taking into account the immediate demand on them from the Current liabilities (Payables & Short term debt) and the ongoing Expenses of the business.

(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		19	22	18	15	17	21
Quick assets -1	(H)	6,633	9,249	7,733	8,229	11,532	13,561
Current liabilities -2	(L)	14,947	18,533	18,022	21,768	28,946	29,181
Expenses - 3, 4	(L)	98,311	114,714	124,161	136,018	138,399	141,015

- (1) Receivables & cash (cash (incl. Marketable securities) & debt due within 1 year are netted off)
- (2) Cash (incl. Marketable securities) & Debt due within 1 year are netted off
- (3) Sales less Earnings before tax
- (4) In cases where the financial year is shorter or longer than 12 months Expenses have been annualised

3. Inventory & Receivables Management



Factor Description

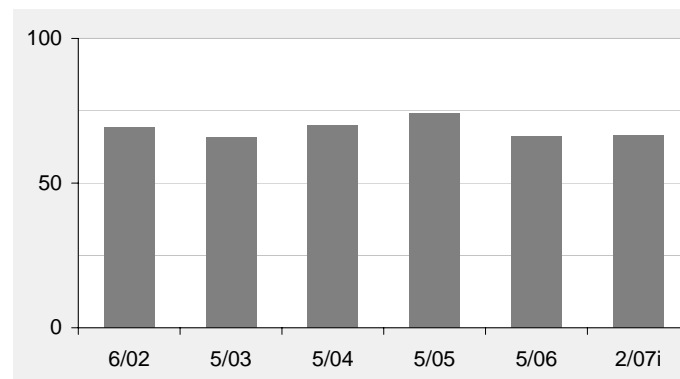
The Inventory & Receivables Management factor measures the degree to which the investment in working capital is supported by long term funding (net of intangibles)

(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		50	53	59	43	10	4
Inventory	(L)	9,672	10,514	12,200	16,633	18,949	17,114
Receivables	(L)	5,366	7,161	6,550	8,152	11,532	13,561
Long term funding -1	(H)	12,879	15,648	17,587	19,842	16,567	13,771

- (1) Net worth (after netting off Intangibles) + Long term liabilities

4. Current Asset Cover



Factor Description

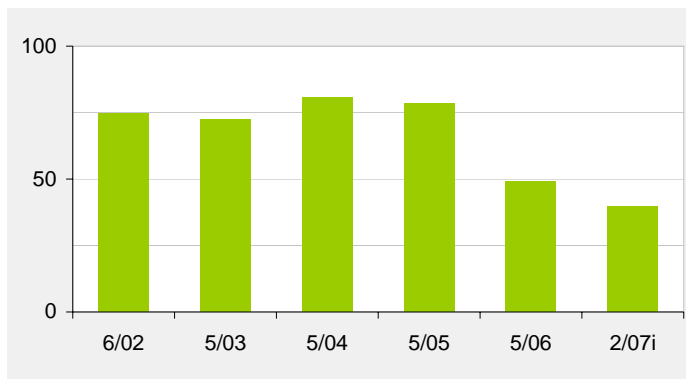
The Current Asset Cover Factor measures the cover available from the Current assets (Inventory, Receivables & Cash) to meet the short- and long-term liabilities of the company

(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		69	66	70	74	66	66
Current assets - 1	(H)	16,305	19,763	19,933	24,862	30,481	30,675
Total liabilities -1	(L)	15,113	18,837	18,332	21,903	29,000	29,235

- (1) Cash (incl. Marketable securities) & Debt due within 1 year are netted off

FUNDING MANAGEMENT - 5. Equity Base



Factor Description

The Equity Base Factor measures the adequacy of the company's capital base. It compares the Net worth to all its liabilities (including, but not restricted to, its borrowing).

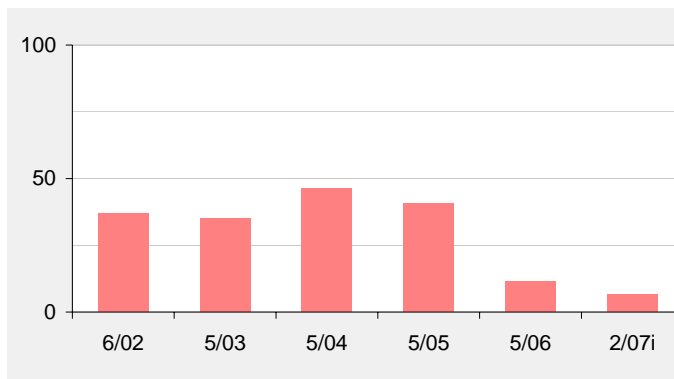
(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		75	73	81	78	49	40
Total Liabilities - 1	(L)	15,113	18,837	18,332	21,903	29,000	29,235
Net Worth - 2	(H)	12,713	15,344	17,277	19,707	16,513	13,717

(1) Cash (incl. Marketable securities) and Debt due within 1 year are netted off
(2) Net of Intangibles

Currency: GBP'000s

6. Current Funding



Factor Description

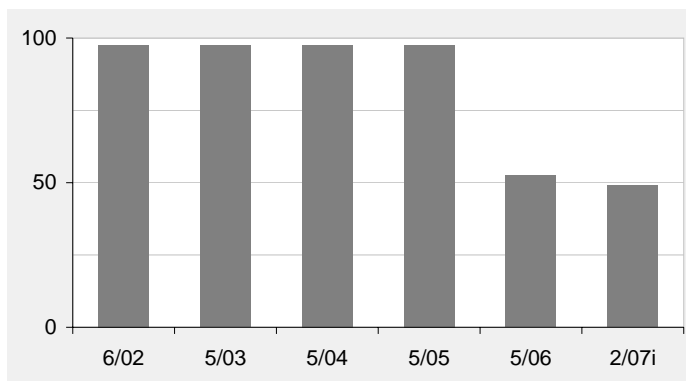
The Current Funding Factor measures the degree to which the Total tangible assets are funded out of Short-term liabilities. The greater the reliance on Short-term funding, the worse.

(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		37	35	46	41	11	7
Current Liabilities - 1	(L)	14,947	18,533	18,022	21,768	28,946	29,181
Total tang. assets -1	(H)	27,826	34,181	35,609	41,610	45,513	42,952

(1) Cash (incl. Marketable securities) and Debt due within 1 year are netted off

7. Debt Dependency



Factor Description

The Debt Dependency Factor measures the degree to which the company is dependent on debt for its funding. The higher the reliance on external bank debt, the worse.

(H) : the higher the better;
(L) : the lower the better

Period		06/02	05/03	05/04	05/05	05/06	2/07i
Factor Score		98	97	98	98	53	49
Short term debt - 1	(L)	0	0	0	0	8,741	8,812
Long term debt	(L)	0	0	0	0	0	0
Total debt	(L)	0	0	0	0	8,741	8,812
Total tang. assets -1	(H)	27,826	34,181	35,609	41,610	45,513	42,952

(1) Debt due within 1 year (net of Cash and Marketable securities)
(2) Total tangible assets after netting off Short-term debt (due within 1 year) with Cash & Marketable securities

Comment

The H-Score model initially reviews any company from seven points of view (the seven fundamental Factors) simultaneously in order to obtain a comprehensive evaluation of its financial health. This measures the strength of the company's fundamentals.

The **power** that each Factor has, to materially affect the H-Score will vary from company to company depending on the nature of the company's financial structure.

For further information please see the Appendix

Income Statement

GBP'000s

	2/07i	5/06	5/05	5/04	5/03	6/02
Months in period	9	12	12	12	12	12
Sales	102,902	134,206	140,467	128,862	120,664	103,038
Cost of sales	-61,751	-80,536	-82,198	-73,937	-71,366	-59,751
Gross profit	41,151	53,670	58,269	54,925	49,298	43,287
Other operating income/costs	-43,509	-52,854	-53,651	-50,471	-43,354	-37,876
Operating profit	-2,358	816	4,618	4,454	5,944	5,411
Special items	0	-4,485	0	329	0	-639
Interest & other income	0	0	0	0	6	0
Interest paid	-501	-524	-169	-82	0	-45
Earnings before tax	-2,859	-4,193	4,449	4,701	5,950	4,727
Tax	23	950	-1,633	-1,638	-2,184	-2,157
Earnings after tax	-2,836	-3,243	2,816	3,063	3,766	2,570
Other	0	-813	-1,228	-1,191	-1,135	-1,047
Net income	-2,836	-4,056	1,588	1,872	2,631	1,523
No. of employees (heads)	0	2,177	2,349	2,146	1,720	1,720

Cash flow statement

GBP'000s

	2/07i	5/06	5/05	5/04	5/03	6/02
Months in period	9	12	12	12	12	12
Operating activities	-1,845	0	8,317	8,625	11,412	9,335
Investing activities	-1,785	0	-6,617	-6,327	-7,594	-5,663
Financing activities	874	0	-2,806	-3,203	-2,997	-2,929
Other	0	0	0	0	0	0
Net change in cash	-2,756	0	-1,106	-905	821	743

In cases where the reported interim data lacks detail, the breakdown of the figures has been extrapolated from the previous year-end.

Balance Sheet

GBP'000s

	2/07i	5/06	5/05	5/04	5/03	6/02
Months in period	9	12	12	12	12	12
Cash and equivalent	0	0	77	1,183	2,088	1,267
Marketable securities	0	0	0	0	0	0
Accounts receivable	7,948	6,759	4,612	3,299	4,521	3,787
Other current receivables	5,613	4,773	3,540	3,251	2,640	1,579
Inventory	17,114	18,949	16,633	12,200	10,514	9,672
Other non-liquid assets	0	0	0	0	0	0
Current assets	30,675	30,481	24,862	19,933	19,763	16,305
Intangible assets	0	0	0	0	0	0
Property, plant & equipment	12,277	15,032	16,748	15,676	14,418	11,521
Other long term assets	0	0	0	0	0	0
Total long term assets	12,277	15,032	16,748	15,676	14,418	11,521
Total assets	42,952	45,513	41,610	35,609	34,181	27,826
Debt - due within 1 year	8,812	8,741	0	0	0	0
Accounts payable	9,594	9,517	11,047	9,966	9,750	8,479
Other current payables	10,775	10,688	10,721	8,056	8,783	6,468
Current liabilities	29,181	28,946	21,768	18,022	18,533	14,947
Long term debt	0	0	0	0	0	0
Other long liabilities	54	54	135	310	304	166
Long term liabilities	54	54	135	310	304	166
Minority interest	0	0	0	0	0	0
Shareholders' equity	13,717	16,513	19,707	17,277	15,344	12,713
Net worth	13,717	16,513	19,707	17,277	15,344	12,713
Total liabilities & Net worth	42,952	45,513	41,610	35,609	34,181	27,826

In cases where the reported interim data lacks detail, the breakdown of the figures has been extrapolated from the previous year-end.

Financial ratios

Profitability	2/07i	5/06	5/05	5/04	5/03	6/02
Operating margin (%)	-2.3	0.6	3.3	3.5	4.9	5.3
EBT margin (%)	-2.8	-3.1	3.2	3.6	4.9	4.6
Return on net worth (%)	-27.8	-25.4	22.6	27.2	38.8	37.2
Return on assets (%)	n/a	n/a	11.1	13.4	17.4	17.1
Interest cover	-4.7	1.6	27.3	54.3		120.2
Tax rate (%)	n/a	n/a	36.7	34.8	36.7	45.6

Trading/Funding

Sales:Tangible long assets	11.2	8.9	8.4	8.2	8.4	8.9
Sales:Net worth	10.0	8.1	7.1	7.5	7.9	8.1
Debt to Equity (%)	64.2	52.9	0.0	0.0	0.0	0.0

Liquidity

Current ratio	1.1	1.1	1.1	1.1	1.1	1.1
Acid test ratio	0.5	0.4	0.4	0.4	0.5	0.4

Working capital:sales

Inventory days	45.5	51.5	43.2	34.6	31.8	34.3
Accounts receivable days	21.1	18.4	12.0	9.3	13.7	13.4
All other receivables days	14.9	13.0	9.2	9.2	8.0	5.6
Accounts payable days	25.5	25.9	28.7	28.2	29.5	30.0
All other payables days	28.7	29.1	27.9	22.8	26.6	22.9

Staff GBP'000s

Sales per head		61.6	59.8	60.0	70.2	59.9
Earnings before tax per head		-1.9	1.9	2.2	3.5	2.7

In cases where the reported interim data lacks detail, the breakdown of the figures has been extrapolated from the previous year-end.

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3. The 7 Factors explained

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Corporate Information

Last Update: 21 August 2007

Industry: Other retail sale in non-specialised stores

Address: Southgate House
Southgate Way Orton Southgate
Peterborough
Cambridgeshire

**Accounting
Currency:** GBP

**Market
Cap (m):** 1.0

**Country of
Incorporation:** United Kingdom

Exchange: London AIM

Symbol: CHUK

Activity

Distribution, sale and rental of pre-recorded digital versatile discs (dvds), computer games, audio products mobile telephones and 'e-top-ups' and other related electronic products.

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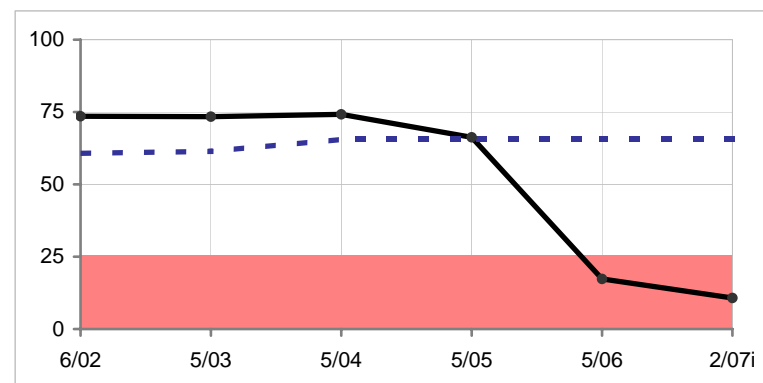
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APPENDIX

The H-Score Explained



The H-Score is a measure of the financial health of a company. It is based on a statistical evaluation of a company's publicly available financial results, an evaluation that reviews a company from seven different points of view simultaneously in order to determine its overall financial health.

Displayed graphically over several years, it is a ranking of all companies on a scale of 0 (worst) to 100 (best). Companies in the Warning Area (H-Score of 25 or less) share the characteristics of companies that subsequently failed and may be vulnerable. It is rare for companies to fail or experience major distress as long as their H-Score remains outside the Warning Area.

Historically 1 in 4 companies in the Warning Area have either failed or had a major financial reconstruction within 3 years. Companies in the Warning Area will include:

- Companies that have one or more serious weaknesses and would be better off correcting them. This describes the majority of companies in the Warning Area.
- Companies temporarily weakened by a major event. (e.g. Major acquisition financed short term.) In many cases such companies are able to trade themselves out of such a position in a reasonably short time. However, it is important to recognise the existence of such an issue when it does arise, because it could turn into a serious weakness if not addressed.
- Companies that have a proven ability to run their business successfully from an inherently weak Balance Sheet position (e.g. Companies with a proven history of profitable sales growth but accompanied by negative tangible net worth and high levels of debt). Such companies are usually rather more dependent on their continuing sales growth and profitability in order to retain the confidence of their suppliers, lenders and investors.

The dotted line on the graph represents the average H-Score for companies with the same primary SIC code in three sizes (small, medium, large). It is not shown when the total number of companies is less than 4.

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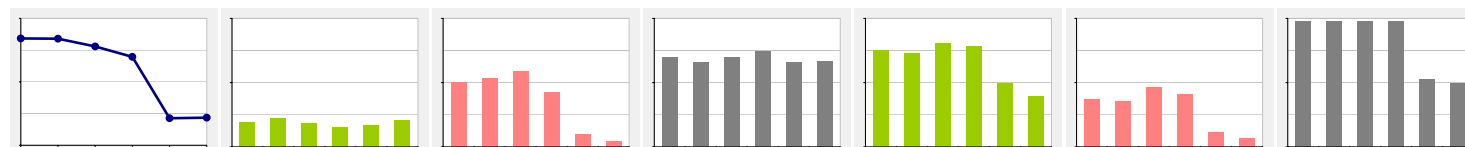
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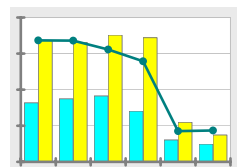
The 7 Factors Explained



Strengths and Weaknesses

The H-Score model reviews the fundamentals of each company from seven points of view in order to determine a comprehensive evaluation of its financial health. The 7 Factor Graphs direct your attention to the strengths and weaknesses that the model has detected. The figures below each graph provide the explanation. Not every company should be expected to be strong on all 7 factors. For example, property companies will be weak on “Current Asset Cover”. Food Retailers will have a poor “Liquidity Factor” because they will have received the cash for goods that they have yet to pay to their suppliers. Both examples are normal for such companies. So long as they compensate for that in other ways, that is not a problem. The model looks at the company as a whole and the result is reflected in the H-Score. The individual factors provide the explanation of the reasons why.

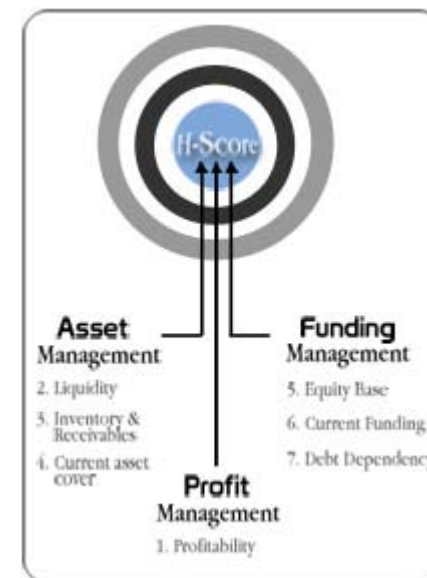
The Factor Profile



This summarises the 7 factors into a single graph and is the first level of drill-down which begins to explain where the company’s strengths and weaknesses lie and how they have changed over the past five years.

The Factor Profile is designed to act as a “signpost”, directing attention to where to look. The seven factors are summarised into three groups showing the contribution to the company’s financial health from:

1. The Profits
2. The strength of the financial management of its assets (liquidity, working capital etc.)
3. The strength of the funding (equity base, debt dependency, current funding)





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