Notes to the accounts

1. Principal accounting policies

The consolidated accounts of Signet Group plc ("the Company") and its subsidiary companies ("the Group") are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated accounts also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. These principles differ in certain significant respects from generally accepted accounting principles in the US ("US GAAP"). Application of US GAAP would have affected shareholders' equity and results of operations at and for the 52 weeks ended 2 February 2008, the 53 weeks ended 3 February 2007 and the 52 weeks ended 28 January 2006 to the extent summarised on pages 116 to 122.

Judgements made by the directors in the application of these accounting policies, assumptions that may have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Critical accounting policies in the Group financial review on pages 35 to 43 and in Risk and other factors on pages 44 to 50. Actual results will differ from these estimates.

The Company has elected to prepare its parent company financial statements in accordance with United Kingdom generally accepted accounting principles ("UK GAAP"). These are presented in Company information on pages 123 to 128.

In relation to the accounts of the Group, the following accounting policies have, unless otherwise stated, been applied consistently in dealing with items which are considered material:

(a) Basis of preparation

The Group is a speciality jewellery retailer in both the UK and the US.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable United Kingdom law. The consolidated accounts have been prepared under the historical cost basis except for the revaluation of derivative financial instruments assets and liabilities to their fair value.

These results are presented in US dollars following a change in the Group's presentational currency from UK pounds to US dollars with effect from 5 February 2007. As the majority of the Group's assets and operations are in the US this change better reflects the underlying performance of the Group. In addition, on 5 February 2007 the Company redenominated its share capital into US dollars and will retain distributable reserves and declare dividends in US dollars. As a result the functional currency of the Company has changed from UK pounds to US dollars. Financial information for prior periods has been restated from UK pounds to the new presentational currency, US dollars, in accordance with IAS 21.

(b) Consolidation

The Group accounts include the accounts of the Company and its subsidiary undertakings made up for the 52 week period ended 2 February 2008 (the comparatives are for the 53 week period ended 3 February 2007 and the 52 week period ended 28 January 2006).

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiary undertakings are included in the consolidated financial statements using the acquisition method of accounting. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Currency translation

The results of subsidiary undertakings with functional currencies other than US dollars are translated at rates approximating to the exchange rate ruling on the date of transaction by using the weighted average rate of exchange during the period and their balance sheets and attributable goodwill are translated at the rates ruling at the balance sheet date. Exchange differences arising from the translation of the net assets of those subsidiary undertakings and matched currency borrowings are charged or credited to reserves.

Monetary assets and liabilities denominated in currencies other than US dollars at the balance sheet date are translated at the exchange rate ruling at that date. Exchange differences arising from transactions in currencies other than US dollars are included in profit before tax.

(d) Revenue recognition

Revenue is recognised only when all significant risks and rewards of ownership of goods have been transferred to the purchaser.

Repair revenues are recognised when the service is complete and the merchandise is delivered to the customer.

Where the contractual obligation is borne by the Group, revenue from the sale of extended service agreements is deferred and recognised, net of incremental costs arising from the initial sale, in proportion to anticipated claims arising. This period's income is based on the historical claims experience of the business, which has been consistent since these products were launched. The Group reviews the pattern of claims at the end of each year to determine any significant trends that may require changes to revenue recognition rates.

Where the Group acts as an agent for warranty sales the commission element only is recognised as revenue.

Interest receivable from the US in-house credit programme is classified as other operating income.

When vouchers issued on a purchase give a discount against a future purchase, to the extent that these represent an incentive to enter into a future purchase, the estimated fair value of those vouchers to the customer is treated as deferred revenue. The proportion of revenue deferred and the recognition of income as these vouchers are redeemed over the period until their expiry is based on prior years' experience.

Provision is made for future sales returns expected within the stated return period, based on previous return rates experienced.

(e) Cost of sales and administrative expenses

Cost of sales includes all costs incurred in the purchase, processing and distribution of the merchandise and all costs directly incurred in the operation and support of the retail outlets including advertising and promotional costs. This includes inbound freight charges, purchasing and receiving costs, inspection and internal transfer costs. Administrative expenses include all costs not directly incurred in the purchase, processing and distribution of merchandise or support of the retail outlets. This includes administration, finance and management expenses.

(f) Advertising and promotional costs

Advertising costs are expensed within cost of sales. Production costs are expensed at the first communication of the advertisements, whilst communication expenses are incurred each time the advertisement is communicated. For catalogues and circulars, costs are all expensed at the first date they can be viewed by the consumer. Point of sale promotional material is expensed when first displayed in the stores.

(g) Goodwill

Goodwill represents the excess of the cost on acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses.

In accordance with IFRS 3 'Business combinations', on transition to IFRS, goodwill is held at deemed cost on 31 January 2004, subject to exchange movements, and impairment reviews are carried out annually or more frequently when there are indications that the carrying value may not be recoverable. Any impairment write downs identified are charged to the income statement. An impairment loss in respect of goodwill is not reversed.

For impairment testing, goodwill is allocated to the relevant cash generating units. The Group calculates its fair values through discounting future cash flow forecasts, derived from the most recent financial results and budgets approved by management. The key assumptions for the value in the calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimate discount rates using pre-tax rates that reflect assessments of the time value of money and the risks specific to the Group.

(h) Other intangible assets

Computer software that is not an integral part of the related hardware is classified as an intangible asset and is stated at cost less accumulated amortisation. Amortisation is charged on a straight line basis over periods from three to five years.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Certain items of property, which had been revalued to fair value on or prior to 31 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Maintenance and repair costs are expensed as incurred while major renewal and improvement costs are capitalised.

Depreciation is provided on freehold and long leasehold retail premises over an estimated useful life not exceeding 50 years. Long leaseholds relate to leases that have an original and unexpired lease term of greater than 25 years. Freehold land is not depreciated.

Depreciation on other fixed assets is provided on a straight line basis at the following annual rates:

Plant, machinery and vehicles – 10%, 20%, $33^1/_3$%,

Shopfronts, fixtures and fittings – rates up to $33^1/_3$%.

Short leasehold – over the life of the lease.

Where the renewal of a lease is reasonably assured, the depreciation period for shopfronts, fixtures and fittings may exceed the remaining lease term.

Where appropriate, provision is made on assets that have a recoverable amount less than book value. Potentially impaired assets are identified by reviewing the cash contribution of individual stores where trading since the initial opening of the store has reached a mature stage. Where

Notes to the accounts (continued)

such stores deliver a low or negative cash contribution, the related store assets are considered for impairment by reference to the higher of net realisable value and value in use. Additionally, provision is made against property, plant and equipment relating to stores planned for closure. Where quantifiable, the discounted cost of decommissioning assets installed in leasehold premises is included in the cost of the assets and appropriate decommissioning provisions are recognised.

(j) Inventories

Inventories represent raw materials and goods held for resale and are valued at the lower of cost and net realisable value. Cost is determined using average cost and includes overheads directly related to bringing inventory to its present location and condition. These include relevant warehousing, distribution and certain buying, security and data processing costs. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items.

(k) Vendor contributions

Where vendor contributions are received in respect of identifiable promotional events, these are matched against the costs of these promotions. Vendor contributions which are received as general contributions and not against specific promotional events are allocated against inventories.

(l) Trade receivables

Trade and other receivables are stated at their nominal amount less an allowance for potential losses, which equates to their fair value.

(m) Leases

Assets held under finance leases are leases where substantially all the risks and rewards of the asset have passed to the Group. All other leases are defined as operating leases.

Where operating leases include clauses in respect of predetermined rent increases, those rents are charged to the income statement on a straight line basis over the lease term, including any construction period or other rental holiday. Other rentals paid under operating leases are charged to the income statement as incurred. Premiums paid to acquire short leasehold properties and inducements to enter into a lease are recognised over the lease term. Amounts payable in respect of contingent rents are recognised in the period to which the sales relate.

(n) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax impact is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Accruals for tax contingencies are made based on judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, each material tax benefit is reviewed to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. All such provisions are included in creditors due within one year, although there is uncertainty regarding the exact timing of the agreement and settlement of outstanding positions. Any recorded exposure to interest and penalties on tax liabilities is provided for in the tax charge.

Deferred taxation is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

No temporary differences are recognised in respect of:

(i) deferred tax in respect of the initial recognition of goodwill;

(ii) additional tax which would arise if profits of overseas subsidiaries were distributed to the extent that they would probably not reverse in the foreseeable future; and

(iii) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

(o) Employee benefits

The Group operates a defined contribution pension scheme in the UK and sponsors a defined contribution 401(k) retirement savings plan in the US. Contributions made by the Group to these pension arrangements are charged to the income statement as incurred.

The Group also operates a defined benefit pension scheme (the "Group Scheme") in the UK which ceased to admit new employees from April 2004.

The Group Scheme, covering two of the executive directors and participating eligible employees in the UK, provides benefits based on members' salaries at retirement. The Group Scheme's assets are held by the trustees and are completely separate from those of the Group. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

Actuarial gains or losses are accounted for in the statement of recognised income and expense in the period in which they arise.

The full service cost of pension provisions relating to the period is charged to administrative expenses in the income statement. The net of the expected return on the Group Scheme's assets and the interest element of the increase in the present value of the Group Scheme's liabilities is credited to finance income in the income statement.

The difference between the market value of the assets of the Group Scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet. The difference between the expected return on assets and that actually achieved is recognised in the statement of recognised income and expense along with any differences that may arise from experience or assumption changes.

Where appropriate, supplementary pensions and life assurance benefits for UK directors and senior executives were until 5 April 2006 provided through the Signet Group Funded Unapproved Retirement Benefits Scheme ("FURBS") and were charged to the income statement as incurred. No further contributions are paid into the FURBS and in substitution a supplement is paid directly to the members.

(p) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends upon the nature of the item being hedged.

Changes in the fair value of financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity through the statement of recognised income and expense. Any ineffective portion of the gain or loss is recognised immediately in the income statement. For cash flow hedges that result in the recognition of a non-financial asset or liability, amounts previously deferred in equity are included in the measurement of the asset or liability. For cash flow hedges that result in the recognition of a financial asset or liability, amounts previously recognised in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. The Group applies the hedge accounting provisions of IAS 39 as they relate to forward currency and commodity contracts in order to minimise future volatility.

(q) Policy on transition to IFRS

The Group took the exemption not to restate the 29 January 2005 closing position for IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. As a result, the 29 January 2005 closing position is presented on the previously existing UK GAAP basis.

In that comparative period, other than the following exceptions, all financial assets and financial liabilities were carried at cost (amortised as appropriate) less, in the case of financial assets, provision for any permanent diminution in value. Gains and losses on forward foreign exchange contracts treated as hedging instruments were not recognised in the income statement. On recognition of the hedged transaction the unrecognised gains and losses arising on the instrument were recognised, either in the income statement or combined into the carrying value of the associated asset or liability.

In the 52 week period to 29 January 2005 closing position, hedging instruments were not recognised. From 30 January 2005 the hedging instruments are brought on to the balance sheet in accordance with the current period policy. In subsequent periods, hedging instruments are accounted for separately in the balance sheet. Gains and losses are included in profit for the period when the hedged transaction occurs having first recorded the hedging instrument in equity (to the extent effective). The cash flow statement is unaffected by this change in accounting policy.

The following adjustments were therefore made as at the beginning of the period ended 28 January 2006 with the net adjustment to net assets, after tax, taken through the statement of recognised income and expense:

	$m
Liabilities – Current liabilities	
Commodity contract classified within trade and other payables	1.1
Equity – Capital and reserves attributable to equity shareholders	
Cash flow hedging reserve	1.1

Financial statements

Notes to the accounts (continued)

(r) Cash and cash equivalents
Cash and cash equivalents comprise money market deposits and amounts placed with external fund managers with an original maturity of three months or less, and are carried at cost which approximates to fair value.

(s) Borrowings
Borrowings comprise interest bearing bank loans, private placement loan notes, and bank overdrafts and are recorded at the proceeds received net of any transaction costs incurred. Interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(t) Share schemes
A charge to income is recognised in respect of the fair values of outstanding employee share options, measured at grant level. For the LTIP, options granted are valued using a Black-Scholes option pricing model. The fair values of all other options have been calculated using a Black-Scholes model up to 29 January 2005 and a binomial valuation model thereafter. These are charged to the income statement over the relevant option vesting periods, the expense recognised being adjusted to reflect the Group's estimate of the number of shares that will eventually vest. The optional transitional arrangements, which allow companies to apply IFRS 2 fully retrospectively to all options granted but not fully vested at the relevant reporting date, have been used.

For equity-settled transactions, the charge to the income statement is credited back to total equity.

The cost of the cash and share award elements of the LTIP is charged to the income statement evenly over the period from the award date to vesting, based on the level of award that is expected to be achieved. A liability equal to the portion of goods or services received is recognised at the current fair value determined at each balance sheet date for cash settled schemes.

(u) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provision is made for future net lease obligations in respect of onerous leases of vacant, partially vacant or sublet properties.

(v) Share capital
When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

The cost of own shares purchased to satisfy the exercise of employee share options is deducted from total equity and the proceeds of their onward transfer are credited to total equity.

(w) Dividends
Dividends are provided for in the period in which they are formally approved.

(x) IFRS not yet effective
At the date of preparation of the financial statements, the following Standards and Interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 8 'Operating Segments' was issued in November 2006. It requires the identification of operating segments based on internal reporting to the chief operating decision maker and extends the scope and disclosure requirements of IAS 14 'Segmental Reporting'. It is effective for annual periods beginning on or after 1 January 2009. The Group is currently reviewing the impact that the adoption of IFRS 8 would have on its financial statements.

A revised IAS 23 'Borrowing costs' was issued in March 2007. It requires entities to capitalise any borrowing costs relating to assets that take a substantial period of time to prepare for use, rather than immediately recognising such costs as an expense. The revised Standard is effective for annual periods beginning on or after 1 January 2009 and will be applied prospectively from that date. The adoption of these amendments is not expected to have a significant effect upon the net results or net assets of the Group.

A revised IAS 1 'Presentation of Financial Statements' was issued in September 2007. It revises the presentation of non-owner changes in equity and introduces a statement of comprehensive income. It is effective for annual periods beginning on or after 1 January 2009. The adoption of these amendments will not have a significant impact upon the net results, net assets or disclosures of the Group.

IFRS 8 'Operating Segments' was endorsed by the EU during 2007. The revised IAS 23 'Borrowing Costs' and IAS 1 'Presentation of Financial Statements' have not yet been endorsed by the EU.

The following IFRIC interpretations have been issued but have not yet been adopted by the Group IFRIC 12 'Service Concession Arrangements', IFRIC 13 'Customer Loyalty Programmes' and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding requirements and their interaction. None of these interpretations have been endorsed by the EU and none are expected to have a significant impact upon adoption.

2. Segmental information

The Group's results derive from one business segment – the retailing of jewellery, watches and associated services. The Group is managed as two geographical operating segments: the US and UK divisions. Both divisions are managed by executive committees, which report through the Group Chief Executive to the Group Board. Each divisional executive committee is responsible for operating decisions within guidelines set by the Group Board.

	2008 $m	2007 $m	2006 $m
Sales by origin and destination:			
UK trading	**959.6**	907.1	845.3
US trading	**2,705.7**	2,652.1	2,308.8
	3,665.3	3,559.2	3,154.1
Operating profit:			
UK trading	**105.1**	103.4	88.4
Group function[1]	**(16.0)**	(13.9)	(14.4)
UK	**89.1**	89.5	74.0
US trading	**262.2**	326.7	300.7
	351.3	416.2	374.7
Depreciation and amortisation:			
UK trading	**42.0**	37.1	31.9
US trading	**72.1**	61.3	51.3
	114.1	98.4	83.2
Capital additions:			
UK trading	**28.6**	23.3	48.2
Group function	**0.7**	–	–
UK	**29.3**	23.3	48.2
US trading	**111.1**	101.1	88.4
	140.4	124.4	136.6
Total assets:			
UK trading	**496.3**	521.2	492.4
Group function	**229.2**	328.6	234.0
UK	**725.5**	849.8	726.4
US trading	**2,298.7**	2,115.2	1,877.2
	3,024.2	2,965.0	2,603.6
Total liabilities:			
UK trading	**(147.3)**	(147.2)	(156.1)
Group function	**(267.1)**	(201.7)	(55.2)
UK	**(414.4)**	(348.9)	(211.3)
US trading	**(803.7)**	(870.1)	(836.7)
	(1,218.1)	(1,219.0)	(1,048.0)

(1) Group function costs for 2006 included a net charge of $1.3 million relating to property provisions.

Notes to the accounts (continued)

3. Operating profit

	2008 $m	2007 $m	2006 $m
Operating profit is stated after charging:			
Staff costs	**702.0**	689.3	621.0
Depreciation of property, plant and equipment	**109.4**	96.0	81.0
Amortisation of intangible assets	**4.7**	2.4	2.2
Fees payable to KPMG for the audit of the annual accounts	**0.5**	0.4	0.2
Fees payable to KPMG and their associates for:			
– audit of subsidiary accounts	**0.9**	0.9	0.5
– other services pursuant to legislation[1]	**–**	–	0.7
– other services[2]	**0.2**	0.2	0.2
Advertising	**209.4**	190.7	158.5
Operating lease minimum rentals – plant, machinery and vehicles	**3.3**	3.0	3.8
– property	**305.7**	273.6	264.9
Operating lease contingent rentals – property	**10.1**	14.6	12.0
Rates	**61.0**	60.9	51.9

(1) For 2006, relates to Section 404 of the Sarbanes-Oxley Act and IFRS implementation. For 2007 and 2008, fees relating to Section 404 of the Sarbanes-Oxley Act are included within audit fees.
(2) Relates to quarterly reviews and Christmas Trading review.

Other audit fees paid to KPMG in respect of the Signet Group plc pension scheme were $43,890 (2007: $43,240; 2006: $41,400).

4. Other operating income

	2008 $m	2007 $m	2006 $m
Other operating income:			
– interest receivable from US in-house credit programme	**108.4**	93.3	81.9
– foreign currency exchange gains/(losses)	**0.4**	(1.8)	1.4
	108.8	91.5	83.3

5. Finance income and expense

	2008 $m	2007 $m	2006 $m
Interest payable on loans and overdrafts	**(4.1)**	(4.5)	(3.6)
Interest expense of US securitisation facility	**–**	(10.1)	(13.7)
Interest payable on loan notes	**(23.3)**	(16.4)	(0.5)
Facility fees and related costs	**(1.4)**	(3.2)	(2.7)
Finance expense	**(28.8)**	(34.2)	(20.5)
Interest income	**6.2**	16.7	4.3
Defined benefit pension scheme:			
– expected return on scheme assets	**18.3**	14.7	12.4
– interest on pension liabilities	**(13.5)**	(12.6)	(10.2)
Finance income	**11.0**	18.8	6.5
Net finance charge	**(17.8)**	(15.4)	(14.0)

6. Foreign currency translation

The exchange rates used for translation of UK pound transactions and balances in these accounts are as follows:

	2008	2007	2006
Income statement (average rate)	**2.00**	1.88	1.80
Balance sheet (period end rate)	**1.97**	1.97	1.77
Impact of translation on:			
– Cash and cash equivalents less borrowings	**2.2**	27.7	(7.9)
– Foreign currency net assets	**0.1**	57.3	(41.6)

The exchange impact on foreign currency net assets has been taken to reserves in accordance with IAS 21 'The effects of changes in foreign exchange rates'.

7. Directors and employees

	2008 $m	2007 $m	2006 $m
Directors' emoluments	**5.0**	7.2	3.8
Directors' LTIP – cash	**–**	0.3	0.4
Directors' LTIP – share options (at fair value)	**–**	0.4	0.5
Contributions to pension schemes in respect of directors	**0.6**	0.5	0.4

Details of directors' emoluments are shown in the Directors' remuneration report on page 70.

The aggregate emoluments (excluding amounts due under the LTIP) of the highest paid director, Terry Burman, Group Chief Executive were $1,668,000 (2007: $3,057,000; 2006: $1,389,000). The amounts due to him under the LTIP were $nil (2007: $275,000; 2006: $752,000). 50% of the LTIP award is payable in cash. In the current year, this amounted to $nil (2007: $128,000; 2006: $304,000). The other 50% consists of the grant of an option to acquire shares in the Company. Additionally, pension contributions of $313,000 (2007: $288,000; 2006: $270,000) were made to money purchase schemes on his behalf. The gain made by him on the exercise of options in the Group was $155,000 (2007: $2,989,000; 2006: $nil).

Notes to the accounts (continued)

	2008 Number	2007 Number	2006 Number
Retirement benefits are accruing to the following number of directors under:			
– Money purchase schemes	**2**	2	2
– Defined benefit schemes	**2**	2	2
The average number of full-time equivalent persons – employed (including directors) during the period, analysed by category and division			
Group:			
– Management	**262**	250	238
– Administration	**1,758**	1,747	1,764
– Distribution and sales staff	**15,223**	14,839	13,650
	17,243	16,836	15,652
UK:			
– Management	**76**	78	85
– Administration	**291**	290	367
– Distribution and sales staff	**3,480**	3,796	3,834
	3,847	4,164	4,286
US:			
– Management	**186**	172	153
– Administration	**1,467**	1,457	1,354
– Distribution and sales staff	**11,743**	11,043	9,859
	13,396	12,672	11,366

	2008 $m	2007 $m	2006 $m
Aggregate Group staff costs were as follows:			
Wages and salaries	**635.7**	619.8	557.8
Social security costs	**54.5**	51.9	45.7
Pension costs	**11.4**	10.9	9.4
Share-based payment expense	**0.4**	6.7	8.1
	702.0	689.3	621.0

8. Taxation

		2008 $m	2007 $m	2006 $m
Profit before tax:	UK	**132.8**	119.4	92.0
	US	**200.7**	281.4	268.7
		333.5	400.8	360.7
Current taxation:	UK	**42.0**	30.7	20.7
	US	**67.5**	105.8	108.0
Deferred taxation:	UK	**(2.2)**	(2.8)	2.5
	US	**11.0**	1.1	(5.9)
		118.3	134.8	125.3

The sources of deferred taxation are as follows:

	2008 $m	2007 $m	2006 $m
UK property, plant and equipment	**(2.5)**	(0.8)	2.3
US property, plant and equipment	**(2.6)**	(3.0)	(1.8)
Inventory valuation	**21.3**	16.5	8.7
Allowances for doubtful debts	**(3.2)**	(2.3)	(2.0)
Revenue deferral (extended service agreements)	**(5.5)**	(4.1)	(3.8)
Straight line lease payments	**(2.2)**	(2.4)	(2.0)
Deferred compensation	**(1.7)**	(1.5)	(1.6)
Retirement benefit obligations	**(0.4)**	(1.5)	–
Other temporary differences	**5.6**	(2.6)	(3.2)
	8.8	(1.7)	(3.4)

The differences between the standard rate of corporation tax in the UK and the current and effective tax rates for the Group are explained below:

	2008 %	2007 %	2006 %
UK statutory tax rates	**30.0**	30.0	30.0
Expenditure permanently disallowable for tax purposes, net of permanent undercharges	**1.5**	0.3	1.5
Differences between UK and US (including state) standard tax rates	**5.0**	5.5	5.5
Over provision in respect of previous periods	**(1.0)**	(2.2)	(2.3)
UK property, plant and equipment	**0.7**	0.2	(0.6)
US property, plant and equipment	**0.8**	0.7	0.5
Inventory valuation	**(6.4)**	(4.1)	(2.4)
Allowances for doubtful debts	**1.0**	0.6	0.5
Revenue deferral (extended service agreements)	**1.6**	1.0	1.0
Straight line lease payments	**0.7**	0.6	0.5
Deferred compensation	**0.5**	0.4	0.5
Retirement benefit obligations	**0.1**	0.4	–
Other temporary differences	**(1.6)**	0.6	0.9
Current tax rate	**32.9**	34.0	35.6
Deferred tax rate	**2.6**	(0.4)	(0.9)
	35.5	33.6	34.7

Notes to the accounts (continued)

The Group's effective tax rate is higher than the UK statutory tax rate because a significant proportion of the Group's business is conducted in the US where the combined federal and state tax rate approaches 40%. The Group's future effective tax rate is dependent on changes in the geographic mix of profits and the movement in foreign exchange translation rates. It is likely that there will be greater volatility in the Group's effective tax rate going forward owing to changes in the tax environment in both the UK and the US. It is anticipated that, subject to the outcome of various uncertain tax positions, the Group's effective tax rate in 2008/09 will be at a similar level to the reported effective tax rate in 2007/08.

9. Earnings per share

	2008	2007	2006
Earnings attributable to shareholders ($ million)	**215.2**	266.0	235.4
Basic weighted average number of shares in issue (million)	**1,703.8**	1,727.6	1,736.6
Dilutive effect of share options (million)	**3.3**	6.8	3.3
Diluted weighted average number of shares in issue (million)	**1,707.1**	1,734.4	1,739.9
Earnings per share – basic	**12.6c**	15.4c	13.6c
Earnings per share – diluted	**12.6c**	15.3c	13.5c
Earnings per ADS – basic	**126.3c**	154.0c	135.6c
Earnings per ADS – diluted	**126.1c**	153.4c	135.3c

The basic weighted average number of shares excludes shares held by the ESOT as these shares do not qualify for dividends. The effect of this is to reduce the average number of shares in the 52 week period ended 2 February 2008 by 2,146,735 (53 week period ended 3 February 2007: 3,253,096; 52 weeks ended 28 January 2006: 3,745,265).

10. Dividends

In accordance with IAS 10 'Events after the balance sheet date' proposed dividends are not provided for until they are formally approved.

	2008 $m	2007 $m	2006 $m
Final dividend paid of 6.317c per share (2007: 2.8875p; 2006: 2.625p)	**107.6**	94.2	81.9
Interim dividend paid of 0.96c per share (2007: 0.4434p; 2006: 0.4125p)	**16.3**	14.5	13.0
	123.9	108.7	94.9

During 2007/08, a dividend of 6.317 cents per share was paid on 6 July 2007 in respect of the final dividend declared for the 53 week period ended 3 February 2007. An interim dividend of 0.96 cents for the 52 week period ended 2 February 2008 was also paid on 9 November 2007. The 2006/07 interim dividend was translated at the exchange rate on 3 November 2006.

Subject to shareholder approval, a proposed final dividend of 6.317 cents per share will be paid on 3 July 2008 to those shareholders on the register of members at the close of business on 23 May 2008. The accounts for the 52 week period ended 2 February 2008 do not reflect this proposed dividend, which will be treated as an appropriation of retained earnings in the 52 week period ending 31 January 2009. For shareholders who wish to receive the proposed final dividend in pounds sterling, the actual amount will be calculated using the exchange rate as derived from Reuters at 4.00 p.m. on the record date of 23 May 2008.

Dividends received by individual US shareholders from qualified foreign corporations are subject to US federal income tax at a reduced rate of 15%. Dividends paid by the Group to individual US holders of shares or ADSs should qualify for this preferential dividend treatment. This US tax legislation only applies to individuals subject to US federal income taxes and therefore the tax position of UK shareholders is unaffected. Individual US holders of shares and ADSs are urged to consult their tax advisors regarding the application of this US tax legislation to their particular circumstances.

11. Intangible assets

	Computer software $m	Purchased goodwill $m	Total $m
Cost:			
At 28 January 2006	15.7	30.6	46.3
Additions	7.5	–	7.5
Disposals	(0.2)	–	(0.2)
Transfers	0.6	–	0.6
Translation differences	0.9	–	0.9
At 3 February 2007	24.5	30.6	55.1
At 3 February 2007	24.5	30.6	55.1
Additions	11.3	–	11.3
Transfers	(2.6)	–	(2.6)
At 2 February 2008	**33.2**	**30.6**	**63.8**
Amortisation:			
At 28 January 2006	5.8	–	5.8
Charged in period	2.4	–	2.4
Disposals	(0.2)	–	(0.2)
Transfers	0.2	–	0.2
Translation differences	0.6	–	0.6
At 3 February 2007	8.8	–	8.8
At 3 February 2007	8.8	–	8.8
Charged in period	4.7	–	4.7
Transfers	(2.2)	–	(2.2)
Translation differences	(0.1)	–	(0.1)
At 2 February 2008	**11.2**	**–**	**11.2**
Net book value:			
At 2 February 2008	**22.0**	**30.6**	**52.6**
At 3 February 2007	15.7	30.6	46.3
At 28 January 2006	9.9	30.6	40.5

The purchased goodwill above arose on the acquisition of Marks & Morgan on 31 July 2000. In accordance with IFRS, goodwill is carried at cost with impairment reviews carried out annually and when there are indications that the carrying value may not be recoverable. Under the transitional arrangements, Signet applied IFRS 3 ‘Business combinations’ from the transition date of 31 January 2004. Consequently, all prior purchased goodwill was frozen at $30.6 million at this date, subject to impairment testing. An impairment review was performed at 2 February 2008, concluding that the carrying value of $30.6 million does not require an impairment adjustment.

For the purpose of goodwill impairment testing, Marks & Morgan is regarded as a single cash generating unit. The recoverable amount is based on value in use calculations using cash flow projections from a three year business plan approved by management. Growth rates consistent with those in the plan have been used to extrapolate beyond the period covered by the plan. A discount rate of 8.8% has been applied to the projected cash flows.

Computer software that is not an integral part of the related hardware is classified as an intangible asset and is stated at cost less accumulated amortisation. Amortisation charges are recorded in administrative expenses in the income statement.

Notes to the accounts (continued)

12. Property, plant and equipment

	Land and buildings			Plant machinery and vehicles	Shopfronts, fixtures and fittings	Total
	Freehold $m	Long leasehold $m	Short leasehold $m	$m	$m	$m
Cost:						
At 28 January 2006	18.6	3.4	27.1	106.5	781.6	937.2
Additions	–	–	4.9	8.1	103.9	116.9
Disposals	(0.6)	–	(0.6)	(2.4)	(26.9)	(30.5)
Transfers	–	–	–	(1.5)	0.9	(0.6)
Translation differences	1.9	0.2	1.5	2.3	21.5	27.4
At 3 February 2007	19.9	3.6	32.9	113.0	881.0	1,050.4
At 3 February 2007	19.9	3.6	32.9	113.0	881.0	1,050.4
Additions	–	–	5.5	14.3	109.3	129.1
Disposals	–	–	(0.5)	(2.9)	(37.7)	(41.1)
Transfers	2.0	–	(2.1)	4.7	(2.0)	2.6
Translation differences	–	–	–	(0.1)	(0.4)	(0.5)
At 2 February 2008	**21.9**	**3.6**	**35.8**	**129.0**	**950.2**	**1,140.5**
Depreciation:						
At 28 January 2006	2.8	0.2	10.3	76.3	398.4	488.0
Charged in period	0.4	–	2.2	14.3	79.1	96.0
Disposals	(0.5)	–	(0.4)	(2.3)	(25.9)	(29.1)
Transfers	–	–	–	(1.1)	0.9	(0.2)
Translation differences	0.3	–	0.9	1.1	8.6	10.9
At 3 February 2007	3.0	0.2	13.0	88.3	461.1	565.6
At 3 February 2007	3.0	0.2	13.0	88.3	461.1	565.6
Charged in period	0.3	0.1	2.9	12.4	93.7	109.4
Disposals	–	–	(0.4)	(2.0)	(36.3)	(38.7)
Transfers	0.4	–	(0.4)	2.9	(0.7)	2.2
Translation differences	–	–	–	(0.1)	(0.3)	(0.4)
At 2 February 2008	**3.7**	**0.3**	**15.1**	**101.5**	**517.5**	**638.1**
Net book value:						
At 2 February 2008	**18.2**	**3.3**	**20.7**	**27.5**	**432.7**	**502.4**
At 3 February 2007	16.9	3.5	19.9	24.7	419.9	484.8
At 28 January 2006	15.8	3.2	16.8	30.2	383.2	449.2

Property, plant and equipment are stated at cost with the exception of freehold and long leasehold properties which are stated at deemed cost on conversion to IFRS.

Freehold properties on the consolidated balance sheet include $10.7 million of depreciable assets (2007: $8.7 million).

13. Inventories

	2008 $m	2007 $m
Raw materials	**16.7**	9.4
Finished goods	**1,428.8**	1,341.2
	1,445.5	1,350.6

Subsidiary undertakings held $221.5 million of consignment inventory at 2 February 2008 (2007: $205.7 million) which is not recorded on the balance sheet. The principal terms of the consignment agreements, which can generally be terminated by either side, are such that the Group can return any or all of the stocks to the relevant suppliers without financial or commercial penalties.

Inventory provisions

	Balance at beginning of period $m	Charged to profit $m	Utilised[1] $m	Balance at end of period $m
52 weeks ended 28 January 2006	10.7	23.2	(23.3)	10.6
53 weeks ended 3 February 2007	10.6	28.0	(23.9)	14.7
52 weeks ended 2 February 2008	14.7	39.6	(36.8)	17.5

(1) Including the impact of foreign exchange translation.

Inventory provisions have been made for obsolete, slow-moving and damaged stock on a consistent basis.

14. Trade and other receivables

	2008 $m	2007 $m
Trade receivables by geographic location		
– US	**900.6**	828.8
– UK	**9.8**	15.5
	910.4	844.3
Less: Provision for impairment of receivables	**(62.2)**	(52.2)
Trade receivables – net	**848.2**	792.1
Corporation tax recoverable	**0.1**	0.2
Other receivables and prepayments	**79.2**	76.8
Trade and other receivables – current	**927.5**	869.1
Other receivables – non-current	**34.8**	29.2
	962.3	898.3

The directors consider that the carrying amount of trade and other receivables approximates to their fair value, which is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date. The carrying amount of financial assets represents the maximum credit exposure.

Notes to the accounts (continued)

The ageing of trade receivables at the reporting date was:

	2008 Gross $m	2008 Provision for Impairment $m	2007 Gross $m	2007 Provision for Impairment $m
Not past due	**710.7**	**(21.4)**	667.8	(20.1)
Past due 0-90 days	**165.0**	**(6.3)**	150.6	(6.3)
More than 90 days	**34.7**	**(34.5)**	25.9	(25.8)
	910.4	**(62.2)**	844.3	(52.2)

Provision for impairment of receivables

	Balance at beginning of period $m	Charged to profit $m	Utilised[1] $m	Balance at end of period $m
52 weeks ended 28 January 2006	40.8	81.2	(75.1)	46.9
53 weeks ended 3 February 2007	46.9	73.1	(67.8)	52.2
52 weeks ended 2 February 2008	52.2	93.6	(83.6)	62.2

(1) Including the impact of foreign exchange translation.

The provision for impairment charged to profit relates to receivables due from individual customers, and no individual balance is significant. If the Group believes that a specific balance is irrecoverable, it is written off.

15. Cash and cash equivalents

	2008 $m	2007 $m
Bank deposits	**40.6**	151.1
Cash	**1.1**	1.2
	41.7	152.3

16. Trade and other payables

Current:	2008 $m	2007 $m
Trade payables	**89.3**	115.4
Social security and PAYE	**10.5**	11.6
Other taxes	**33.7**	42.6
Other creditors	**23.5**	19.7
Accruals	**200.5**	203.1
	357.5	392.4

Non-current:	2008 $m	2007 $m
Other creditors	**41.7**	35.3
Accruals	**43.6**	39.4
	85.3	74.7

17. Deferred income

Deferred income represents income under extended service agreements and voucher promotions.

18. Financial liabilities – borrowings

Current:	Currency	Repayment date	2008 $m	2007 $m
Borrowings due within one year or on demand:				
Bank overdrafts	US$	On demand	**36.3**	5.5
Short term borrowings			**36.3**	5.5

The weighted average interest rate on short term borrowings during the year was 5.3% (2007: 5.4%).

Non-current:	Currency	Repayment date	2008 $m	2007 $m
Borrowings due in more than one year:				
US Private Placement	US$	2013 to 2018	**380.0**	380.0
			380.0	380.0

In September 2004, the Group entered into an unsecured $390 million multi-currency revolving credit facility with a syndicate of banks for a period of five years at a variable interest rate at a maximum margin of 0.55% above LIBOR. From commencement, the applicable margin has been 0.40% above LIBOR. At 2 February 2008 and at 3 February 2007 the amount outstanding under this facility was $nil.

Commitment fees are paid on the undrawn portion of this credit facility at a rate of 40.0% of the applicable margin. The principal financial covenants on this facility are as follows:

- the ratio of Consolidated Net Debt to Consolidated EBITDA (Earnings Before Interest, Tax, Depreciation & Amortisation) shall not exceed 3:1;
- consolidated Net Worth (total net assets) must not fall below £400 million; and
- the ratio of Consolidated EBITARR (Earnings Before Interest, Tax, Amortisation, Rents, Rates and Operating Lease Expenditure) to Consolidated Net Interest Expenditure plus Rents, Rates and Operating Lease Expenditure shall be equal to or greater than 1.4:1.

On 30 March 2006 Signet entered into a US Private Placement Note Term Series Purchase Agreement ("Note Purchase Agreement") which was funded largely from US insurance institutional investors in the form of fixed rate investor certificate notes ("Notes"). These Notes represent 7, 10 or 12 year maturities, with Series (A) $100 million 5.95% due 2013; Series (B) $150 million 6.11% due 2016 and Series (C) $130 million 6.26% due 2018. The aggregate issuance was $380 million and the funding date was 23 May 2006. The proceeds from this debt issuance were used to refinance the maturing securitisation programme and for general corporate purposes. The Notes rank pari passu with the Group's other senior unsecured debt. The principal financial covenants are in line with the syndicated bank credit facility described above.

On 26 October 2007 the Group entered into a 364 day $200 million Conduit Securitisation Facility ("Conduit"). Under this securitisation, interests in the US private label credit card receivables portfolio held by a trust would be sold to Bryant Park, a Conduit administered by HSBC Securities (USA) Inc., in the form of a secured revolving variable rate certificate. The Conduit bears interest at a margin of 0.22% above the cost of funds paid by Bryant Park and commitment fees are paid on the undrawn portion at a rate of 0.12%. At 2 February 2008 the amount outstanding under the Conduit was $nil.

In the US, in November 2001, the Company refinanced its private label credit card receivables programme through a privately placed receivables securitisation. Under this securitisation, interests in the US receivables portfolio held by a trust were sold principally to institutional investors in the form of fixed-rate Class A, Class B and Class C investor certificates. The certificates had a weighted average interest rate of 5.42% and interest was paid monthly in arrears from the finance charges collections generated by the receivables portfolio. The revolving period of the securitisation ended in March 2006, and the final principal payment was in November 2006.

Notes to the accounts (continued)

Liquidity

The following are the contractual maturities of all financial liabilities and derivative financial instruments, including interest payments and excluding the impact of netting agreements:

2 February 2008	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Trade and other payables	**442.8**	442.8	357.5	85.3	–
Onerous lease provisions	**9.6**	14.9	1.4	5.7	7.8
Bank overdraft	**36.3**	36.3	36.3	–	–
US Private placement	**380.0**	576.1	23.3	93.0	459.8
	868.7	1,070.1	418.5	184.0	467.6
Derivative financial instruments					
Forward contracts used for hedging					
Liabilities – outflow	**1.9**	2.3	2.3	–	–
Assets – inflow	**(2.2)**	(1.4)	(1.4)	–	–
– outflow	**(9.6)**	113.3	113.3	–	–
	(9.9)	114.2	114.2	–	–

3 February 2007	Carrying amount $m	Contractual cash flows $m	Less than 1 year $m	1-5 years $m	More than 5 years $m
Non-derivative financial liabilities					
Trade and other payables	467.1	467.1	392.4	74.7	–
Onerous lease provisions	10.0	16.0	1.4	6.0	8.6
Bank overdraft	5.5	5.5	5.5	–	–
US Private placement	380.0	599.4	23.3	93.0	483.1
	862.6	1,088.0	422.6	173.7	491.7
Derivative financial instruments					
Forward contracts used for hedging					
Liabilities – outflow	0.8	1.1	1.1	–	–
Assets – outflow	(8.3)	90.7	90.7	–	–
	(7.5)	91.8	91.8	–	–

The directors consider that the carrying amount of trade and other payables is approximate to their fair values.

Derivatives with contractual cash flows of $40.7 million and $73.5 million are expected to impact the income statement in 2008/09 and 2009/10 respectively (2007: 2007/08 $25.9 million and 2008/09 $65.9 million).

Interest rate risk

The Group may enter into various interest rate protection agreements in order to limit the impact of movement in interest rates on its borrowings. The Group does not hold or issue derivative financial instruments for the purpose of trading those instruments.

Fair value sensitivity analysis for fixed rate instruments

The Group's fixed rate instruments consist solely of the private placement detailed above. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivative instruments as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not impact the income statement.

A 1% decrease in interest rates would have increased borrowings, and hence decreased equity, by $11.5 million (2007: $13.1 million).

Cashflow sensitivity analysis for variable rate instruments

The carrying value of variable rate financial instruments is $36.3 million (2007: $5.5 million). A 1% change in interest rates at the reporting date would have increased/(decreased) equity by $nil (2007: $nil) and profit by $nil (2007: $nil). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

Analysis of net debt

	At 3 February 2007 $m	Cash flow $m	Exchange movement $m	At 2 February 2008 $m
Cash in hand	1.2	(0.1)	–	**1.1**
Short term bank deposits	151.1	(112.4)	1.9	**40.6**
Cash and cash equivalents	152.3	(112.5)	1.9	**41.7**
Borrowings falling due in more than one year	(380.0)	–	–	**(380.0)**
Bank overdrafts	(5.5)	(31.1)	0.3	**(36.3)**
Borrowings	(385.5)	(31.1)	0.3	**(416.3)**
Total	(233.2)	(143.6)	2.2	**(374.6)**

Reconciliation of net cash flow to movement in net debt

	52 weeks ended 2 February 2008 $m	53 weeks ended 3 February 2007 $m	52 weeks ended 28 January 2006 $m
Net debt at beginning of period	**(233.2)**	(174.5)	(157.9)
(Decrease)/increase in cash and cash equivalents	**(112.5)**	49.6	(92.6)
(Increase)/decrease in borrowings	**(31.1)**	(136.0)	83.9
Exchange adjustments	**2.2**	27.7	(7.9)
Net debt at end of period	**(374.6)**	(233.2)	(174.5)

19. Deferred taxation

	2008 Assets $m	2008 (Liabilities) $m	2008 Total $m	2007 Assets $m	2007 (Liabilities) $m	2007 Total $m
UK property, plant and equipment	**2.3**	**–**	**2.3**	–	(0.2)	(0.2)
US property, plant and equipment	**–**	**(15.8)**	**(15.8)**	–	(18.3)	(18.3)
Inventory valuation	**–**	**(77.4)**	**(77.4)**	–	(56.1)	(56.1)
Allowances for doubtful debts	**22.1**	**–**	**22.1**	18.9	–	18.9
Revenue deferral (extended service agreements)	**46.2**	**–**	**46.2**	40.6	–	40.6
Straight line lease payments	**17.3**	**–**	**17.3**	15.2	–	15.2
Deferred compensation	**13.3**	**–**	**13.3**	11.6	–	11.6
Retirement benefit obligations	**1.6**	**–**	**1.6**	–	(1.2)	(1.2)
Other temporary differences	**11.0**	**(0.9)**	**10.1**	18.5	–	18.5
UK property related, net	**0.3**	**–**	**0.3**	0.2	–	0.2
Value of UK capital losses	**27.7**	**–**	**27.7**	29.4	–	29.4
Total deferred tax assets/(liabilities)	**141.8**	**(94.1)**	**47.7**	134.4	(75.8)	58.6
Valuation allowance	**(28.0)**	**–**	**(28.0)**	(29.6)	–	(29.6)
Deferred tax assets/(liabilities)	**113.8**	**(94.1)**	**19.7**	104.8	(75.8)	29.0
UK			**3.0**			0.2
US			**16.7**			28.8
Deferred tax assets			**19.7**			29.0

The difference on translation in respect of deferred tax posted directly to equity in the period ended 2 February 2008 was $0.1 million charge (2007: $3.0 million charge).

Notes to the accounts (continued)

Movement in deferred tax assets:

	$m
At 3 February 2007	29.0
Amounts recognised in equity:	
– Retirement benefit obligations	4.5
– Other temporary differences	(2.8)
Charge in the period to the income statement	(8.8)
Transfers to current tax	(2.1)
Difference on translation	(0.1)
At 2 February 2008	**19.7**

20. Provisions – non-current

	$m
At 3 February 2007	10.0
Charge in the period to the income statement	0.7
Utilisation[1]	(1.1)
At 2 February 2008	**9.6**

(1) Including the impact of foreign exchange translation.

The provisions are for onerous leases and include the discounted cash flows of future net obligations in respect of vacant properties and the rental shortfall on properties which are sublet at below the rent paid by the Group. These are expected to be utilised over the period from 2009 to 2017.

21. Employee benefit costs - pension schemes

The Group operates one defined benefit pension scheme in the UK (the "Group Scheme"), which ceased to admit new employees from April 2004. The assets of the Group Scheme, which is a funded scheme, are held in a separate trustee administered fund which is independently managed. The trustees of the Group Scheme during the year were Walker Boyd, John Gillum (retired 7 December 2007), Noel Lyons, Mark Jenkins (appointed 7 December 2007), Anne Riglar (member nominated, appointed 18 May 2007), Peter Gates (member nominated, appointed 18 May 2007) and The Law Debenture Pension Trust Corporation p.l.c. (independent trustee). Contributions to the Group Scheme were assessed as at 5 April 2006 in accordance with the advice of independent qualified actuaries using the attained age method of valuation. Where appropriate, supplementary pension and life assurance for UK directors and senior executives was provided until 5 April 2006 through the Signet Group Funded Unapproved Retirement Benefits Scheme (FURBS). No further contributions are paid into the FURBS and in substitution a supplement is now paid directly to the members.

An actuarial valuation of the Group Scheme was carried out as at 5 April 2006. Results of that valuation have been updated to 2 February 2008 by an independent qualified actuary. The next full actuarial valuation will be carried out as at 5 April 2009.

As the Group Scheme is closed to new entrants, the current service cost (calculated under the projected unit method, as required by IAS 19), will increase as a percentage of salaries as its members approach retirement.

In June 2004, the Group introduced a defined contribution plan which replaced the Group Scheme for new UK employees. The employer contributions to this scheme in the period were $0.2 million (2007: $0.2 million; 2006: $0.1 million).

In the US, the Group sponsors a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. The assets of this plan are held in a separate trust managed by KeyBank under which the Group matches 25% of up to the first 6% of employee elective salary deferrals. The Group has also established, in the US, an unfunded, unqualified deferred compensation plan ("DCP") which permits certain management employees to elect annually to defer all or a portion of their remuneration and earn interest on the deferred amounts. The plan also provides for a Group matching contribution based on each participant's annual remuneration deferral.
In connection with this plan, the Group has invested in trust-owned life insurance policies.

The main assumptions used by the actuary to calculate the Group Scheme liabilities were:

	2008	2007
Rate of increase in salaries	**5.0%**	4.6 %
Rate of increase in deferred pensions during deferment	**3.5%**	3.1 %
Rate of increase in pensions in payment[1]	**3.5%**	3.1 %
Discount rate	**5.9%**	5.2 %
Inflation assumptions	**3.5%**	3.1 %
Expected return on Group Scheme assets	**6.9%**	6.9 %
Longevity at age 65 for current pensioners:		
– Male	**22.0 years**	21.8 years
– Female	**24.8 years**	24.7 years
Longevity at age 65 for future pensioners:		
– Male	**23.3 years**	23.2 years
– Female	**26.0 years**	26.0 years

(1) For the majority of members.

The mortality tables used to value the Group Scheme's liabilities as at 2 February 2008 are PA92(year of birth)mc for current pensioners and future retirees. These tables give a life expectancy as set out in the table above. Based on the advice of an independent qualified actuary, the directors consider these mortality tables to make an appropriate allowance for future projected improvements in life expectancy.

The table below shows the sensitivity of the funded status of the Group Scheme to changes in the assumptions used in calculating the benefit obligations and scheme asset fair values:

	Benefit obligation $m	Fair value of Scheme assets $m	Funded status $m	Sensitivity $m
Recognised as at 2 February 2008	(253.7)	248.1	(5.6)	
Discount rate +0.1%	(249.7)	248.1	(1.6)	+4.0
Inflation –0.1%	(250.2)	248.1	(2.1)	+3.5
Life expectancy + 1 year	(260.7)	248.1	(12.6)	-7.0

The Group expects to contribute a minimum of $7.4 million to the Group Scheme in 2008/09 based on funding rates agreed in the 5 April 2006 actuarial valuation.

	2008 $m	2007 $m
The Group pension cost for the period comprises:		
Charge to operating profit:		
UK Group Scheme net service cost	**(6.4)**	(6.6)
UK defined contribution plan	**(0.2)**	(0.2)
US retirement savings plan	**(4.8)**	(4.1)
	(11.4)	(10.9)
Net credit to financing costs:		
Expected return on Group Scheme assets	**18.3**	14.7
Interest on Group Scheme liabilities	**(13.5)**	(12.6)
	(6.6)	(8.8)

Notes to the accounts (continued)

The assets in the Group Scheme and the expected rates of return (net of administration expenses) were:

	2008 Long term rate of return expected %	2008 Value $m	2007 Long term rate of return expected %	2007 Value $m
Equities and property	**7.7%**	**171.9**	7.9 %	193.7
Bonds	**4.9%**	**72.9**	4.7 %	62.8
Cash		**3.3**		5.1
Total market value of assets		**248.1**		261.6
Present value of Group Scheme liabilities		**(253.7)**		(257.9)
(Deficit)/surplus in the Group Scheme		**(5.6)**		3.7
Related deferred tax asset/(liability)		**1.6**		(1.2)
Net pension (liability)/asset		**(4.0)**		2.5

The Trustee's investment strategy is set out in their Statement of Investment Principles. To guide them in their strategic management of the assets and control of the various risks to which the Group Scheme is exposed, the Trustees have adopted the following objectives:

- To make sure that obligations to the beneficiaries of the Group Scheme can be met;
- To acknowledge the Group's interest in the size and incidence of its contribution payments.

The Trustees continue to monitor this investment strategy, after taking professional advice.

To develop the long term rate of return on asset assumptions, the Trustees considered the historical return and future expected returns for each asset class, as well as the target asset allocation of the pension portfolio. The expected return is then reduced by 0.3% per annum as an allowance for Group Scheme expenses. This resulted in the selection of the 6.9% per annum long term rate of return on assets assumption from 3 February 2007, and 6.9% per annum from 2 February 2008.

There is no investment by the Group Scheme in the shares of Signet Group plc or in property occupied by or other assets used by the Group.

Analysis of amount recognised in the consolidated statement of recognised income and expense ("SORIE")

	2008 $m	2007 $m
Actual return less expected return on Group Scheme assets	**(30.1)**	(2.0)
Experience gain on liabilities including change in assumptions	**15.1**	32.5
Actuarial (loss)/gain	**(15.0)**	30.5
Deferred tax	**4.5**	(9.4)
Recognised in SORIE	**(10.5)**	21.1

The accumulated benefit obligation (defined as the projected unit liability with no allowance for future salary growth) of the Group Scheme at 2 February 2008 was $240.4 million (2007: $246.9 million).

The movement in Group Scheme benefit obligation during the financial year was as follows:

	2008 $m	2007 $m
Benefit obligation at beginning of financial year	**257.9**	251.0
Current service cost	**6.4**	6.4
Past service cost	**–**	0.2
Benefits paid	**(9.9)**	(8.1)
Member contributions	**0.9**	0.9
Interest cost	**13.5**	12.6
Actuarial gain	**(15.1)**	(32.5)
Exchange	**–**	27.4
Benefit obligation at end of financial year	**253.7**	257.9

The movement in Group Scheme assets during the financial year was as follows:

	2008 $m	2007 $m
Fair value of Group Scheme assets at beginning of financial year	**261.6**	223.6
Expected return on Group Scheme assets	**18.3**	14.7
Benefits paid	**(9.9)**	(8.1)
Member contributions	**0.9**	0.9
Employer contributions	**7.2**	6.8
Actuarial loss	**(30.1)**	(2.0)
Exchange	**0.1**	25.7
Fair value of Group Scheme assets at end of financial year	**248.1**	261.6

The actual loss on Group Scheme assets was $11.8 million (2007: $12.7 million return).

History of experience gains and losses

	2008	2007	2006	2005
Difference between expected and actual return on Group Scheme assets ($ million)	**(30.1)**	(2.0)	22.0	(0.5)
Percentage of Group Scheme assets	**(12)%**	(1)%	10%	0%
Experience gain/(loss) on Group Scheme liabilities ($ million)	**15.1**	32.5	(51.3)	(9.4)
Percentage of Group Scheme liabilities	**6%**	13%	(20)%	(5)%
Total amount recognised in SORIE – gross ($ million)	**15.0**	30.5	(29.3)	(9.9)
Percentage of Group Scheme liabilities	**6%**	12%	(11)%	(5)%

The cumulative actuarial losses reported in the consolidated statement of recognised income and expense since the IFRS transition date are $6.3 million.

Projected benefits payments are as follows:

	$m[1]
2008/09	10.3
2009/10	11.3
2010/11	11.7
2011/12	12.0
2012/13	13.8
2013 to 2017/18	72.8

(1) Translated at $2.00 = £1.00, the average exchange rate applied for the 52 weeks ended 2 February 2008.

Notes to the accounts (continued)

22. Share capital

	2008 $m	2007 $m	2006 $m
Authorised:			
5,929,874,019 shares of 0.5p each	**–**	48.6	48.6
5,929,874,019 shares of 0.9c each	**53.4**	–	–
50,000 deferred shares of £1 each	**0.1**	–	–
Allotted, called up and fully paid:			
Nil shares of 0.5p each (2007: 1,713,553,809; 2006: 1,738,843,382)	**–**	14.0	14.3
1,705,510,466 shares of 0.9c each	**15.3**	–	–
50,000 deferred shares of £1 each	**0.1**	–	–

The allotted, called up and fully paid share capital as a percentage of the issued share capital at 2 February 2008 is 100% for 0.9c shares and 100% for £1 deferred shares.

	Number of shares	$m
Allotted, called up and fully paid:		
Shares of 0.5p each:		
At 29 January 2005	1,735,615,152	14.3
Shares issued to QUEST	31,767	–
Shares issued to 2004 ESOT	516,820	–
Other share options exercised	2,679,643	–
At 28 January 2006	1,738,843,382	14.3
At 28 January 2006	1,738,843,382	14.3
Shares issued to 2004 ESOT	3,356,399	–
Share buyback	(30,271,522)	(0.3)
Other share options exercised	1,625,550	–
At 3 February 2007	1,713,553,809	14.0
At 3 February 2007	**1,713,553,809**	**14.0**
Exchange arising on redenomination of share capital	**–**	**1.4**
Capital reduction on 5 February 2007	**(1,713,553,809)**	**(15.4)**
	nil	**nil**
Ordinary shares of 0.9c each:		
Issued on 5 February 2007	**1,713,553,809**	**15.4**
Share buyback	**(12,205,000)**	**(0.1)**
Shares issued to 2004 ESOT	**3,804,241**	**–**
Other share options exercised	**357,416**	**–**
At 2 February 2008 total allotted, called up and fully paid ordinary share capital	**1,705,510,466**	**15.3**
Deferred shares of £1 each on issue and at 2 February 2008	**50,000**	**0.1**
Total share capital	**1,705,560,466**	**15.4**

On 5 February 2007, the Company redenominated its share capital into US dollars by way of a reduction in capital and subsequent issue and allotment of new US dollar ordinary shares, which had been approved by shareholders on 12 December 2006 and received Court approval on 31 January 2007.

The nominal value of each US dollar denominated ordinary share is 0.9 cent, and shareholders received one new US dollar denominated ordinary share for each sterling ordinary share held. The new shares have the same rights and restrictions as the previously issued ordinary shares and the existing share certificates remain valid.

Additionally, to comply with the Companies Act 1985, £50,000 of share capital is required to be held denominated in pounds sterling to which end 50,000 deferred shares of £1 each were allotted and issued and credited to the Group Company Secretary on 5 February 2007. These shares have limited and deferred rights.

The consideration received in respect of the 4,161,657 shares issued during the year for the exercise of share options was $6.0 million (2007: $6.4 million). During the year, 12,205,000 shares were purchased by the Company for a consideration of $29.0 million.

In the 52 weeks ended 2 February 2008 the trustee of the ESOT subscribed in cash for a total of 3,804,241 shares in order to provide shares to satisfy the exercise of executive share options granted to US employees. In aggregate the subscription monies amounted to $5.4 million at option prices between $0.545 and $2.05. The subscription prices were the market prices on the last business days before the dates on which the respective terms of issue were fixed, and varied between 82p and 126.75p per share.

On various dates during the 52 weeks ended 2 February 2008 a total of 357,416 shares were subscribed for in cash by holders of options. In aggregate the subscription monies amounted to $0.6 million at option prices between 79.6p and 94p per share. The subscription prices were the market prices at the various times at which the options were granted. The market prices on the dates of issue varied between 64.75p and 126.5p per share. Details of options in respect of shares are shown in note 27 on page 113.

The trustee of the ESOT, Halifax EES Trustees International Limited, held 2,633,908 shares at 3 February 2007. In the 52 weeks ended 2 February 2008 the trustee transferred 913,957 shares to the holders of executive share and LTIP options granted to UK employees. The trustee held 1,719,951 shares at 2 February 2008 and 1,719,951 shares at 8 April 2008.

Notes to the accounts (continued)

23. Share premium and reserves

		Other reserves		Retained earnings				
	Share premium account $m	Capital redemption $m	Special reserves $m	Purchase of own shares $m	Hedging reserve $m	Translation reserve $m	Retained[1] reserve $m	Total $m
At 29 January 2005	118.2	–	234.8	(14.7)	–	(10.6)	1,116.5	1,444.2
Recognised income and expense:								
– profit for the financial period	–	–	–	–	–	–	235.4	235.4
– cash flow hedges (net)	–	–	–	–	2.8	–	–	2.8
– translation differences	–	–	–	–	–	(36.6)	–	(36.6)
– actuarial loss (net)	–	–	–	–	–	–	(20.4)	(20.4)
Dividends	–	–	–	–	–	–	(94.9)	(94.9)
Equity-settled transactions (net)	–	–	–	–	–	–	7.4	7.4
Share options exercised	4.1	–	–	2.9	–	–	–	7.0
Purchase of own shares by ESOT	–	–	–	(3.6)	–	–	–	(3.6)
Shares issued to ESOTs	2.5	–	–	–	–	–	(2.5)	–
At 28 January 2006	124.8	–	234.8	(15.4)	2.8	(47.2)	1,241.5	1,541.3
Recognised income and expense:								
– profit for the financial period	–	–	–	–	–	–	266.0	266.0
– cash flow hedges (net)	–	–	–	–	2.3	–	–	2.3
– translation differences	–	–	–	–	–	57.3	–	57.3
– actuarial gain (net)	–	–	–	–	–	–	21.1	21.1
Dividends	–	–	–	–	–	–	(108.7)	(108.7)
Equity-settled transactions (net)	–	–	–	–	–	–	8.1	8.1
Share options exercised	8.6	–	–	2.1	–	–	(3.0)	7.7
Purchase of own shares	–	0.3	–	–	–	–	(63.4)	(63.1)
Shares issued to ESOTs	1.3	–	–	–	–	–	(1.3)	–
At 3 February 2007	134.7	0.3	234.8	(13.3)	5.1	10.1	1,360.3	1,732.0
Exchange arising on redenomination of share capital	(1.4)	–	–	–	–	–	–	(1.4)
	133.3	0.3	234.8	(13.3)	5.1	10.1	1,360.3	1,730.6
Recognised income and expense:								
– profit for the financial period	–	–	–	–	–	–	215.2	215.2
– cash flow hedges (net)	–	–	–	–	3.1	–	–	3.1
– translation differences	–	–	–	–	–	(0.1)	–	(0.1)
– actuarial loss (net)	–	–	–	–	–	–	(10.5)	(10.5)
Dividends	–	–	–	–	–	–	(123.9)	(123.9)
Equity-settled transactions (net)	–	–	–	–	–	–	(0.3)	(0.3)
Share options exercised	6.5	–	–	2.5	–	–	(3.5)	5.5
Purchase of own shares	–	0.1	–	–	–	–	(29.0)	(28.9)
Shares issued to ESOTs	0.4	–	–	–	–	–	(0.4)	–
At 2 February 2008	**140.2**	**0.4**	**234.8**	**(10.8)**	**8.2**	**10.0**	**1,407.9**	**1,790.7**

(1) The retained reserve includes the unrealised surplus arising from revaluing freehold and long leasehold properties of $8.5 million (2007: $8.5 million; 2006: $8.5 million).

Following the 1997 capital reduction, the holding company, Signet Group plc, is permitted to make distributions (including dividends, share buy-backs and other transactions classed as distributions) out of profit earned after 2 August 1997, the end of its 1997/98 half year.

The undertakings given to the High Court at the time of the capital reduction included the requirement that the Company transferred to a new special reserve any dividend paid by a subsidiary undertaking from profits relating to prior to that date. The special reserve is, for as long as the Company is a public company, treated as a non-distributable reserve for the purposes of section 264 of the Companies Act 1985.

In accordance with undertakings given by the Company to the High Court in connection with previous reductions of the share premium account, an earlier special reserve is available to write-off existing goodwill resulting from acquisitions and otherwise only for purposes permitted in the case of the share premium account. Under English law, dividends can only be paid out of profits available for distribution (generally defined as accumulated realised profits less accumulated realised losses less net unrealised losses) and not out of share capital or share premium (generally equivalent in US terms to paid-in surplus).

The own shares reserve represents the cost of shares in Signet Group plc purchased in the market and held by the ESOT to satisfy options under the Group's share option schemes. The translation reserve represents exchange differences on translation of foreign operations. The hedging reserve comprises gains and losses in cash flow hedges net of related deferred taxation.

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

At 2 February 2008, after taking into account the recommended final dividend of 6.317 cents per share, the holding company had distributable reserves of $283.2 million (3 February 2007: $199.0 million). There are additional potentially distributable reserves held in subsidiary companies.

24. Commitments

Operating lease commitments – minimum lease payments

The Group occupies certain properties and holds plant, machinery and vehicles under operating leases. The property leases often include renewal options and escalation clauses and, in the US, generally provide for contingent rentals based on a percentage of lease defined revenues.

The minimum payments in respect of operating leases for the 52 weeks to 1 February 2009 to which the Group was committed as at 2 February 2008 were as follows:

	Plant, machinery & vehicles $m	Leasehold properties $m	Total $m
Operating leases which expire:			
Within one year	0.9	14.6	15.5
Between one and five years	1.9	84.9	86.8
More than five years	–	196.7	196.7
At 2 February 2008	**2.8**	**296.2**	**299.0**
At 3 February 2007	3.4	276.9	280.3

The future minimum payments for operating leases having initial or non-cancellable terms in excess of one year are as follows:

	$m
For financial periods:	
2008/09	299.0
2009/10	280.8
2010/11	260.4
2011/12	241.2
2012/13	219.2
Thereafter	1,227.8
	2,528.4

Notes to the accounts (continued)

Capital and other financial commitments

Capital commitments at 2 February 2008 for which no provision has been made in these consolidated accounts were as follows:

	2008 $m	2007 $m
Contracted	37.4	24.4

25. Contingent liabilities

The Group is not party to any legal proceedings considered to be material to profit, financial position or cash flow including any bankruptcy, receivership or similar proceedings involving the Group or any of its subsidiaries. No director, officer or affiliate of the Group or any associate of any such director has been a party adverse to the Group or any of its subsidiaries or has a material interest adverse to the Group or any of its subsidiaries.

A class lawsuit for an unspecified amount has been filed against Sterling Jewelers Inc, a subsidiary of Signet Group plc, in the New York federal court. The lawsuit alleges that US store-level employment practices are discriminatory as to compensation and promotional activities. The Group denies these allegations and intends to defend them vigorously.

The Group has assigned or sub-let UK property leases in the normal course of business. Should the assignees or sub-tenants fail to fulfil any obligation in respect of these leases, the Group may be liable for those defaults. The number of such claims arising to date has been small, and the liability, which is charged to the income statement as it arises, has not been material.

26. Financial instruments

Currency derivatives

The Group operates in both the US and the UK and it is exposed to foreign exchange risk arising from various currency exposures. The Group enters into the forward purchase of foreign currencies, principally the US dollar, in order to limit the impact of movements in foreign exchange rates on its forecast foreign currency purchases.

The Group also enters into forward purchase contracts for commodities in order that values of assets should not be unnecessarily exposed to significant movements in the price of the underlying precious metal raw material.

	Fair values as at 2 February 2008		Fair values as at 3 February 2007	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Cash flow hedges:				
Forward foreign currency contracts	1.9	–	–	(0.8)
Forward commodity contracts	9.6	–	8.3	–
	11.5	–	8.3	(0.8)

Foreign currency exchange contracts not designated as cash flow hedges are used to hedge currency flows through the Signet Group plc bank accounts to ensure the Group is not exposed to foreign currency exchange risk in its cash and borrowings. As at 2 February 2008 the fair value of outstanding cross currency swaps was a liability of $1.6 million (2007: asset of $0.2 million).

The fair values of all financial instruments shown above are based on market value equivalents at the balance sheet date and are held as assets and liabilities within other receivables and other payables, and all contracts have a maturity of less than one year.

Gains of $10.2 million (2007: loss of $1.5 million) have been transferred to inventories in respect of contracts that matured during the period. Changes in the fair value of non-hedging foreign currency financial instruments amounting to $1.3 million (2007: $0.2 million) have been credited to the income statement during the period. The ineffective portion of hedging instruments taken to the income statement was $1.0 million (2007: $nil).

Currency risk

The significant exchange rates applied during the year have been disclosed in note 6. The Group's exposure to foreign currency risk based on notional amounts is detailed below together with an analysis of the effect of a 10% strengthening of the US dollar against the UK pound. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Estimated fair value 2 February 2008 $m	10% strengthening in $ against £ (unfavourable)/ favourable $m	Estimated fair value 3 February 2007 $m	10% strengthening in $ against £ (unfavourable)/ favourable $m
Borrowings	**(416.3)**	–	(385.5)	–
Foreign currency receivable	**34.7**	(3.5)	40.3	(4.0)
Foreign currency payables	**(149.3)**	14.9	(153.4)	15.3
Foreign exchange contracts	**0.3**	8.0	(0.6)	(6.1)
Commodity hedging contracts	**9.6**	–	8.1	–

A 10% weakening of the US dollar would have had the equal but opposite effect, on the basis that all other variables remain constant.

27. Share options

The Group operates several share option schemes which can be categorised as "Saving Share Schemes", "Executive Schemes", and "Long Term Incentive Plans".

Saving Share Schemes

Three all-employee share option schemes comprising a savings related share option scheme for UK employees (the "Sharesave Scheme"), a US Section 423 Plan (the "Employee Stock Savings Plan") and a savings related share option scheme for Republic of Ireland employees (the "Irish Sharesave Scheme") are together referred to as "Saving Share Schemes". Options granted under the Sharesave Scheme and the Irish Sharesave Scheme are generally only exercisable between 36 and 42 months from commencement of the related savings contract. Options granted under the Employee Stock Savings Plan are generally only exercisable between 24 and 27 months of the grant date.

Executive Schemes

Executive Schemes are subject to performance conditions requiring compound annual growth in earnings per share above inflation. Under the 1993 Scheme, the performance condition is measured over a consecutive three year period. Under the 2003 Scheme the performance condition is measured over three years from the start of the financial period in which the award is made, and may then be measured from the last month of the year in which the award is made to the end of the fourth or fifth years, if not previously satisfied. For all grants beginning with those awarded in 2006/07, and all subsequent grants made to executive directors, the performance will only be measured over the three years from the start of the financial year in which the award is made. Additionally, for UK executives, the personal performance of participants will be assessed on each occasion that the share grant takes place, whilst for US executives there is a pre-grant test based on both personal and corporate performance. Grants beginning with those awarded in 2007/08 (other than for executive directors) are not subject to performance conditions.

Long Term Incentive Plans

The Long Term Incentive Plan 2000, which was replaced by the Long Term Incentive Plan 2005, are together referred to as "Long Term Incentive Plans" ("LTIPs"). LTIPs are subject to performance conditions, requiring compound annual growth in profit before tax at constant exchange rates of the Group or, for divisional executives, growth in divisional operating profit, and in ROCE of the Group or related division as appropriate.
The exercise price of the total share option grant under the Long Term Incentive Plan 2000 is a nominal amount of £1 or $1 as appropriate and under the Long Term Incentive Plan 2005 there is no exercise price.

Notes to the accounts (continued)

Option scheme status

	Saving share schemes No. of shares	Saving share schemes WAEP[1]	Executive schemes No. of shares	Executive schemes WAEP[1]	LTIPs No. of shares	LTIPs WAEP[1]
	millions	pence	millions	pence	millions	pence
At 29 January 2005	7.1	78	35.5	85	3.3	–
Movements in period						
Granted	3.1	81	9.7	112	0.9	–
Exercised	(2.6)	68	(3.3)	61	(0.2)	–
Lapsed	(0.9)	82	(1.1)	103	(0.2)	–
At 28 January 2006	6.7	84	40.8	97	3.8	–
Movements in period						
Granted	2.2	95	9.8	112	1.8	–
Exercised	(1.6)	84	(4.3)	88	(1.6)	–
Lapsed	(1.0)	84	(1.6)	103	(0.4)	–
At 3 February 2007	6.3	86	44.7	103	3.6	–
Movements in period						
Granted	3.8	76	8.6	124	1.5	–
Exercised	(0.4)	85	(5.4)	86	(0.5)	–
Lapsed	(2.0)	84	(0.8)	117	(0.4)	–
At 2 February 2008	**7.7**	**82**	**47.1**	**109**	**4.2**	**–**
Options exercisable	1.0	86	20.3	99	0.1	–

(1) Weighted Average Exercise Price

The weighted average share price at the date of exercise for share options exercised during the period was 119p.

The following tables summarise the information about share options outstanding at the close of business on 2 February 2008, and the inputs used in a binomial model for Saving Share and Executive option schemes, and in a Black-Scholes model for LTIP option schemes, for the calculation of the fair value of options granted in the 2005/06, 2006/07 and 2007/08 financial periods:

	Saving share schemes			Executive schemes			LTIPs		
Exercise price range	Shares millions	WACL[2] years	WAEP[1] pence	Shares millions	WACL[2] years	WAEP[1] pence	Shares millions	WACL[2] years	WAEP[1] pence
75p to 95p	7.7	1.2	82	–	–	–	–	–	–
33p to 76p	–	–	–	2.8	2.5	64	–	–	–
76p to 125p	–	–	–	44.3	7.1	112	–	–	–
Nil	–	–	–	–	–	–	4.2	8.3	–
Nil to 125p	7.7	1.2	82	47.1	6.9	109	4.2	8.3	–

(1) Weighted Average Exercise Price
(2) Weighted Average Remaining Contractual Life

	Saving share schemes			Executive schemes			LTIPs		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Share price at grant date(3)	**90p**	120p	99p	**122p**	110p	112p	**122p**	110p	114p
Exercise price(3)	**76p**	95p	81p	**124p**	112p	112p	**nil**	nil	nil
Risk free interest rate	**4.49%**	4.91%	4.00%	**4.56%**	4.72%	4.15%	**4.61%**	4.80%	4.10%
Expected life of options	**2.8 years**	2.6 years	2.7 years	**4.3 years**	4.3 years	4.3 years	**3.5 years**	3.5 years	3.5 years
Expected volatility	**26%**	31%	38%	**28%**	34%	38%	**28%**	34%	38%
Dividend yield	**3.3%**	3.2%	2.2%	**2.9%**	2.8%	2.3%	**2.9%**	2.8%	2.3%
Grant date fair value(3)	**45c**	68c	59c	**53c**	55c	63c	**220c**	188c	190c

(3) Weighted average

The expected volatility is determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model is based on the historical exercise behaviour of the main categories of option recipients. The Group recognised total share-based payment expense of $0.4 million in the financial period ending 2 February 2008 (2007: $6.7 million; 2006: $8.1 million).

28. Principal subsidiary undertakings

At 2 February 2008, the Company had the following subsidiary undertakings carrying on businesses which principally affected the profits and assets of the Group. They have the same year end date as the Company.

The country of incorporation is also their principal place of operation.

	Principal activity	Country of incorporation or registration	Percentage shareholdings
Ernest Jones Limited	Retail jeweller	UK	100%
H.Samuel Limited	Retail jeweller	UK	100%
Leslie Davis Limited	Retail jeweller	UK	100%
Signet Trading Limited	Retail jeweller	UK	100%
Sterling Inc.	Retail jeweller	US	100%
Sterling Jewelers Inc.	Retail jeweller	US	100%
Sterling Jewelers LLC	Retail jeweller	US	100%
Signet Holdings Limited	Holding company	UK	100%
Signet US Holdings, Inc.	Holding company	US	100%
Checkbury Limited	Property holding company	UK	100%
Signet Sourcing Limited	Diamond Sourcing	UK	100%

29. Related party transactions

The Company has entered into contractual arrangements with each of its directors to provide indemnities to the extent permitted under UK law.

Certain US subsidiaries of the Company have constitutions and by-laws which provide indemnities to directors which conform to local laws and practices. In some respects these indemnities exceeded what would be permitted under English law if they were UK companies.

In discussion with the UK Listing Authority, the Company has amended the subsidiary company constitutions and by-laws to cap any existing indemnity to the extent that it exceeds that which is permitted under English law. The individuals receiving such an indemnity are Terry Burman, Walker Boyd, Mark Light, Robert Trabucco and George Frankovitch.

Details of directors' remuneration are set out on page 70.

The are no other related party transactions which require disclosure in these accounts.

Notes to the accounts (continued)

30. Summary of differences between IFRS and US GAAP

The Group's consolidated accounts are prepared in accordance with IFRS, which differs in certain respects from US GAAP. Differences which have a significant effect on the consolidated net profit and shareholders' funds of the Group are set out below. While this is not a comprehensive summary of all differences between IFRS and US GAAP, other differences would not have a significant effect on the consolidated net profit or funds attributable to equity holders of the Company.

The differences have been shown gross of tax with the related taxation shown separately.

(a) Goodwill

Under IFRS, goodwill is carried at cost with impairment reviews carried out annually, or when a triggering event occurs, in lieu of amortisation. Previously, the Group applied UK GAAP Financial Reporting Standards 10 'Goodwill and intangible assets' ("FRS 10") in respect of acquisitions post 1 February 1998; that required the capitalisation and amortisation of goodwill. Prior to the adoption of FRS 10, the Group wrote off goodwill directly to reserves.

Under US GAAP, prior to the adoption of Statement of Financial Accounting Standards ("SFAS") 142, 'Goodwill and Other Intangible Assets', goodwill was capitalised and amortised through the income statement over its estimated useful life (not to exceed 40 years). SFAS 142, effective for the Group from 3 February 2002, requires that goodwill be tested annually for impairment in lieu of amortisation.

(b) Sale and leaseback transactions

Under IFRS, sale and leaseback transactions of freehold and long leasehold properties that result in an operating lease are established at fair value and accounted for by including in profit before taxation the full gain arising in the financial year in which the transaction took place. Under US GAAP, the gain arising is credited to the income statement in equal instalments over the life of the lease.

(c) Pensions

As at 3 February 2007, the Group adopted SFAS 158 'Employers' accounting for defined benefit and other post-retirement pension plans', which requires the Group to fully recognise the Group Scheme's funded status on the balance sheet. Changes in the funded status are recognised through other comprehensive income in the year they occur, other than the net periodic benefit cost pursuant to SFAS 87 'Employers accounting for pensions', which is reported within the income statement. The Group Scheme asset or liability on the balance sheet is therefore the same under IFRS and US GAAP. However, the following differences remain between IFRS and US GAAP:

- under US GAAP, actuarial gains and losses outside a 10% 'corridor' are recycled from other comprehensive income to operating profit over the average service lives of employees, in accordance with SFAS 87;

- expected returns on pension assets and interest charges are reported in operating profit under US GAAP but included within finance income and expense under IFRS.

Prior to the adoption of SFAS 158, the Group complied with SFAS 87, SFAS 88 'Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits' and SFAS 106 'Employers Accounting for Postretirement Benefits other than Pensions, as amended by SFAS 132(R) 'Employers' disclosure about pensions and other post-retirement benefits'. The Group therefore recognised a pension liability in the financial statements when the accumulated benefit obligation exceeded the fair value of the plan assets to the extent this liability had not already been recognised. The Group Scheme had such a liability under US GAAP at 28 January 2006 but did not have such a liability at 3 February 2007. Consequently, the additional minimum liability above the intangible asset at 28 January 2006 was released through other comprehensive income during the 53 week period ended 3 February 2007.

The pension asset at 3 February 2007, prior to adoption of SFAS 158, was $51.0 million. Following adoption of SFAS 158, the Group recorded a pension asset as at 3 February 2007 of $3.7 million, being the funded status of the Group Scheme. To achieve this, SFAS 158 required a one-time adjustment at 3 February 2007 to accumulated other comprehensive income of $47.3 million (before tax effect).

(d) Share-based payment

For the year ended 28 January 2006, the Group accounted for the recognition of share options expenses based on APB 25 'Accounting for stock issued to employees' ("APB 25") as amended by SFAS 148 'Accounting for stock-based compensation – transition and disclosure' based on the intrinsic value of awards in the period. From 29 January 2006 the Group adopted SFAS 123(R) 'Share-based payment' using the 'modified prospective application method', recognising the fair value of option awards over the service period.

The Group operates a number of employee share schemes, set out in note 27 on pages 113 to 115. All grants under the LTIP and grants under the Executive Scheme made prior to 2007/08 are subject to a condition that they may not vest unless the growth in related performance conditions exceeds the scheme target growth adjusted by movements in the relevant UK or US Retail Price Index over the same period. For Executive Scheme grants made in 2007/08 and thereafter, performance conditions only apply to executive directors.

Under IFRS 2 'Share-based payment' these awards are treated as equity awards, and for the 52 weeks ended 28 January 2006 under APB 25 and SFAS 123 'Accounting for stock-based compensation' were also treated as equity awards under US GAAP. These equity awards are measured at fair value at the date of grant and are not remeasured. On the application of SFAS 123(R), the condition above is not regarded as a performance condition as the performance target is set by reference to an index, rather than being fixed at the date of the award. As the condition is not a service or market condition, the options are accounted for as liabilities under US GAAP from 29 January 2006. The Group measures the share based payment for these awards at fair value, which is revalued at each reporting date until the criteria have been satisfied and the amounts are reclassified to equity. These movements in fair value result in the reconciling item between IFRS and US GAAP.

(e) Employers' payroll taxes in respect of share-based payment

Under IFRS the employers' social security liability arising from share-based payment transactions is recognised over the same period or periods as the share-based payment charge. Under US GAAP, employers' payroll taxes due on the exercise of share options are recognised as an expense when the liability arises, which is generally the option exercise date.

(f) Returns provision

Under UK GAAP the Group did not record a reserve for sales returns as the financial statement impact was not material. The Group revised this policy on the adoption of IFRS, and now recognises such a provision. For the purposes of US GAAP reporting the impact on net assets of this change in policy was charged as an expense in the US GAAP income statement for 2005/06. The Group does not believe the impact of the change is material quantitatively or qualitatively to the financial statements.

(g) Asset retirement obligations

Where quantifiable, the discounted cost of decommissioning assets installed in leasehold premises is included in the cost of the asset and appropriate decommissioning provisions are recognised. Prior to 2005/06 a provision for decommissioning assets was not material quantitatively or qualitatively to the financial statements. As of 29 January 2006, this is consistent under both IFRS and US GAAP.

(h) Revaluation of properties

Under IFRS, properties may be restated on the basis of appraised values in consolidated accounts prepared in all other respects in accordance with the historical cost convention. Increases in value are credited directly to the revaluation reserve. When revalued properties are sold the gain or loss on sale is calculated based on revalued carrying amounts. Under US GAAP, properties are only revalued if an impairment is deemed to have occurred. Upward revaluations are not permitted.

(i) Depreciation of properties

Prior to the adoption of FRS 15 'Tangible fixed assets' ("FRS 15") effective 29 January 2000, the buildings element of certain freehold and long leasehold properties was not depreciated under UK GAAP. Subsequent to that date, under UK GAAP and IFRS such property is depreciated, consistent with the requirements of US GAAP. The net difference arising between IFRS and US GAAP therefore represents the impact of depreciation charges applied under US GAAP prior to the adoption of FRS 15.

(j) Derivatives

Under IFRS the fair value of a cash flow hedge on inventory purchases is recorded as a reduction to the inventory. Under US GAAP, the fair value of cash flow hedges is recorded in accumulated other comprehensive income and released to cost of sales when the associated inventory is sold. Prior to 2007/08 the impact of this adjustment was not material quantitatively or qualitatively to the financial statements.

Notes to the accounts (continued)

Effect on profit for the financial period of differences between IFRS and US GAAP

	52 weeks ended 2 February 2008 $m	53 weeks ended 3 February 2007 $m	52 weeks ended 28 January 2006 $m	Note reference
Profit for the financial period in accordance with IFRS	**215.2**	266.0	235.4	
Sale and leaseback transactions	**1.5**	1.5	1.5	b
Pensions	**(2.8)**	(4.5)	(3.2)	c
Share-based payment	**3.8**	(4.5)	7.9	d
Depreciation of revalued properties	**0.2**	–	–	i
Returns provisions	**–**	–	(10.8)	f
Asset retirement obligations	**–**	–	(1.8)	g
Taxation on reconciling items	**1.9**	0.2	9.0	
US GAAP adjustments before change in accounting principle	**4.6**	(7.3)	2.6	
Cumulative effect of change in accounting principle	**–**	(6.0)	–	
Profit attributable to equity holders of the Company in accordance with US GAAP	**219.8**	252.7	238.0	
Basic earnings per share in accordance with US GAAP:	**12.9c**	14.6c	13.7c	
Diluted earnings per share in accordance with US GAAP:	**12.8c**	14.3c	13.7c	
Weighted average number of shares outstanding (million) – basic	**1,703.8**	1,727.6	1,736.6	
Weighted average number of shares outstanding (million) – diluted	**1,721.4**	1,765.1	1,739.9	

Effect on funds attributable to equity holders of the Company of differences between IFRS and US GAAP

	2 February 2008 $m	3 February 2007 $m	Note reference
Funds attributable to equity holders of the Company in accordance with IFRS	**1,806.1**	1,746.0	
Goodwill in respect of acquisitions (gross)	**876.1**	876.1	a
Accumulated goodwill amortisation	**(350.7)**	(350.7)	a
Sale and leaseback transactions	**(10.7)**	(12.2)	b
Pensions	**–**	–	c
Depreciation of properties	**(4.7)**	(4.9)	h, i
Revaluation of properties	**(8.5)**	(8.5)	h
Share-based payment	**(1.5)**	(21.3)	d
Derivatives	**8.1**	–	j
Taxation on reconciling items	**7.0**	3.4	
US GAAP adjustments	**515.1**	481.9	
Funds attributable to equity holders of the Company in accordance with US GAAP	**2,321.2**	2,227.9	

Reconciliation of funds attributable to equity holders of the Company in accordance with US GAAP

Funds attributable to equity holders of the Company at beginning of period	**2,227.9**	2,062.9
Adoption of SFAS 123(R)	**–**	(5.3)
	2,227.9	2,057.6
Retained profit attributable to equity holders of the Company	**219.8**	252.7
Purchase/issue of shares (net)	**(23.5)**	(55.7)
Increase in additional paid-in capital	**18.5**	2.3
Dividends paid	**(123.9)**	(108.7)
Other comprehensive income	**2.6**	39.3
Translation differences	**(0.2)**	71.9
	2,321.2	2,259.4
Adoption of SFAS 158	**–**	(31.5)
Funds attributable to equity holders of the Company at end of period	**2,321.2**	2,227.9

Supplemental discussion of presentational differences

Income statement

Cost of sales
Under IFRS, selling costs have been included in cost of sales. Under US GAAP, gross profit is determined before deducting selling costs, as they are not included in cost of sales. Selling costs which have been included under IFRS for the 52 weeks ended 2 February 2008 were $850.2 million (53 weeks ended 3 February 2007: $826.1 million; 52 weeks ended 28 January 2006: $750.1 million).

Pension accounting
The IFRS defined benefit pension charge includes net finance credits of $4.8 million for the 52 weeks ended 2 February 2008 (53 weeks ended 3 February 2007: $2.1 million; 52 weeks ended 28 January 2006; $2.2 million) that would be recognised as a credit to operating profit under US GAAP.

Balance sheet

Deferred taxes
Under IFRS, the Group must disclose the gross deferred tax assets and liabilities as non-current. Under US GAAP, deferred tax assets and liabilities are classified between current and non-current, depending on the items to which they relate, disclosed separately and presented on a net basis, by tax jurisdiction.

Goodwill
US GAAP requires goodwill to be shown separately on the face of the balance sheet.

Trade and other receivables
Trade and other receivables are shown separately on the face of the balance sheet under Article 5 of Regulation S-X of the Securities and Exchange Commission ("SEC").

Trade and other payables
Trade and other payables are shown separately on the face of the balance sheet under Article 5 of Regulation S-X of the SEC.

Securitised customer receivables
At 28 January 2006, under IFRS, securitised US receivables of $251.0 million were included within trade debtors and bank loans, as the related financing was of a revolving nature and therefore not considered to be an outright sale of such accounts receivable.

Under US GAAP these amounts qualified for off-balance sheet treatment. This was because the receivables were first sold to a special purpose entity, Sterling Jewellers Receivables Corporation, which then sold on the receivables to a qualifying special purpose unconsolidated trust, Sterling Jewellers Receivables Master Note Trust. The trust was legally isolated from the Group; the majority of the interest in the US receivables portfolio held by the trust were principally sold on to institutional investors in the form of fixed-rate investor certificates; and the Group did not maintain control over the receivables portfolio transferred to the trust.

This securitisation of US customer receivables ended on 6 November 2006 and as at 2 February 2008 all US customer receivables are included within trade debtors under IFRS and US GAAP. The Group received servicing fees of $nil (2007; $4.9 million; 2006: $5.6 million) which offset its costs of fulfilling its servicing responsibilities to the trust.

Earnings per share
For US GAAP purposes, the calculation of fully diluted EPS for the 52 weeks ended 2 February 2008 excludes options to purchase 33,793,507 shares (2007: 17,846,848 shares; 2006: 26,826,235 shares), on the basis that their effect on basic EPS was anti-dilutive.

Goodwill and other intangible assets, net
At 2 February 2008 the Group has goodwill on its balance sheet under US GAAP of $408.0 million relating to the US and $148.0 million relating to the UK. The reporting units for the purpose of goodwill impairment testing are the US and UK operating segments. In 2007/08, 2006/07 and 2005/06, the Group performed the required impairment tests of goodwill and determined that there was no impairment.

Employee share schemes
The following tables summarise the information used to calculate the fair value charge for share options accounted for as liability awards under SFAS 123(R) as at 2 February 2008 and 3 February 2007:

	Executive schemes[1]		LTIPs[1]	
	As at 2 February 2008	As at 3 February 2007	**As at 2 February 2008**	As at 3 February 2007
Share price	**107p**	122p	**75p**	122p
Exercise price	**95p**	106p	**nil**	nil
Risk free interest rate	**3.97%**	5.07%	**3.41%**	4.88%
Expected life of options	**2.9 years**	2.1 years	**2.0 years**	2.1 years
Expected volatility	**28%**	28%	**28%**	28%
Dividend yield	**3.4%**	3.0%	**3.6%**	3.0%
Fair value	**40c**	69c	**143c**	229c

(1) Weighted Average

Financial statements

Notes to the accounts (continued)

Employee share schemes

Upon adoption of FAS 123(R), the liabilities were recognised at fair value. This resulted in the recognition of a cumulative effect of change in accounting principle by $6.0 million at 29 January 2006. The Group recognised a total share–based payment credit of $3.4 million in the financial period ended 2 February 2008 (2007: $17.2 million charge; 2006: $0.2 million charge).

The following table shows the comparision of compensation expense recognised under APB 25 against fair value for the 52 weeks ended 28 January 2006:

	2006 $m
Net income in accordance with US GAAP:	
As reported	238.0
Add: stock-based employee compensation expense	0.7
Deduct: stock-based employee compensation expense determined under fair value method for all awards – net of tax	(4.5)
	234.2

Post employment benefits

The following tables show information concerning the Group Scheme:

	2008 $m	2007 $m
Change in Scheme assets:		
Fair value at beginning of the year	**261.6**	223.6
Actual return on Scheme assets	**(11.8)**	12.7
Employer contributions	**7.2**	6.8
Members' contributions	**0.9**	0.9
Benefits paid	**(9.9)**	(8.1)
Foreign currency changes	**0.1**	25.7
Fair value of Scheme assets at end of year	**248.1**	261.6
Change in benefit obligation:		
Benefit obligation at beginning of the year	**257.9**	251.0
Service cost	**8.0**	7.5
Past service cost	**–**	0.2
Interest cost	**13.4**	12.5
Members' contributions	**0.9**	0.9
Actuarial gain	**(16.6)**	(33.4)
Benefits paid	**(9.9)**	(8.1)
Foreign currency changes	**–**	27.3
Benefit obligation at end of year	**253.7**	257.9
Funded status – at end of year:		
Amounts recognised in the statement of financial position		
Non current assets	**–**	3.7
Non current liabilities	**(5.6)**	–
Net amount recognised in the statement of financial position	**(5.6)**	3.7
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income		
Prior service cost	**8.2**	9.4
Accumulated loss	**51.2**	37.9
Accumulated other comprehensive loss	**59.4**	47.3

The components of net periodic pension cost and other amounts recognised in other comprehensive income for the Group Scheme are as follows:

	2008 $m	2007 $m	2006 $m
Components of net periodic benefits cost:			
Service cost	**8.0**	7.5	6.5
Interest cost	**13.4**	12.5	10.1
Expected return on Group Scheme assets	**(19.1)**	(15.4)	(13.1)
Amortisation of unrecognised prior service cost	**1.2**	1.1	1.1
Amortisation of unrecognised actuarial loss	**0.9**	3.3	1.6
Net periodic benefit cost	**4.4**	9.0	6.2
Other changes in scheme assets and benefit obligations recognised in other comprehensive income	**12.3**	(53.0)	50.8
Total recognised in net periodic benefit cost and other comprehensive income	**16.7**	(44.0)	57.0

Amount recognised in the statement of financial position upon application of SFAS 158:

	2007 before adoption of FAS 158 $m	Incremental effect of FAS 158 $m	**2007 after adoption of FAS 158 $m**
Prepaid benefit cost	51.0	(51.0)	–
Pension asset - funded status	–	3.7	3.7
	51.0	(47.3)	3.7
Deferred income taxes	(15.3)	14.2	(1.1)
	35.7	(33.1)	2.6

	2008	2007
Assumptions used to determine benefit obligations (at the end of the year):		
Discount rate	**5.90%**	5.20%
Salary increases	**5.00%**	4.60%
Assumptions used to determine net periodic pension costs (at the start of the year):		
Discount rate	**5.20%**	4.75%
Expected return on scheme assets	**7.20%**	6.50%
Salary increases	**4.60%**	4.30%

The composition of the assets in the Group Scheme was as follows:

	2008	2007
Equities	**65%**	74%
Bonds	**29%**	24%
Property	**5%**	–
Cash	**1%**	2%
Total	**100%**	100%

The long term target allocation for the Group Scheme's assets is equities 68%, bonds 27% and property 5%.

See note 21 for further information on the Group's pension plans.

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Notes to the accounts (continued)

New US accounting standards adopted

FIN 48

On 3 February 2007 the Group adopted FIN 48, 'Accounting for uncertainty in income taxes – an interpretation of FASB statement no. 109'. The interpretation establishes a two-step approach for recognising and measuring tax benefits, with tax positions only being recognised when considered to be more likely than not sustained upon examination by the taxing authority. The provisions of FIN 48 have been applied to all tax positions on adoption of this interpretation. There was no cumulative effect adjustment to the opening balance of retained earnings arising as a result of the adoption of FIN 48 and no adjustments have been made to the other components of equity or net assets in the statement of financial position.

New accounting standards to be adopted in future periods

SFAS 157

In September 2006 the FASB issued SFAS 157, 'Fair Value Measurements' ("SFAS 157"), which provides a single definition of fair value, establishes a framework for the measurement of fair value and expands disclosure about the use of fair value to measure assets and liabilities. SFAS 157 is effective for fiscal years beginning after 15 November 2007, and for interim periods within those fiscal years; SFAS 157 will therefore be applicable for the Group's fiscal year commencing 3 February 2008. In November 2007, the FASB agreed to defer the effective date of Statement 157 for all non financial assets and liabilities by one year. The Group is currently reviewing the impact of the adoption of SFAS 157 on its financial statements.

SFAS 159

On 15 February 2007 the FASB issued SFAS 159, 'The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115' ("SFAS 159"). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The unrealised gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective for fiscal years beginning after 15 November 2007 and for interim periods within those fiscal years. The Group is currently reviewing the impact of the adoption of SFAS 159 on its financial statements.

SFAS 160

In December 2007, the FASB issued SFAS 160, 'Non controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51' ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the non controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a non controlling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the non controlling interest will be included in consolidated net income on the face of the income statement. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non controlling interest. SFAS 160 is effective for fiscal years, and interim periods, beginning on or after 15 December 2008. The Group is currently reviewing the impact of the adoption of SFAS 160 on its financial statements.

SFAS 141(R)

In December 2007, the FASB issued SFAS 141 (Revised 2007),' Business Combinations' ("SFAS 141(R)"). Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions. It also amends the accounting treatment for certain specific items including acquisition costs and non controlling minority interests and includes new disclosure requirements. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after 15 December 2008. The Group is currently reviewing the impact of the adoption of SFAS 141(R) on its financial statements.

SFAS 161

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities", which amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Statement requires companies with derivative instruments to disclose information that should enable financial statements users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit risk related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative instruments. The Statement expands the current disclosure framework in Statement 133. Statement 161 is effective prospectively for periods beginning on or after November 15, 2008.