



Company

Watch tracking corporate financial health

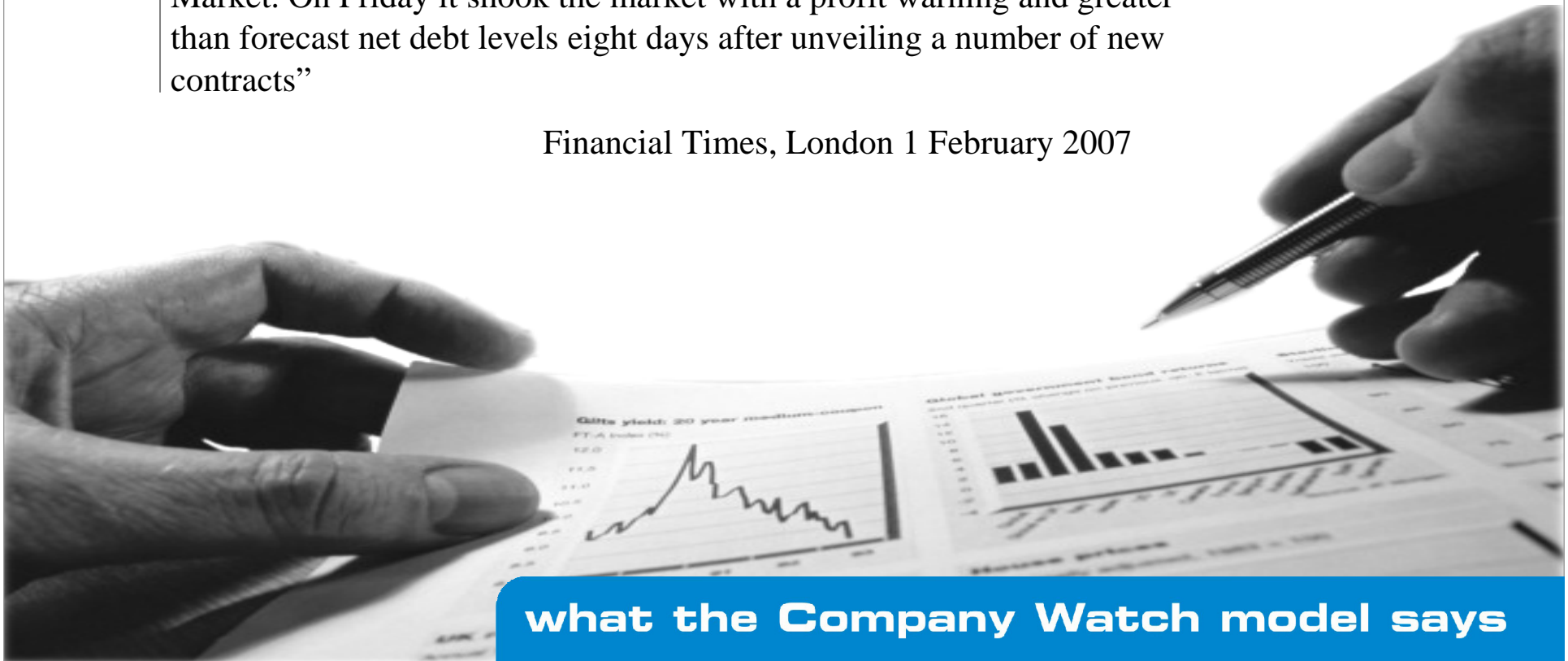
February 2007

Torex Retail Plc

Torex chief and chairman quit

“The company’s shares remained suspended on the Alternative Investment Market. On Friday it shook the market with a profit warning and greater than forecast net debt levels eight days after unveiling a number of new contracts”

Financial Times, London 1 February 2007



what the Company Watch model says

company in the news



Company Watch

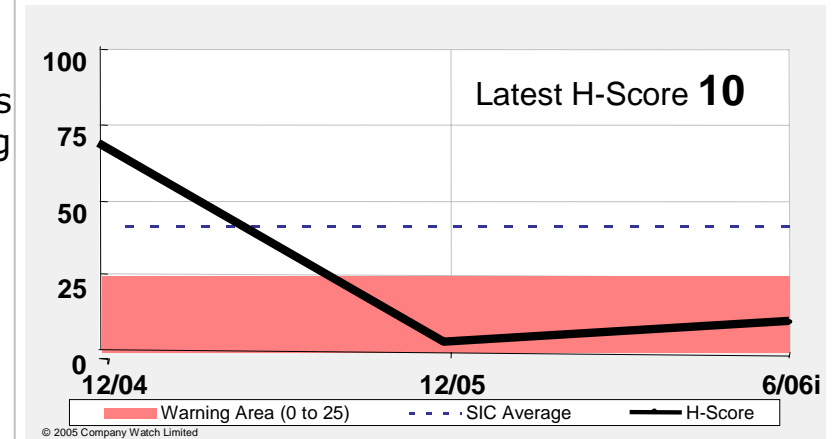
tracking corporate financial health

Comment

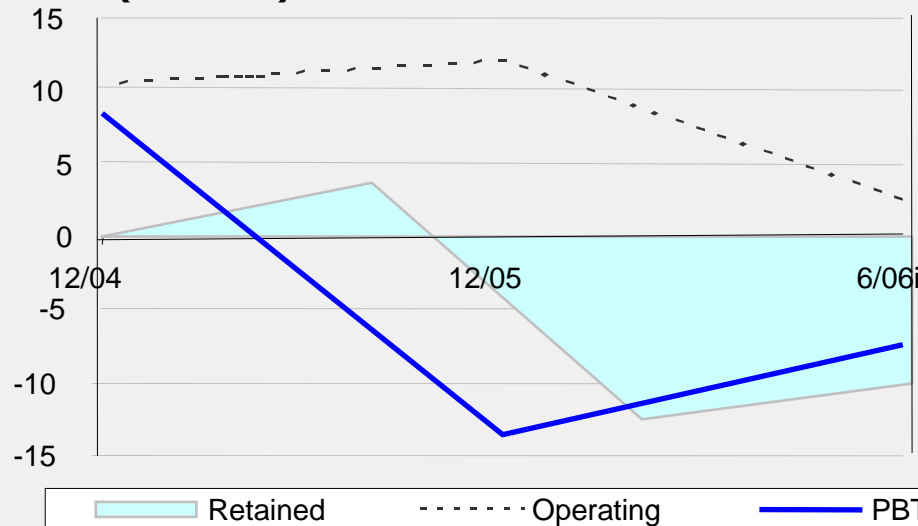
The latest H-Score of 10 is a reflection of the company's losses accompanied by a weak balance sheet. The rising levels of interest have more than wiped out the operating profits. The huge investment in intangibles has absorbed the company's entire Net Worth plus a considerable level of long term debt. The company's operations are funded by its creditors, deferred income and short term debt.

Torex Retail Plc

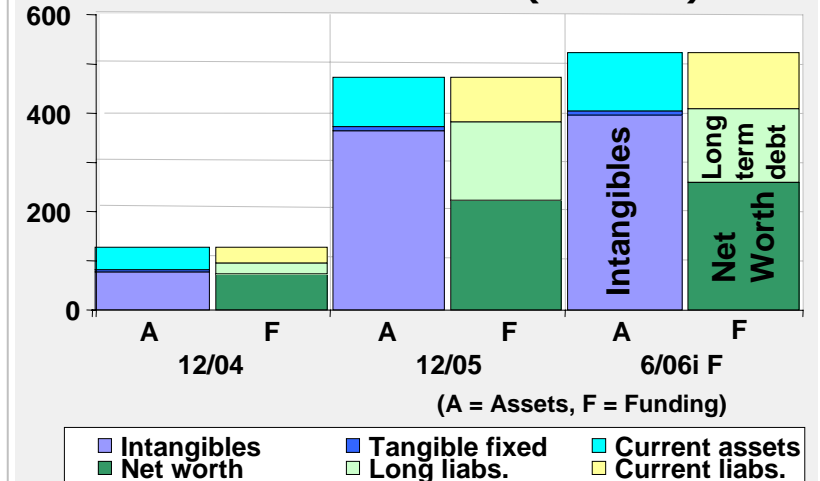
H-Score



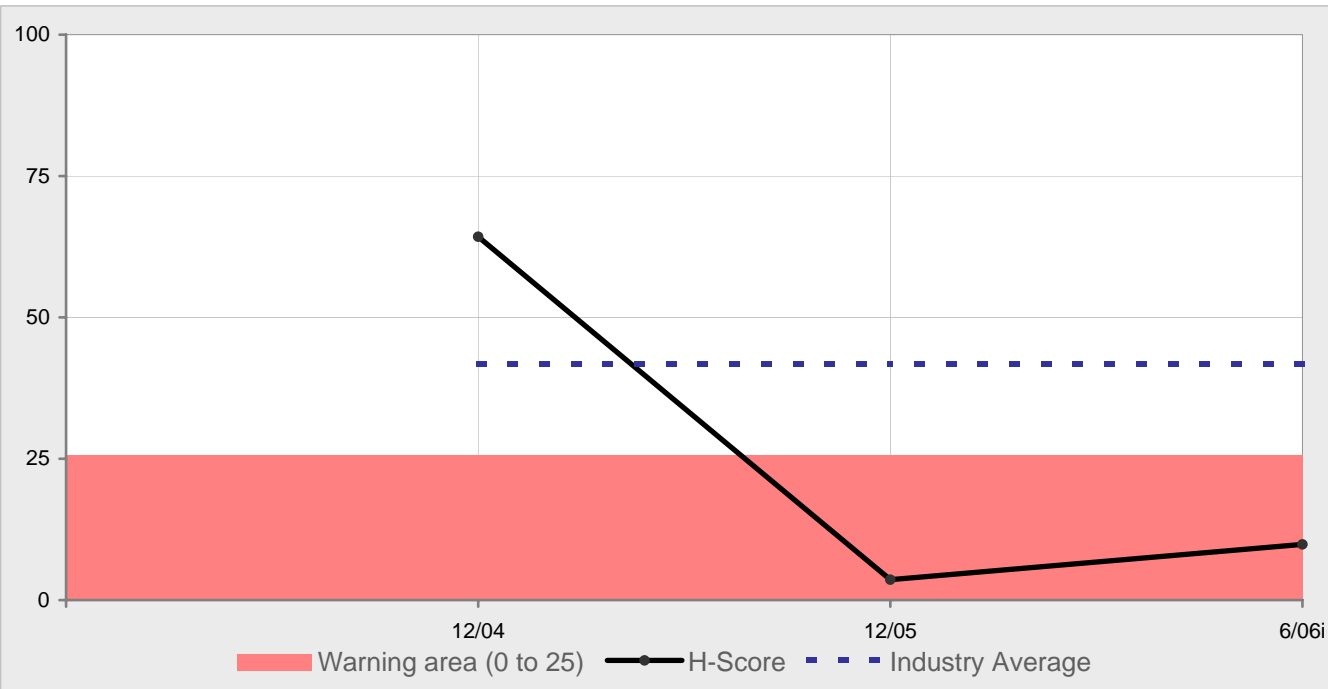
Profit (£millions)



How the assets are funded (£millions)



Health Profile - H-Score[®]



Company Watch

H-Score[®]: 10

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

	12/04	12/05	6/06i
H-Score	64	4	10
Industry Average	42	42	42

Financial Summary

Currency: GBP'000s

(See pages 5 to 7)

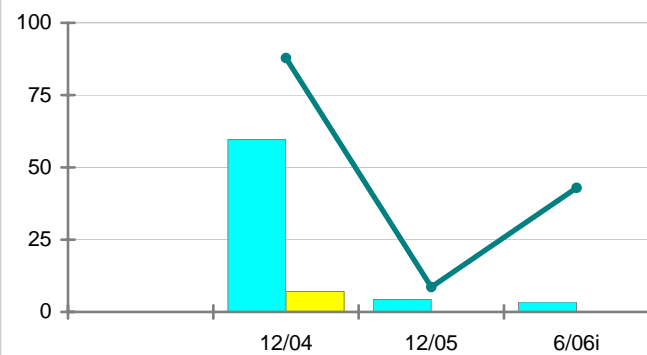
Period	Sales	Earnings before tax	Total assets	Net worth
6/06i	131,906	-3,686	530,672	257,011
12/05	167,366	-13,620	485,272	223,488
12/04	67,935	7,711	130,910	72,633

Comments

[County Court Judgements](#) - the company has 1 unsatisfied CCJ against it amounting to £3,964.

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

Factor Profile - Fundamentals

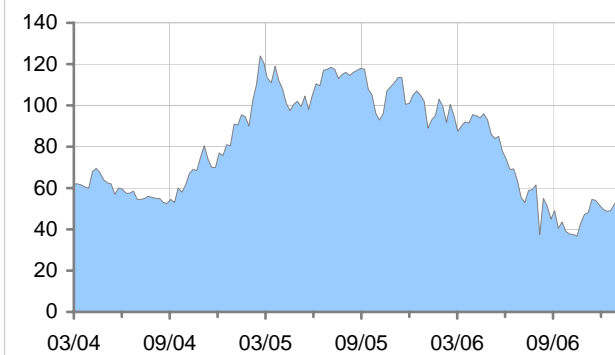


The contribution to the Financial Health from the strength of the management of:

Profits Funding Assets

For further information please see Appendix 3 (page 10)

Equity Profile - Market view

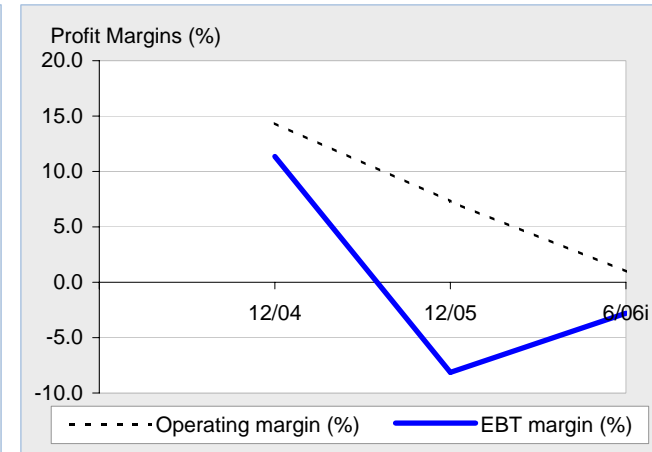
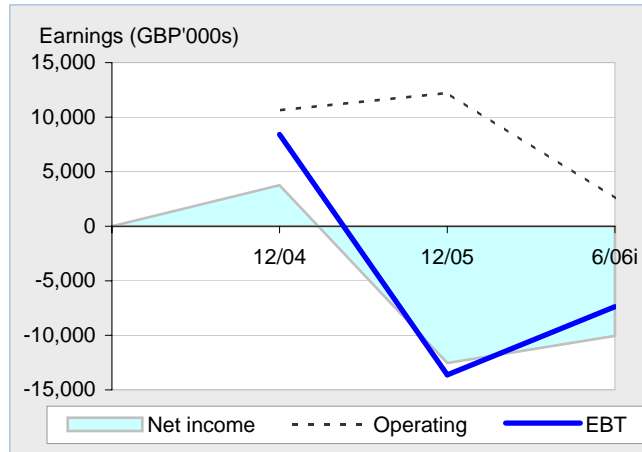
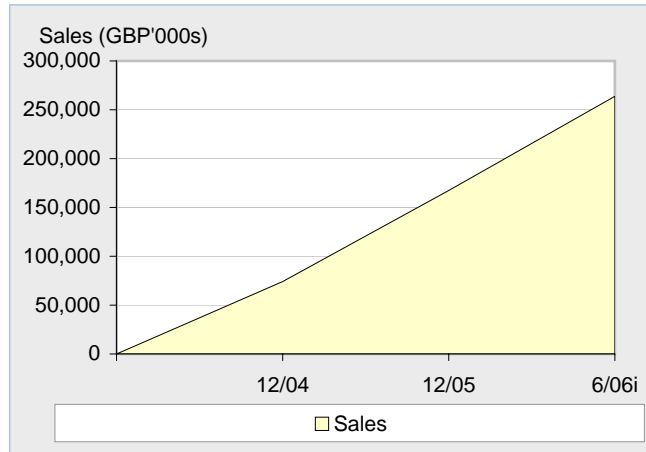


Data as at: 26 Jan 2007 (GBP)

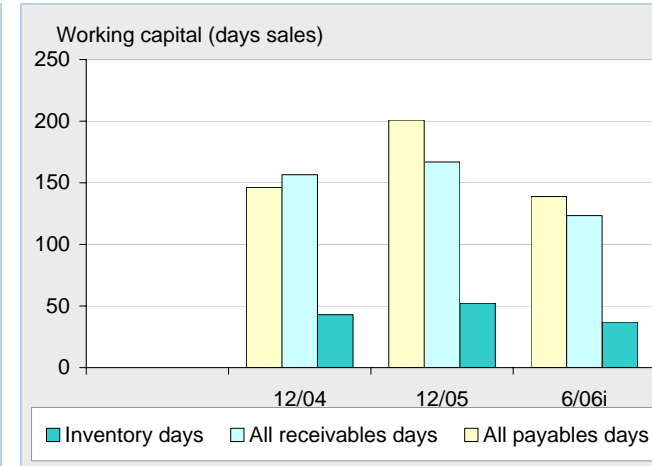
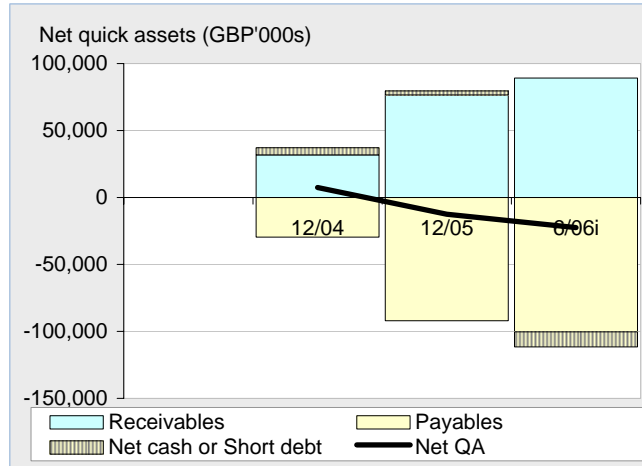
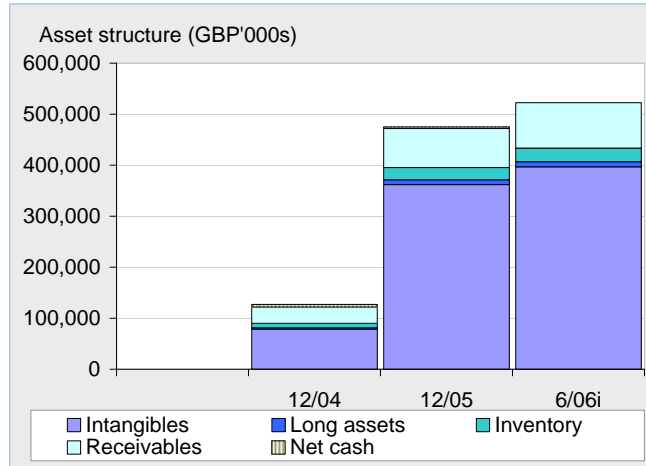
Stock Price (p)	52 Week High (p)	52 Week Low (p)	PE Ratio	Market Cap. (m)
45	106	36	0.00	86.0

(p = pence)

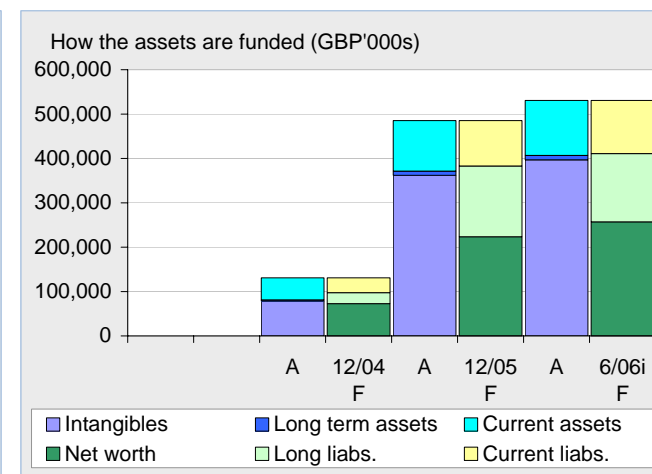
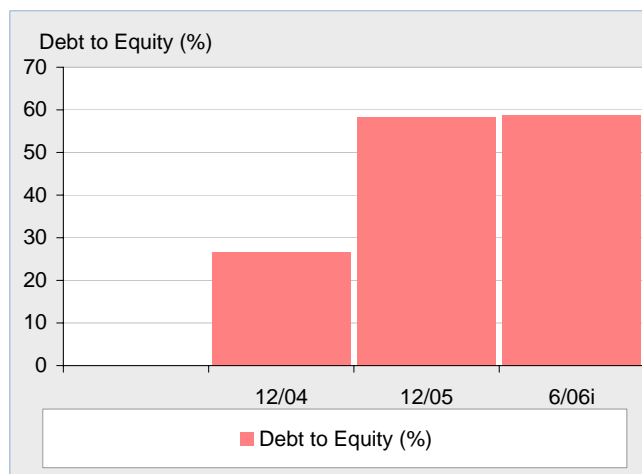
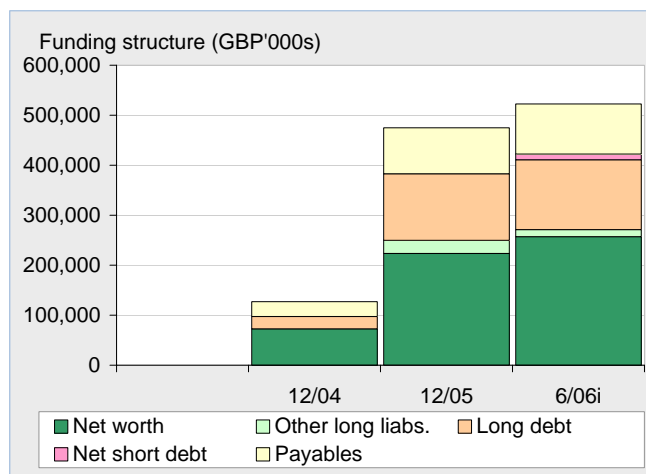
Income



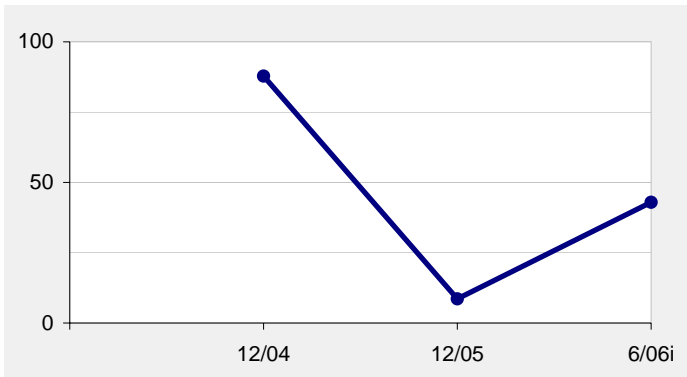
Assets



Funding



PROFIT MANAGEMENT - 1. Profitability



Factor Description

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

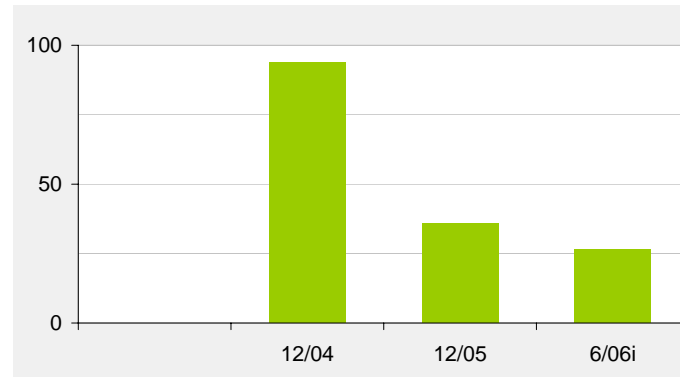
(H) : the higher the better;
(L) : the lower the better

Period		12/04	12/05	6/06i
Factor Score		88	9	43
Earnings before tax -1	(H)	8,412	-13,620	-7,372
Current liabilities - 2	(L)	29,686	92,127	111,643

- (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

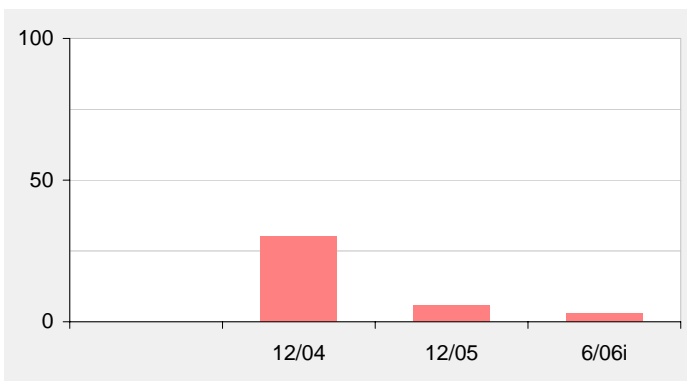
The Liquidity Factor is a measure of: The adequacy of the Quick Assets (Cash & Receivables) taking into account the immediate demand on them from the Current liabilities (Payables & Short term debt) and the ongoing Expenses of the business.

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

Period		12/04	12/05	6/06i
Factor Score		94	36	26
Quick assets -1	(H)	37,113	79,592	89,157
Current liabilities -2	(L)	29,686	92,127	111,643
Expenses - 3, 4	(L)	65,699	180,986	271,184

- (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

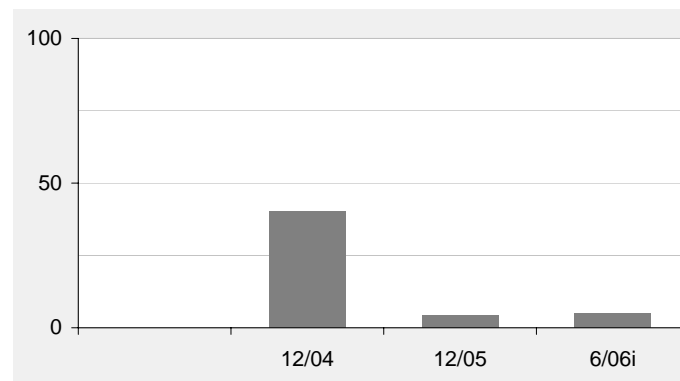
The Inventory & Receivables Management factor measures the degree to which the investment in working capital is supported by long term funding (net of intangibles)

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

Period		12/04	12/05	6/06i
Factor Score		30	6	3
Inventory	(L)	8,728	23,974	26,691
Receivables	(L)	31,785	76,517	89,157
Long term funding -1	(H)	19,099	20,964	14,217

- (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

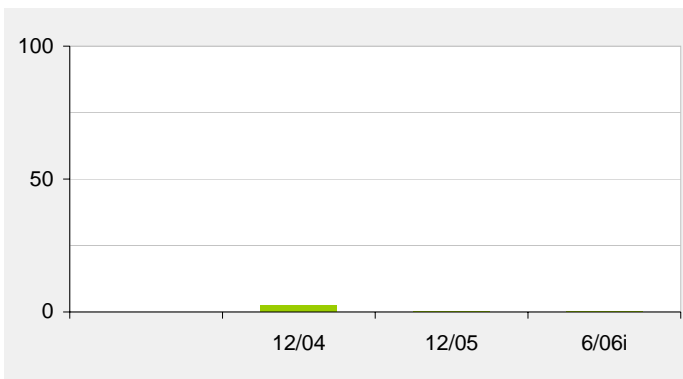
(H) : the higher the better;
(L) : the lower the better

Period		12/04	12/05	6/06i
Factor Score		40	4	5
Current assets - 1	(H)	45,841	103,566	115,848
Total liabilities -1	(L)	54,370	251,417	265,535

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

Currency: GBP'000s

FUNDING MANAGEMENT - 5. Equity Base



Factor Description

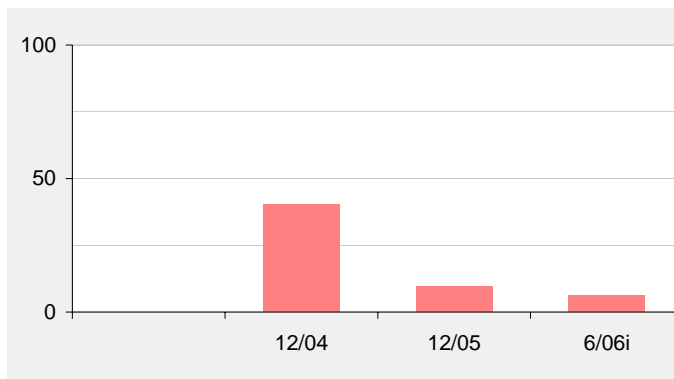
The Equity Base Factor measures the adequacy of the company's capital base. It compares the Net worth to all its liabilities (including, but not restricted to, its borrowing).

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

Period		12/04	12/05	6/06i
Factor Score		2	0	0
Total Liabilities - 1	(L)	54,370	251,417	265,535
Net Worth - 2	(H)	-5,585	-138,326	-139,675

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

6. Current Funding



Factor Description

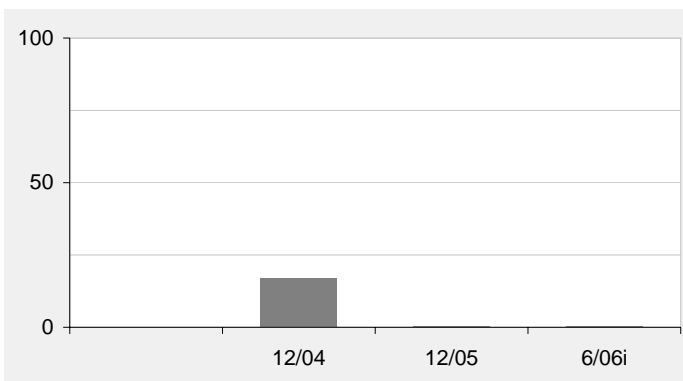
The Current Funding Factor measures the degree to which the Total tangible assets are funded out of Short-term liabilities. The greater the reliance on Short-term funding, the worse.

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

Period		12/04	12/05	6/06i
Factor Score		40	10	6
Current Liabilities - 1	(L)	29,686	92,127	111,643
Total tang. assets -1	(H)	48,785	113,091	125,860

- (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		12/04	12/05	6/06i
Factor Score		17	0	0
Short term debt - 1	(L)	0	0	11,285
Long term debt	(L)	24,684	133,133	139,766
Total debt	(L)	24,684	133,133	151,051
Total tang. assets -1	(H)	48,785	113,091	125,860

- (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

	6/06i	12/05	12/04
Months in period	6	12	11
Sales	131,906	167,366	67,935
Cost of sales	-49,022	-62,200	-22,022
Gross profit	82,884	105,166	45,913
Other operating income/costs	-81,602	-92,942	-36,162
Operating profit	1,282	12,224	9,751
Special items	0	-20,059	-787
Interest & other income	0	110	91
Interest paid	-4,968	-5,895	-1,344
Earnings before tax	-3,686	-13,620	7,711
Tax	-1,438	1,272	-2,813
Earnings after tax	-5,124	-12,348	4,898
Other	100	-184	-1,452
Net income	-5,024	-12,532	3,446
No. of employees (heads)	0	2,285	1,000

Cash flow statement

GBP'000s

	6/06i	12/05	12/04
Months in period	6	12	11
Operating activities	-6,792	12,192	11,475
Investing activities	-7,072	-77,189	-78,318
Financing activities	10,859	69,259	75,948
Other	-2,311	0	0
Net change in cash	-5,316	4,262	9,105

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

	6/06i	12/05	12/04
Months in period	6	12	11
Cash and equivalent	8,126	13,442	9,235
Marketable securities	0	0	0
Accounts receivable	55,997	54,781	19,611
Other current receivables	33,160	21,736	12,174
Inventory	26,691	23,974	8,728
Other non-liquid assets	0	0	0
Current assets	123,974	113,933	49,748
Intangible assets	396,686	361,814	78,218
Property, plant & equipment	9,872	9,385	2,944
Other long term assets	140	140	0
Total long term assets	406,698	371,339	81,162
Total assets	530,672	485,272	130,910
Debt - due within 1 year	19,411	10,367	3,907
Accounts payable	24,086	23,853	10,183
Other current payables	76,272	68,274	19,503
Current liabilities	119,769	102,494	33,593
Long term debt	139,766	133,133	24,684
Other long liabilities	14,126	26,157	0
Long term liabilities	153,892	159,290	24,684
Minority interest	292	392	0
Shareholders' equity	256,719	223,096	72,633
Net worth	257,011	223,488	72,633
Total liabilities & Net worth	530,672	485,272	130,910

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	6/06i	12/05	12/04
Operating margin (%)	1.0	7.3	14.4
EBT margin (%)	-2.8	-8.1	11.4
Return on net worth (%)	-2.9	-6.1	11.6
Return on assets (%)	0.5	n/a	7.5
Interest cover	0.3	2.1	7.3
Tax rate (%)	n/a	n/a	36.5

Trading/Funding

Sales:Tangible long assets	26.7	17.8	25.2
Sales:Net worth	1.0	0.7	1.0
Debt to Equity (%)	58.8	58.2	26.6

Liquidity

Current ratio	1.0	1.1	1.5
Acid test ratio	0.8	0.9	1.2

Working capital:sales

Inventory days	36.9	52.3	43.0
Accounts receivable days	77.5	119.5	96.6
All other receivables days	45.9	47.4	60.0
Accounts payable days	33.3	52.0	50.2
All other payables days	105.5	148.9	96.1

Staff GBP'000s

Sales per head		73.2	74.1
Earnings before tax per head		-6.0	8.4

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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2. The H-Score explained

3. The 7 Factors explained

APPENDIX

Corporate Information

Last Update: 30 January 2007

Industry: Other computer related activities

Address: Telfer House
Range Road
Witney
Oxfordshire

**Accounting
Currency:** GBP

**Market
Cap (m):** 86.0

**Country of
Incorporation:** United Kingdom

Exchange: London AIM

Symbol: TRX

Activity

Holding company including head offices

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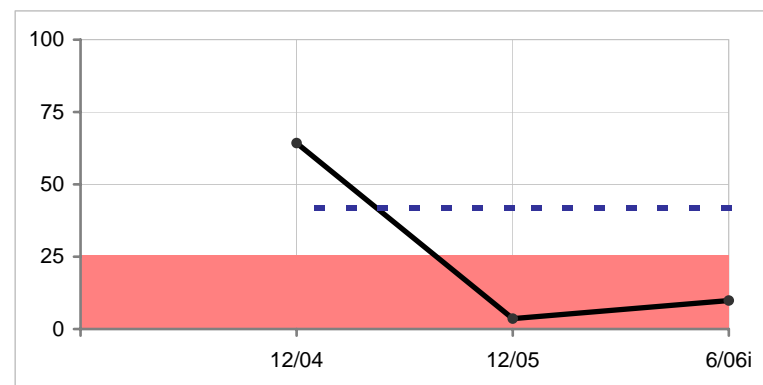
1. Corporate Information

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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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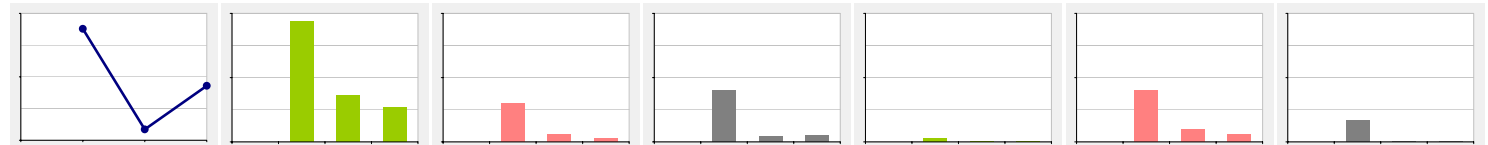
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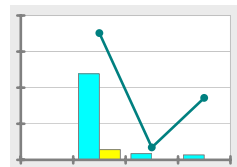
The 7 Factors Explained



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.

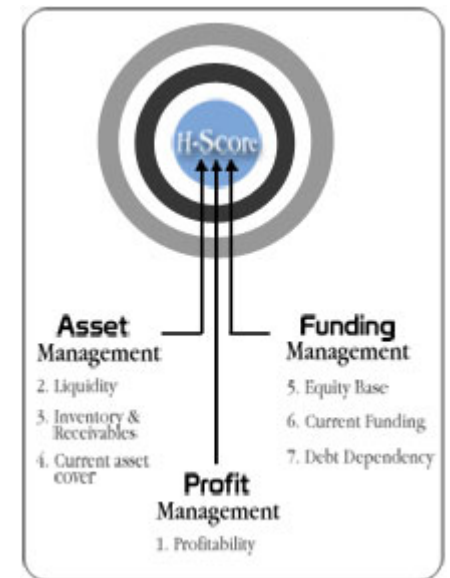
The Factor Profile



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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