

# Chairman's statement

## Group performance

I am pleased to report that the Group achieved record profits in 2006/07. Financial highlights of the year included:

- Sales up 8.0% to £1,893.2 million;
- Profit before tax up 6.4% to £213.2 million; and
- Earnings per share up 9.3% to 8.2p.

The US division substantially strengthened its position as the largest speciality retail jeweller in the US, continued to achieve sector-leading operating ratios and increased space by 11%, a little above the top end of its target range. Kay built further on its position as the leading US speciality jeweller by sales and Jared is now the number four brand in the sector. In a trading environment that continued to be challenging, the UK division achieved a solid increase in operating profit and an improved operating margin.

During 2006/07 the Group again made good progress towards its objectives which are to:

- continue to achieve sector leading performance standards on both sides of the Atlantic;
- increase store productivity in the US and the UK;
- grow new store space in the US; and
- maintain a strong balance sheet.

Signet has been a member of the FTSE4Good Index since it was established, and endeavours to meet its changing criteria. During the year the Group continued to support the activities of the Council for Responsible Jewellery Practices and the World Diamond Council, as we believe this to be the best and most effective way to achieve improvements in the sector's supply chain with regard to social, ethical and environmental issues. The Group has recently written to most of its suppliers of diamond and gold jewellery highlighting the importance we place on a responsibly managed supply chain and reminding them of the expectations we have of them. The Group also takes its environmental responsibilities seriously and seeks opportunities to improve its performance.

The Group's distribution policy is regularly reviewed by the Board taking into account earnings, cash flow, gearing and the needs of the business. On 5 February 2007 the redenomination of the Company's share capital became effective, therefore the final dividend will be declared in US dollars. The Board is pleased to recommend a final dividend of 6.317 cents per share (2005/06: 2.8875p). Based on the exchange rate on 17 April 2007, this represents a total dividend for the year of 3.6p, an increase of 9.1% (see Report of the directors and note 10). A £50 million share repurchase programme was announced in July 2006 and this has now been substantially completed.

## Current trading

Since the start of the financial year the trading environment in the US appears to have weakened somewhat. As a result, in the year to date, the US business has experienced a low single digit like for like sales increase on an underlying basis, after taking into account the adverse weather disruption over Valentine's Day and the benefit of the timing of promotional events. The strong competitive advantages of the division means it continues to be well positioned to gain further market share. The US bad debt performance remains comfortably within the range of the last ten years. In the UK, like for like sales growth has strengthened a little from the performance of last year, although the marketplace remains challenging. On both sides of the Atlantic, a tight control of costs has been maintained.

## People

I would like to thank our staff and management for their invaluable contribution to the continued success of the Group. In particular, James McAdam who stood down as Chairman in June 2006, deserves special thanks for his long and invaluable service to the Group. I am pleased to report that he has recovered from the illness that prevented him from attending the 2006 annual general meeting.

**Malcolm Williamson**  
Chairman  
18 April 2007