

To Torex Retail Shareholders

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## **Torex Update – Number 5 – Report on Meeting of Shareholders and other information**

Over 20 people attended the meeting we held for Torex shareholders in London last week, including several press representatives – coverage resulted in the Daily Telegraph and on the Investors Chronicle web site and other stories may appear elsewhere.

A copy of the powerpoint presentation that I gave to the meeting is present on our web site at: [www.uksa.org.uk/UKSA\\_Torex\\_Meeting2.pdf](http://www.uksa.org.uk/UKSA_Torex_Meeting2.pdf).

The most interesting part of the meeting was the commentary from former chief executive Neil Mitchell who had a lot to say in a fairly emotional manner. For example, the Daily Telegraph says he voiced fury over the sale and quoted him as saying “I am here today because I am distraught that, having done what I did in blowing the whistle on issues that have led to a criminal inquiry, I handed it over to the banks who put in Steve Marshall, and who in my view has not run the business in the best interests of shareholders or any stakeholders. The only people paid were his paymasters, the banks”.

As regards the process that finally led to the sale of the operating businesses, the Investors Chronicle quoted Mitchell as saying “At best, it was a badly managed process. At worst, it was a dereliction of duty [to shareholders]”.

According to Mitchell, the initial offer price of £350m to £400m was whittled down to the final figure of £204m in the two weeks before completion of the deal because the company's auditors repeatedly guided down the numbers, i.e. the historic profits. The failure to manage the company properly as a trading business for four months was also suggested to be a problem that affected the final outcome.

Mr Mitchell is threatening legal action against a whole range of people and organisations involved in these tragic events, and it is clear that he feels strongly enough about many of the issues to pursue them with some vigour.

Many shareholders have of course expressed concern that the positive trading statement issued by the company on the 18<sup>th</sup> January, which caused many shareholders to invest or increase their holdings, was signed by Neil Mitchell. A further update which included a profits warning was issued by the company on the 26<sup>th</sup> January at which point the shares were suspended, so was Mitchell deliberately misleading the market? As I pointed out in our meeting for shareholders, there was no obvious motive for Neil Mitchell to issue the release on the 18<sup>th</sup> January unless he believed it to be accurate.

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In reality subsequent events have caused him significant losses – he has lost his job and the shares which he actually purchased are now worthless. It would seem odd to suggest that his actions in calling in the SFO were likely to be other than in the interests of shareholders and clearly it was his duty as a director to report any wrongdoing to the appropriate authorities.

In essence, it is worth reminding shareholders that the reason the company got into difficulties was the allegations made to the SFO and the questions these raised about the accuracy of the accounts. If it subsequently proved that there was fraud or false accounting, then the persons responsible for those misdeeds would be the root cause of the ultimate problems of this company. This was compounded by the high gearing level of the company (high debt to equity) which meant that any hiccup was almost certain to lead to financial distress.

Where does that leave the UKSA campaign for shareholders? We are still considering our legal position, and who we might pursue any claims against. Clearly though this is likely to be a long running saga as it may be some time before all the evidence of wrongdoing is revealed. Therefore we need to think about the organisation of our group and how we represent your interests.

Currently we have several "committee members" with myself acting as chairman. But we need other people to strengthen the group, particularly as I have other responsibilities in UKSA so can only devote a limited amount of time to it. Fortunately three people who attended the meeting in London expressed interest in helping, but if there is anyone else who wishes to take an active role in this group then please contact me.

You may also be wondering as to the status of the financial contributions you may have made to support our activities, particularly as it now seems that active legal action may not be immediately imminent. We have raised something over £2,500 so far, which was slightly disappointing, but our costs to date have also been relatively low. We took legal advice on issuing the EGM requisition, and more advice on any immediate action when the receivership was announced, plus we have had some costs to communicate with shareholders who are not on email. It may be some time before we can account fully for all our expenses and as there is a good chance of pursuing some legal actions going forward we propose to hold these funds for the present.

If you have any questions on the above, please contact me via telephone or email. It may be some time before we issue a further update.

Yours sincerely

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