Notes to the accounts

1. Principal accounting policies
The consolidated accounts of Signet Group plc and its subsidiary companies ("the Group") are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"). 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 53 weeks ended 3 February 2007, the 52 weeks ended 28 January 2006 and the 52 weeks ended 29 January 2005 to the extent summarised on pages 105 to 111.

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 Financial review on pages 29 and 38 and in Risk and other factors on pages 39 to 45. Actual results will differ from these estimates.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented in note 32 on pages 112 to 116.

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 Adopted IFRS and with those parts of the Companies Act 1985 applicable to companies reporting under Adopted IFRS. 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.

(b) Consolidation
The Group accounts include the accounts of the Company and its subsidiary undertakings made up for the 53 week period ended 3 February 2007 (the comparatives are for the 52 week periods ended 28 January 2006 and 29 January 2005).

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.

(c) Foreign currency translation
The results of overseas subsidiary undertakings are translated at rates approximating to be the foreign exchange rate ruling at the dates of the transaction by using the weighted average rate of exchange during the period and their balance sheets and attributable goodwill at the rates at the balance sheet date. Exchange differences arising from the translation of the net assets of overseas subsidiary undertakings and matched foreign currency borrowings are charged or credited to reserves.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Exchange differences arising from foreign currency transactions 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 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. This is recognised as these vouchers are redeemed over the period until voucher expiry in line with the prior years' historic 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', goodwill is frozen at 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 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. The Group calculates its fair values through discounting future cashflow forecasts, derived from the most recent financial results and budgets approved by management.

(h) Intangible assets – software
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, that 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%, 33⅓%,

Shopfronts, fixtures and fittings
– rates up to 33⅓%.

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 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.

Notes to the accounts (continued)

(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 impairment 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 turnover leases are recognised in the period to which the turnover relates.

(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.

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:

(a) deferred tax in respect of the initial recognition of goodwill;
(b) 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
(c) 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 to be accounted for in the consolidated 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. The FURBS has now been closed and in substitution a supplement of the same amount is now paid directly to the members.

(p) Derivative financial investments and hedge accounting

Changes in the fair value of financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity through the consolidated 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.

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.

Policy on transition to IFRS

The Group has taken the exemption not to restate 2005 comparatives for IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. As a result, the comparative information in these financial statements for the 52 weeks ended 29 January 2005 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.

The following adjustments necessary to implement the revised policy were 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. Corresponding amounts for the prior period ended 29 January 2005 were accounted for in accordance with the requirements of the Companies Act 1985, SSAP 20 and FRS 4 (as applicable in that prior period). The main difference between the 52 weeks to 29 January 2005 and subsequent period bases of accounting are shown and described below:

Effect on the opening balance sheet at 30 January 2005:	£m
Liabilities – Current liabilities	
Commodity contract classified within trade and other payables	0.6
Equity – Capital and reserves attributable to equity shareholders	
Cash flow hedging reserve	0.6

The nature of the main effects upon the opening balance sheet at 30 January 2005 and upon the subsequent period income statements, statement of recognised income and expense and cash flow statement are as follows:

In the 52 week period to 29 January 2005 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 the subsequent period, 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.

(q) 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.

Notes to the accounts (continued)

(r) 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.

(s) Share schemes
A charge to income is recognised in respect of the fair values of outstanding employee share options. The fair values have been calculated at the grant date using the Black-Scholes option pricing model up to 29 January 2005 and for the LTIP thereafter and a binomial valuation model from 30 January 2005 and are charged to the income statement over the relevant option vesting period based on the Group's estimate 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.

(t) 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.

(u) 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.

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

(w) Adopted IFRS not yet effective
At the date of preparation of the financial statements as at 3 February 2007, the following Standards and Interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 7: Financial Instruments: disclosure.
IFRS 8: Operating Segments.
IFRIC 7: Applying the restatement approach under IAS 29.
IFRIC 8: Scope of IFRS 2.
IFRIC 9: Reassessment of embedded derivatives.
IFRIC 10: Interim financial reporting and impairment.
IFRIC 11: IFRS 2 group and treasury share transactions.
IFRIC 12: Service concession arrangements.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect.

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, being 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.

	2007 £m	2006 £m	2005 £m
Sales by origin and destination:			
UK trading	**482.5**	469.6	507.7
US trading	**1,410.7**	1,282.7	1,107.8
	1,893.2	1,752.3	1,615.5
Operating profit:			
UK trading	**55.0**	49.1	76.9
Group function[1]	**(7.4)**	(8.0)	(6.8)
UK	**47.6**	41.1	70.1
US trading	**173.8**	167.1	142.4
	221.4	208.2	212.5
Depreciation and amortisation:			
UK trading	**17.7**	17.7	17.4
US trading	**32.6**	28.5	24.3
	50.3	46.2	41.7
Capital additions:			
UK trading	**12.4**	26.9	28.8
US trading	**53.8**	49.1	41.7
	66.2	76.0	70.5
Total assets:			
UK trading	**264.6**	278.2	259.2
Group function	**166.8**	132.2	197.1
UK	**431.4**	410.4	456.3
US trading	**1,073.7**	1,060.6	854.0
	1,505.1	1,471.0	1,310.3
Total liabilities:			
UK trading	**(74.7)**	(88.2)	(103.1)
Group function	**(102.4)**	(31.2)	(8.9)
UK	**(177.1)**	(119.4)	(112.0)
US trading	**(441.7)**	(472.7)	(426.6)
	(618.8)	(592.1)	(538.6)

(1) Group function costs for 2006 included a net charge of £0.7 million (2005: £0.4 million) relating to property provisions.

Notes to the accounts (continued)

3. Operating profit

	2007 £m	2006 £m	2005 £m
Operating profit is stated after charging:			
Staff costs	**366.7**	345.0	314.2
Depreciation of property, plant and equipment	**49.0**	45.0	41.5
Amortisation of intangible assets	**1.3**	1.2	0.2
Fees payable to KPMG for the audit of the annual accounts	**0.2**	0.1	0.1
Fees payable to KPMG and their associates for:			
– audit of subsidiary accounts	**0.5**	0.3	0.3
– other services pursuant to legislation[1]	**–**	0.4	0.2
– tax services	**–**	–	–
– other services[2]	**0.1**	0.1	0.1
Advertising	**101.4**	88.1	78.0
UK restructuring costs	**–**	–	1.7
Operating lease rentals – plant, machinery and vehicles	**1.6**	2.1	2.1
– property	**153.3**	153.8	133.9

(1) For 2006 and 2005, relates to Section 404 of the Sarbanes-Oxley Act and IFRS implementation. For 2007, 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 £23,000 (2006: £23,000; 2005: £23,000).

4. Other operating income

	2007 £m	2006 £m	2005 £m
Other operating income:			
– interest receivable from US in-house credit programme	**49.7**	45.5	38.6
– foreign currency exchange (losses)/gains	**(1.0)**	0.8	–
	48.7	46.3	38.6

5. Finance income and expense

	2007 £m	2006 £m	2005 £m
Interest payable on loans and overdrafts	**(2.4)**	(2.0)	(2.1)
Interest expense of US securitisation facility	**(5.4)**	(7.6)	(7.4)
Interest payable on loan notes	**(8.7)**	(0.3)	(0.9)
Facility fees and related costs	**(1.7)**	(1.5)	(1.2)
Finance expense	**(18.2)**	(11.4)	(11.6)
Interest income	**8.9**	2.4	1.8
Defined benefit pension scheme:			
– expected return on scheme assets	**7.8**	6.9	6.6
– interest on pension liabilities	**(6.7)**	(5.7)	(5.4)
Finance income	**10.0**	3.6	3.0
Net finance charge	**(8.2)**	(7.8)	(8.6)

6. Foreign currency translation

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

	2007	2006	2005
Income statement (average rate)	**1.88**	1.80	1.86
Balance sheet (period end rate)	**1.97**	1.77	1.89
Impact of translation on:			
– Cash and cash equivalents less borrowings	**(26.1)**	10.3	(6.4)
– Foreign currency net assets	**(63.4)**	33.1	(18.9)

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

	2007 £m	2006 £m	2005 £m
Directors' emoluments	**3.8**	2.1	2.3
Directors' LTIP – cash	**0.2**	0.2	0.3
Directors' LTIP – share options (at fair value)	**0.2**	0.3	0.4
Contributions to pension schemes in respect of directors	**0.3**	0.2	0.2

Details of directors' emoluments are shown in the Directors' remuneration report on page 63.

The aggregate emoluments (excluding amounts due under the LTIP) of the highest paid director, Terry Burman, Group Chief Executive were £1,613,000 (2006: £772,000; 2005: £1,199,000). The amounts due to him under the LTIP were £141,000 (2006: £409,000; 2005: £523,000). For 2007, 50% of the amount due under the LTIP, £65,000 is payable in cash (2006: £172,000; 2005: £239,000) and the other 50% consists of the grant of an option to acquire shares in the Company (market value at 3 February 2007: £76,000). Additionally, pension contributions of £153,000 (2006: £150,000; 2005: £136,000) were made to money purchase schemes on his behalf. The gain made by him on the exercise of options in the Group was £1,589,648 (2006: £nil; 2005 £2,090,959).

	2007 Number	2006 Number	2005 Number
Retirement benefits are accruing to the following number of directors under:			
– Money purchase schemes	**2**	2	1
– Defined benefit schemes	**2**	2	1
The average number of full-time equivalent persons – employed (including directors) during the period, analysed by category and division			
Group:			
– Management	**250**	238	235
– Administration	**1,747**	1,764	1,599
– Distribution and sales staff	**14,839**	13,650	13,311
	16,836	15,652	15,145
UK:			
– Management	**78**	85	91
– Administration	**290**	367	371
– Distribution and sales staff	**3,796**	3,834	4,015
	4,164	4,286	4,477
US:			
– Management	**172**	153	144
– Administration	**1,457**	1,354	1,181
– Distribution and sales staff	**11,043**	9,859	9,343
	12,672	11,366	10,668

	£m	£m	£m
The aggregate of Group staff costs were as follows:			
Wages and salaries	**329.7**	309.9	281.4
– Social security costs	**27.6**	25.4	23.2
– Pension costs	**5.8**	5.2	4.7
– Share-based payment expense	**3.6**	4.5	4.9
	366.7	345.0	314.2

Notes to the accounts (continued)

8. Taxation

	2007 £m	2006 £m	2005 £m
Profit before tax:			
– UK	**63.5**	51.1	75.7
– US	**149.7**	149.3	128.2
	213.2	200.4	203.9
Current taxation:			
– UK	**16.3**	11.5	20.1
– US	**56.3**	60.0	27.1
Deferred taxation:			
– UK	**(1.5)**	1.4	0.4
– US	**0.6**	(3.3)	21.5
	71.7	69.6	69.1

	2007 £m	2006 £m	2005 £m
Sources of deferred taxation are as follows:			
UK property, plant and equipment	**(0.4)**	1.3	0.4
US property, plant and equipment	**(1.6)**	(1.0)	4.1
Inventory valuation	**8.8**	4.8	2.5
Allowances for doubtful debts	**(1.2)**	(1.1)	(1.0)
Revenue deferral (extended service agreements)	**(2.2)**	(2.1)	13.3
Straight line lease payments	**(1.3)**	(1.1)	(1.2)
Deferred compensation	**(0.8)**	(0.9)	0.8
Retirement benefit obligations	**(0.8)**	–	–
Other temporary differences	**(1.4)**	(1.8)	3.0
	(0.9)	(1.9)	21.9

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:

	2007 %	2006 %	2005 %
UK statutory tax rates	**30.0**	30.0	30.0
Expenditure permanently disallowable for tax purposes, net of permanent undercharges	**0.3**	1.5	1.1
Differences between UK and US (including state) standard tax rates	**5.5**	5.5	5.0
Over provision in respect of previous periods	**(2.2)**	(2.3)	(2.2)
UK property, plant and equipment	**0.2**	(0.6)	(0.2)
US property, plant and equipment	**0.7**	0.5	(2.0)
Inventory valuation	**(4.1)**	(2.4)	(1.2)
Allowances for doubtful debts	**0.6**	0.5	0.5
Revenue deferral (extended service agreements)	**1.0**	1.0	(6.5)
Straight line lease payments	**0.6**	0.5	0.6
Deferred compensation	**0.4**	0.5	(0.4)
Retirement benefit obligations	**0.4**	–	–
Other temporary differences	**0.6**	0.9	(1.5)
Current tax rate	**34.0**	35.6	23.2
Deferred tax rate	**(0.4)**	(0.9)	10.7
	33.6	34.7	33.9

The Group's effective tax rate is higher than the UK statutory tax rate because the 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 and recent developments in accounting for uncertain tax positions. It is anticipated that, subject to the outcome of various uncertain tax positions, the Group's effective tax rate in 2007/08 may increase to a level of up to 37%, this being an approximation to the underlying effective tax rate for the Group.

9. Earnings per share

	2007	2006	2005
Earnings attributable to shareholders (£million)	**141.5**	130.8	134.8
Basic weighted average number of shares in issue (million)	**1,727.6**	1,736.6	1,731.6
Dilutive effect of share options (million)	**6.8**	3.3	3.6
Diluted weighted average number of shares in issue (million)	**1,734.4**	1,739.9	1,735.2
Earnings per share – basic	**8.2p**	7.5p	7.8p
Earnings per share – diluted	**8.2p**	7.5p	7.8p

The basic weighted average number of shares excludes shares held by the ESOT as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 3,253,096 in the 53 week period ended 3 February 2007 (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.

	2007 £m	2006 £m	2005 £m
Final dividend paid of 2.8875p per share (2006: 2.625p; 2005: 2.16p)	**50.1**	45.5	37.3
Interim dividend paid of 0.4434p per share (2006: 0.4125p; 2005: 0.375p)	**7.7**	7.2	6.5
	57.8	52.7	43.8

During 2006/07, a dividend of 2.8875p per share was paid on 7 July 2006 in respect of the final dividend declared for the year ended 28 January 2006. An interim dividend of 0.4434p for the year ended 3 February 2007 was also paid on 3 November 2006.

Subject to shareholder approval, a proposed final dividend of 6.317 cents per share (2005/06: 2.8875p) will be paid on 6 July 2007 to those shareholders on the register of members at the close of business on 1 June 2007. The accounts for the year ended 3 February 2007 do not reflect this proposed dividend, which will be treated as an appropriation of retained earnings in the year ended 2 February 2008.

Following the redenomination of the Company's share capital on 5 February 2007, dividends are declared in US dollars. A letter has been sent to all shareholders on the register asking whether they wish to receive this, and future dividends, in US dollars or pounds sterling. Shareholders will in future be able to change their election by contacting the Company's registrars. 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 1 June 2007.

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.

Notes to the accounts (continued)

11. Intangible assets

	Computer software £m	Purchased goodwill £m	Total £m
Cost:			
At 29 January 2005	3.3	16.2	19.5
Additions	5.5	–	5.5
Translation differences	0.1	1.1	1.2
At 28 January 2006	8.9	17.3	26.2
At 28 January 2006	8.9	17.3	26.2
Additions	4.0	–	4.0
Disposals	(0.1)	–	(0.1)
Transfers	0.3	–	0.3
Translation differences	(0.6)	(1.8)	(2.4)
At 3 February 2007	**12.5**	**15.5**	**28.0**
Amortisation:			
At 29 January 2005	(2.1)	–	(2.1)
Charged in period	(1.2)	–	(1.2)
At 28 January 2006	(3.3)	–	(3.3)
At 28 January 2006	(3.3)	–	(3.3)
Charged in period	(1.3)	–	(1.3)
Disposals	0.1	–	0.1
Transfers	(0.1)	–	(0.1)
Translation differences	0.1	–	0.1
At 3 February 2007	**(4.5)**	**–**	**(4.5)**
Net book value:			
At 3 February 2007	**8.0**	**15.5**	**23.5**
At 28 January 2006	5.6	17.3	22.9
At 29 January 2005	1.2	16.2	17.4

The purchased goodwill above arose on the acquisition of Marks & Morgan on 31 July 2000. In accordance with Adopted 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 £16.8 million at this date, subject to exchange rate movements and impairment testing. An impairment review was performed at 3 February 2007, concluding that the carrying value of £15.5 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 the value in use over ten years using the most recent financial results and budgets approved by management. A discount rate of 9% 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.

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 29 January 2005	17.4	1.9	132.6	66.7	289.6	508.2
Additions	–	–	1.3	3.1	66.0	70.4
Disposals	(7.0)	–	(1.3)	(11.8)	(52.3)	(72.4)
Transfers	–	–	(123.6)	(0.9)	124.5	–
Translation differences	0.1	–	6.3	3.1	13.8	23.3
At 28 January 2006	10.5	1.9	15.3	60.2	441.6	529.5
At 28 January 2006	10.5	1.9	15.3	60.2	441.6	529.5
Additions	–	–	2.6	4.3	55.3	62.2
Disposals	(0.3)	–	(0.3)	(1.3)	(14.3)	(16.2)
Transfers	–	–	–	(0.8)	0.5	(0.3)
Translation differences	(0.1)	–	(0.9)	(5.0)	(36.0)	(42.0)
At 3 February 2007	**10.1**	**1.9**	**16.7**	**57.4**	**447.1**	**533.2**
Depreciation:						
At 29 January 2005	(1.9)	(0.1)	(72.2)	(46.2)	(162.1)	(282.5)
Charged in period	(0.2)	–	(1.1)	(6.4)	(37.3)	(45.0)
Disposals	0.5	–	1.3	11.7	51.6	65.1
Transfers	–	–	69.6	–	(69.6)	–
Translation differences	–	–	(3.4)	(2.2)	(7.7)	(13.3)
At 28 January 2006	(1.6)	(0.1)	(5.8)	(43.1)	(225.1)	(275.7)
At 28 January 2006	(1.6)	(0.1)	(5.8)	(43.1)	(225.1)	(275.7)
Charged in period	(0.2)	–	(1.2)	(6.8)	(40.8)	(49.0)
Disposals	0.3	–	0.2	0.4	12.5	13.4
Transfers	–	–	–	0.6	(0.5)	0.1
Translation differences	–	–	0.2	4.1	19.8	24.1
At 3 February 2007	**(1.5)**	**(0.1)**	**(6.6)**	**(44.8)**	**(234.1)**	**(287.1)**
Net book value:						
At 3 February 2007	**8.6**	**1.8**	**10.1**	**12.6**	**213.0**	**246.1**
At 28 January 2006	8.9	1.8	9.5	17.1	216.5	253.8
At 29 January 2005	15.5	1.8	60.4	20.5	127.5	225.7

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 Adopted IFRS, based on their latest external professional valuation. An external valuation was undertaken by NAI Gooch Webster, Chartered Surveyors, at 2 February 2002. The valuation was in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Method. A total of 14 properties were valued on an existing use basis and are stated at net realisable value, and one was valued on an open market basis and is stated on that basis.

Freehold properties on the consolidated balance sheet include £4.2 million of depreciable assets (2006: £4.3 million). The net book value of shopfronts, fixtures and fittings held under finance leases is £nil (2006: £nil).

Notes to the accounts (continued)

13. Inventories

	2007 £m	2006 £m
Raw materials	**4.8**	4.3
Finished goods	**680.8**	675.4
	685.6	679.7

Subsidiary undertakings held £104.4 million of consignment inventory at 3 February 2007 (2006: £99.2 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 and the supplier can vary the inventory prices.

Inventory provisions

	Balance at beginning of period £m	Charged to profit £m	Utilised[1] £m	Balance at end of period £m
52 weeks ended 29 January 2005	4.5	9.6	(9.2)	4.9
52 weeks ended 28 January 2006	4.9	12.9	(12.9)	4.9
53 weeks ended 3 February 2007	4.9	14.9	(14.5)	5.3

(1) Including the impact of foreign exchange translation between opening and closing balance sheet dates.

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

14. Trade and other receivables

	2007 £m	2006 £m
Trade receivables		
– US receivables programme	**420.7**	407.5
– Other	**7.9**	12.6
	428.6	420.1
Less: Provision for impairment of receivables	**(26.5)**	(26.5)
Trade receivables – net	**402.1**	393.6
Corporation tax recoverable	**0.1**	–
Other receivables	**39.0**	36.8
Trade and other receivables due within one year	**441.2**	430.4
Other receivables due in more than one year	**14.8**	14.3
	456.0	444.7

Other receivables due within one year includes £4.2 million (2006: £2.0 million) in respect of the unrealised gains arising on derivatives at the period end.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

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 29 January 2005	19.8	37.4	(35.6)	21.6
52 weeks ended 28 January 2006	21.6	45.1	(40.2)	26.5
53 weeks ended 3 February 2007	26.5	38.9	(38.9)	26.5

(1) Including the impact of foreign exchange translation between opening and closing balance sheet dates.

15. Cash and cash equivalents

	2007 £m	2006 £m
Bank deposits	**76.7**	51.9
Cash	**0.6**	0.6
	77.3	52.5

16. Trade and other payables

Current:	2007 £m	2006 £m
Trade payables	**58.6**	63.3
Social security and PAYE	**5.9**	3.8
Other taxes	**21.6**	22.3
Other creditors	**10.0**	8.6
Accruals	**103.1**	106.7
	199.2	204.7

Non-current:	2007 £m	2006 £m
Other creditors	**17.9**	17.3
Accruals	**20.0**	18.7
	37.9	36.0

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Current other creditors includes £(0.4) million (2006: £nil) in respect of unrealised losses arising on derivatives held at period end.

17. Deferred Income

Deferred income represents income under extended service agreements and voucher promotions in the US.

18. Financial liabilities - borrowings

Current:	Repayment date	2007 £m	2006 £m
Borrowings due within one year or on demand:			
Bank overdrafts	On demand	**2.8**	9.3
Bank loans		**–**	141.8
Short term borrowings		**2.8**	151.1

The weighted average interest rate on short term borrowings during the year was 5.4% (2006: 4.3%).

Non-current:	Repayment date	2007 £m	2006 £m
Borrowings due in more than one year:			
Bank loans	2009	**–**	–
US Private Placement	2013 to 2018	**192.9**	–
		192.9	–

On 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 3 February 2007 and at 28 January 2006 the amount outstanding under this facility was $nil.

Notes to the accounts (continued)

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 and 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.

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 on March 2006, and the final principal payment was in November 2006.

Analysis of net debt

	At 28 January 2006 £m	Cash flow £m	Exchange movement £m	**At 3 February 2007 £m**
Cash in hand	0.6	–	–	**0.6**
Short-term bank deposits	51.9	26.4	(1.6)	**76.7**
Cash and cash equivalents	52.5	26.4	(1.6)	**77.3**
Borrowings falling due within one year	(141.8)	130.2	11.6	**–**
Borrowings falling due in more than one year	–	(204.4)	11.5	**(192.9)**
Bank overdrafts	(9.3)	1.9	4.6	**(2.8)**
	(151.1)	(72.3)	27.7	**(195.7)**
Total	(98.6)	(45.9)	26.1	**(118.4)**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	US dollar £m	**Total £m**
At 3 February 2007		
Bank overdraft	**2.8**	**2.8**
Borrowings falling due within one year	**–**	**–**
Borrowings falling due in more that one year	**192.9**	**192.9**
	195.7	**195.7**
At 29 January 2006		
Bank overdraft	9.3	9.3
Borrowings falling due within one year	–	–
Borrowings falling due in more that one year	141.8	141.8
	151.1	151.1

Undrawn committed borrowing facilities

	2007 £m	2006 £m
Expiring in 2009	**198.0**	220.3

19. Deferred taxation

	3 February 2007			28 January 2006		
	Assets £m	**(Liabilities) £m**	**Total £m**	Assets £m	(Liabilities) £m	Total £m
UK property, plant and equipment	**–**	**(0.1)**	**(0.1)**	–	(0.5)	(0.5)
US property, plant and equipment	**–**	**(9.3)**	**(9.3)**	–	(12.1)	(12.1)
Inventory valuation	**–**	**(28.5)**	**(28.5)**	–	(22.3)	(22.3)
Allowances for doubtful debts	**9.6**	**–**	**9.6**	9.4	–	9.4
Revenue deferral (extended service agreements)	**20.6**	**–**	**20.6**	20.6	–	20.6
Straight line lease payments	**7.7**	**–**	**7.7**	7.2	–	7.2
Deferred compensation	**5.9**	**–**	**5.9**	5.7	–	5.7
Retirement benefit obligations	**–**	**(0.6)**	**(0.6)**	4.6	–	4.6
Other temporary differences	**9.4**	**–**	**9.4**	5.5	(0.7)	4.8
UK property related, net	**0.1**	**–**	**0.1**	0.1	–	0.1
Value of UK capital losses	**14.9**	**–**	**14.9**	15.2	–	15.2
Total deferred tax asset/(liability)	**68.2**	**(38.5)**	**29.7**	68.3	(35.6)	32.7
Valuation allowance	**(15.0)**	**–**	**(15.0)**	(15.3)		(15.3)
Deferred tax asset/(liability)	**53.2**	**(38.5)**	**14.7**	53.0	(35.6)	17.4
UK			**0.1**			3.4
US			**14.6**			14.0
Deferred tax asset			**14.7**			17.4

The difference on translation in respect of deferred tax posted directly to equity in the period ended 3 February 2007 was £1.5 million charge (2006: £0.8 million credit).

Movement in deferred tax asset:

	Total £m
At 28 January 2006	17.4
Amounts recognised in equity:	
– Retirement benefit obligations	(5.0)
– Other temporary differences	(0.2)
Credit in the period to the income statement	0.9
Transfers to current tax	3.1
Difference on translation	(1.5)
At 3 February 2007	**14.7**

20. Provisions – non-current

	Total £m
At 28 January 2006	6.2
Credits in the period to the income statement	(0.8)
Utilisation	(0.3)
At 3 February 2007	**5.1**

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.

Notes to the accounts (continued)

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, Noel Lyons and The Law Debenture Pension Trust Corporation p.l.c. (independent trustee). A process is in place for the nomination and election of trustees from the Group Scheme membership. 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). The FURBS has now been closed and in substitution a supplement of the same amount as was paid on the member's behalf to the FURBS, 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 3 February 2007 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 contributions to this scheme in the period were £0.1 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 and under it, 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 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:

	2007	2006
Rate of increase in salaries	**4.6** %	4.3 %
Rate of increase in deferred pensions during deferment	**3.1** %	2.8 %
Rate of increase in pensions in payment[1]	**3.1** %	2.8 %
Discount rate	**5.2** %	4.8 %
Inflation assumptions	**3.1** %	2.8 %
Expected return on Group Scheme assets	**6.9** %	6.2 %
Longevity at age 65 for current pensioners:		
– Male	**21.8 years**	21.3 years
– Female	**24.7 years**	24.2 years
Longevity at age 65 for future pensioners:		
– Male	**23.2 years**	23.1 years
– Female	**26.0 years**	25.9 years

(1) For the majority of members.

The mortality tables used to value the Group Scheme's liabilities as at 3 February 2007 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 3 February 2007	(130.9)	132.8	1.9	
Discount rate +0.05%	(129.8)	132.8	3.0	+1.1
Inflation –0.1%	(129.1)	132.8	3.7	+1.8
Life expectancy + 1 year	(134.4)	132.8	(1.6)	–3.5

The Group expects to contribute a minimum of £3.9 million to the Group Scheme in 2007/08 based on funding rates agreed in the 5 April 2006 actuarial valuation.

	2007 **£m**	2006 £m
The Group pension cost for the period comprises:		
Charge to operating profit:		
UK Group Scheme net service cost	**(3.5)**	(2.8)
UK defined contribution plan	**(0.1)**	(0.1)
US retirement savings plan	**(2.2)**	(2.3)
	(5.8)	(5.2)
Net credit to financing costs:		
Expected return on Group Scheme assets	**7.8**	6.9
Interest on Group Scheme liabilities	**(6.7)**	(5.7)
	(4.7)	(4.0)

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

	Long term rate of return expected 2007 %	**Value at 2007 £m**	Long term rate of return expected 2006 %	Value at 2006 £m
Equities and property	**7.9%**	**98.3**	7.0 %	89.7
Bonds	**4.7%**	**31.9**	4.2 %	31.6
Cash		**2.6**		5.0
Total market value of assets		**132.8**		126.3
Present value of Group Scheme liabilities		**(130.9)**		(141.8)
Surplus/(deficit) in the Group Scheme		**1.9**		(15.5)
Related deferred tax (liability)/asset		**(0.6)**		4.6
Net pension asset/(liability)		**1.3**		(10.9)

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 obligation to the beneficiaries of the Group Scheme can be met;
- To acknowledge the Group's interest on 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 cost 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 6.17% per annum long term rate of return on assets assumption from 29 January 2006, and 6.9% per annum from 3 February 2007.

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")

	2007 **£m**	2006 £m
Actual return less expected return on Group Scheme assets	**(1.1)**	12.2
Experience gain/(loss) on liabilities including change in assumptions	**17.3**	(28.5)
Actuarial gain/(loss)	**16.2**	(16.3)
Deferred tax	**(5.0)**	4.9
Recognised in SORIE	**11.2**	(11.4)

The accumulated benefit obligation (defined as the projected unit liability with no allowance for future salary growth) of the Group Scheme at 3 February 2007 was £125.3 million (2006: £132.7 million).

Notes to the accounts (continued)

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

	2007 £m	2006 £m
Benefit obligation at beginning of financial year	**141.8**	108.4
Current service cost	**3.4**	2.8
Past service cost	**0.1**	–
Benefits paid	**(4.3)**	(4.1)
Member contributions	**0.5**	0.5
Interest cost	**6.7**	5.7
Actuarial (gain)/loss	**(17.3)**	28.5
Benefit obligation at end of financial year	**130.9**	141.8

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

	2007 £m	2006 £m
Fair value of Group Scheme assets at beginning of financial year	**126.3**	106.5
Expected return on Group Scheme assets	**7.8**	6.9
Benefits paid	**(4.3)**	(4.1)
Member contributions	**0.5**	0.5
Employer contributions	**3.6**	4.3
Actuarial (loss)/gain	**(1.1)**	12.2
Fair value of Group Scheme assets at end of financial year	**132.8**	126.3

The actual return on Group Scheme assets was £6.7 million (2006: £19.1 million).

History of experience gains and losses

	2007	2006	2005
Difference between expected and actual return on Group Scheme assets (£ million)	**(1.1)**	12.2	(0.3)
Percentage of Group Scheme assets	**(1)%**	10%	0%
Experience gain/(loss) on Group Scheme liabilities (£ million)	**17.3**	(28.5)	(5.3)
Percentage of Group Scheme liabilities	**13%**	(20)%	(5)%
Total amount recognised in SORIE – gross (£ million)	**16.2**	(16.3)	(5.6)
Percentage of Group Scheme liabilities	**13%**	(11)%	(5)%

The cumulative actuarial losses reported in the consolidated statement of recognised income and expense since the IFRS transition date are £5.7 million.

Projected benefits payments are as follows:

	£m
2007/08	4.8
2008/09	4.8
2009/10	5.2
2010/11	5.4
2011/12	5.5
2012 to 2016/17	33.1

22. Share capital

	2007 £m	2006 £m
Authorised:		
5,929,874,019 shares of 0.5p (2006: 5,929,874,019)	**29.6**	29.6

	Number of shares	£m
Allotted, called up and fully paid:		
Shares of 0.5p each:		
At 28 January 2006	**1,738,843,382**	**8.7**
Shares issued to 2004 ESOT	**3,356,399**	**–**
Share buyback	**(30,271,522)**	**(0.1)**
Other share options exercised	**1,625,550**	**–**
At 3 February 2007 total allotted, called up and fully paid	**1,713,553,809**	**8.6**

The consideration received in respect of the 4,981,949 shares issued during the year was £3.2 million (2006: £2.2 million). During the year, 30,271,522 shares were purchased by the Company for a consideration of £33.7 million.

The trustee of the QUEST, Signet Group QUEST Limited (a subsidiary of the Company), held nil shares at 28 January 2006. In the 53 weeks ended 3 February 2007 the trustees subscribed in cash for nil shares. The QUEST was dissolved, and removed from the Register of Companies in August 2006.

In the 53 weeks ended 3 February 2007 the trustee of the ESOT subscribed in cash for a total of 3,356,399 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 £2.4 million at option prices between $0.7215 and $1.7230. 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 92.25p and 125.75p per share.

On various dates during the year ended 3 February 2007 a total of 1,625,550 shares were subscribed for in cash by holders of options. In aggregate the subscription monies amounted to £1.4 million at option prices between 50p and 90p 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 95.5p and 123.0p per share. Details of options in respect of shares are shown in note 28 on page 103.

The trustee of the ESOT, Halifax EES Trustees International Limited, held 3,745,265 shares at 28 January 2006. In the year ended 3 February 2007 the trustee transferred 1,111,357 shares to the holders of executive share and LTIP options granted to UK employees. The trustee held 2,633,908 shares at 3 February 2007 and 2,618,492 shares at 17 April 2007.

Notes to the accounts (continued)

23. Share premium and reserves

	Share premium account £m	Other reserves: Capital redemption £m	Other reserves: Special reserves £m	Retained earnings: Purchase of own shares £m	Retained earnings: Hedging reserve £m	Retained earnings: Translation reserve £m	Retained earnings: Retained[(1)] reserve £m	Total £m
At 29 January 2005	68.0	–	142.2	(7.9)	–	(118.0)	678.7	763.0
Recognised income and expense:								
– profit for the financial period	–	–	–	–	–	–	130.8	130.8
– cash flow hedges (net)	–	–	–	–	1.4	–	–	1.4
– translation differences	–	–	–	–	–	33.1	–	33.1
– actuarial loss (net)	–	–	–	–	–	–	(11.4)	(11.4)
Dividends	–	–	–	–	–	–	(52.7)	(52.7)
Equity settled transactions (net)	–	–	–	–	–	–	4.1	4.1
Share options exercised	2.3	–	–	1.6	–	–	–	3.9
Purchase of own shares by ESOT	–	–	–	(2.0)	–	–	–	(2.0)
Shares issued to ESOTs	1.4	–	–	–	–	–	(1.4)	–
At 28 January 2006	71.7	–	142.2	(8.3)	1.4	(84.9)	748.1	870.2
Recognised income and expense:								
– profit for the financial period	–	–	–	–	–	–	141.5	141.5
– cash flow hedges (net)	–	–	–	–	1.2	–	–	1.2
– translation differences	–	–	–	–	–	(63.4)	–	(63.4)
– actuarial gain (net)	–	–	–	–	–	–	11.2	11.2
Dividends	–	–	–	–	–	–	(57.8)	(57.8)
Equity settled transactions (net)	–	–	–	–	–	–	4.3	4.3
Share options exercised	4.6	–	–	1.1	–	–	(1.6)	4.1
Purchase of own shares	–	0.1	–	–	–	–	(33.7)	(33.6)
Shares issued to ESOTs	0.7	–	–	–	–	–	(0.7)	–
At 3 February 2007	**77.0**	**0.1**	**142.2**	**(7.2)**	**2.6**	**(148.3)**	**811.3**	**877.7**

(1) The retained reserve includes the unrealised surplus arising from revaluing freehold and long leasehold properties of £4.3 million (2005/06: £4.3 million; 2004/05: £4.3 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 transfer 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 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 3 February 2007, after taking into account the recommended final dividend of 6.317 cents per share, the holding company had distributable reserves of £132.0 million (28 January 2006: £110.3 million). There are additional potentially distributable reserves held in subsidiary companies.

24. Post-balance sheet event

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 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 dollar denominated ordinary share is 0.9 cent, and shareholders received one new 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 UK listing requirements, £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 Company Secretary of the Company on 5 February 2007. These shares have limited and deferred rights.

	No. of shares	$m
Authorised at 5 February 2007:		
Ordinary shares of 0.9 cent each	5,929,874,019	53.4
Deferred shares of £1 each	50,000	0.1
Allotted, called up and fully paid at 5 February 2007:		
Ordinary shares of 0.9 cent each	1,713,533,809	15.4
Deferred shares of £1 each	50,000	0.1

25. 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 allow 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 2 February 2008 to which the Group was committed as at 3 February 2007 were as follows:

	Plant, machinery & vehicles £m	Leasehold properties £m	Total £m
Operating leases which expire:			
Within one year	0.6	5.2	5.8
Between one and five years	1.1	40.2	41.3
More than five years	–	95.2	95.2
At 3 February 2007	**1.7**	**140.6**	**142.3**
At 28 January 2006	1.9	145.8	147.7

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:	
2007/08	142.3
2008/09	135.8
2009/10	127.2
2010/11	117.4
2011/12	107.0
Thereafter	582.6
	1,212.3

Notes to the accounts (continued)

Capital and other financial commitments

Capital commitments at 3 February 2007 for which no provision has been made in these consolidated accounts were as follows:

	2007 £m	2006 £m
Contracted	**12.4**	11.2

26. 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 significant subsidiaries. No director, officer or affiliate of the Group or any associate of any such director has been party adverse to the Group or any of its subsidiaries or has a material interest adverse to the Group or any of its subsidiaries.

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.

The Group's US operation gives its customers the option of purchasing a lifetime service plan on most of the products sold. Such service plans cover the cost of repair, subject to certain terms and conditions.

27. Financial instruments

Currency derivatives

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. It is the policy of the Group to ensure identified foreign currency exposures are hedged to at least the following levels:

Less than 3 months	100.0%
3 – 6 months	75.0 %
6 – 12 months	50.0 %

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 3 February 2007		Fair values as at 28 January 2006	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Cash flow hedges:				
Forward foreign currency contracts	**–**	**(0.4)**	0.5	–
Forward commodity contracts	**4.1**	**–**	1.5	–
	4.1	**(0.4)**	2.0	–

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 3 February 2007 the fair value of outstanding cross currency swaps were £0.1 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.

Amounts of £0.8 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 £0.1 million have been credited to the income statement during the period.

The Group does not currently designate its foreign currency borrowings as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Interest rate swaps

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. Details of borrowings are shown in note 18 on page 93 and 94.

The nominal value of the outstanding interest rate swap contract at 3 February 2007 was $nil (2006: $150 million).

28. Share options

The Company operates several share option schemes which can be categorised as “Fixed Share Option Schemes”, “Executive Schemes”, and “Long Term Incentive Plans”.

Fixed Share Option 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 “Fixed Share Option 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

Under the 1993 Scheme, the performance condition will be measured over a consecutive three year period. Under the 2003 Scheme the performance condition will be 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 “Signet Group plc 2000 Long Term Incentive Plan” which was replaced by the “Signet Group 2005 Long Term Incentive Plan” are together referred to as “Long Term Incentive Plans” (“LTIP”). 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.

Notes to the accounts (continued)

Option scheme status

	Fixed share option schemes		Executive schemes		LTIPs	
	No. of shares millions	WAEP[(1)] pence	No. of shares millions	WAEP[(1)] pence	No. of shares millions	WAEP[(1)] pence
At 31 January 2004	7.8	67	36.9	69	2.9	–
Movements in period						
Granted	2.7	86	9.4	111	0.7	–
Exercised	(2.6)	51	(10.3)	47	(0.1)	–
Lapsed	(0.8)	73	(0.5)	87	(0.2)	–
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**	**–**
Options exercisable	**0.3**	**88**	**6.8**	**90**	**0.2**	**–**

(1) Weighted Average Exercise Price

The weighted average share price at the date of exercise for share options exercised during the period was 114p.

The following tables summarise the information about share options outstanding at the close of business on 3 February 2007, and the inputs used in a binomial model for Fixed 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 2004/05, 2005/06 and 2006/07 financial periods:

	Fixed share option 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
80p to 95p	6.3	8.8	86						
33p to 76p				3.6	3.4	63			
76p to 120p				41.1	7.5	107			
Nil							3.6	8.3	–
Nil to 120p	6.3	8.8	86	44.7	7.2	103	3.6	8.3	

	Fixed share option schemes			Executive schemes			LTIPs		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Share price at grant date[(3)]	**120p**	99p	107p	**110p**	112p	114p	**110p**	114p	116p
Exercise price[(3)]	**95p**	81p	86p	**112p**	112p	111p	**nil**	nil	nil
Risk free interest rate	**4.91%**	4.00%	4.75%	**4.72%**	4.15%	4.75%	**4.80%**	4.10%	3.30%
Expected life of options	**2.6 years**	2.7 years	3.0 years	**4.3 years**	4.3 years	4.0 years	**3.5 years**	3.5 years	3.5 years
Expected volatility	**31%**	38%	14%	**34%**	38%	14%	**34%**	38%	42%
Dividend yield	**3.2%**	2.2%	2.7%	**2.8%**	2.3%	2.7%	**2.8%**	2.3%	2.1%
Grant date fair value[(3)]	**36p**	33p	31p	**29p**	35p	23p	**100p**	105p	108p

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

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model has been based on the historical exercise behaviour of the main categories of option recipients. The Group recognised total share-based payment expenses of £3.6 million in the financial period ending 3 February 2007 (2006: £4.5 million).

29. Principal subsidiary undertakings

At 3 February 2007, 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 unless otherwise indicated, and have been included in the Consolidated Financial Statements.

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%

30. 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.

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

31. Summary of differences between Adopted IFRS and US GAAP

The Group's consolidated accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"), which differs in certain respects from generally accepted accounting principles in the United States ("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 Adopted IFRS and US GAAP, other differences would not have a significant effect on the consolidated net profit or shareholders' funds of the Group.

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

Cost of sales

Under Adopted 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 Adopted IFRS for the 53 weeks ended 3 February 2007 were £439.4 million (52 weeks ended 28 January 2006: £416.7 million).

Goodwill

Prior to the adoption of Adopted IFRS,the Group applied UK GAAP FRS 10 'Goodwill and intangible assets' in respect of acquisitions since 1 February 1998, amortising goodwill by equal annual instalments over its estimated useful life, normally 20 years. Under Adopted IFRS, goodwill is required to be carried at cost with impairment reviews carried out annually for impairment in lieu of amortisation.

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

A historical difference therefore remains between Adopted IFRS and US GAAP representing the unamortised balance of goodwill that was capitalised under US GAAP and arose on acquisitions made prior to 1 February 1998.

Impairment reviews are carried out annually at the reporting unit and cash generating unit levels using the two-step impairment test described in FAS 142 to ensure goodwill is not carried at above its recoverable level. Discounted cash flows are used in the determination of the fair value of the reporting unit, derived from the most recent financial results and plans approved by management.

At 3 February 2007, the Group had goodwill on its balance sheet of £15.5 million under Adopted IFRS and £282.3 million under US GAAP.

Sale and leaseback transactions

In the Group's consolidated accounts prepared under Adopted IFRS, sale and leaseback transactions of freehold and long leasehold properties result in an operating lease established at fair value, and are accounted for by including in profit before taxation the full gain

Notes to the accounts (continued)

arising in the financial year in which the transaction took place. Under US GAAP the gain arising is credited to the Consolidated income statement in equal instalments over the life of the lease.

Pensions

As at 3 February 2007, the Group adopted FAS 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 in the year they occur through other comprehensive income, other than the net periodic benefit cost pursuant to FAS 87 'Employers accounting for pensions' which is reported within the income statement. This results in the Group Scheme asset on the balance sheet being equivalent between Adopted IFRS and US GAAP. However, differences remain within operating profit as US GAAP recycles actuarial gains and losses, outside the 10% corridor, from other comprehensive income to the income statement using the FAS 87 amortisation policy, which amortises these through operating profit over the average service lives of the employees. Additionally, US GAAP expected return on pension asset and interest charges are reported in operating profit but are included in finance income and expense under Adopted IFRS.

In 2005/06 prior to the adoption of FAS 158, the Group complied with FAS 87, 88 and 106 as amended by FAS 132(R) 'Employers' disclosure about pensions and other post-retirement benefits'. The Group 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 does not have such a liability at 3 February 2007. Consequently, the additional minimum liability above the intangible asset at 28 January 2006 is released through other comprehensive income during 2006 prior to application of FAS 158.

The pension asset at 3 February 2007 prior to application of FAS 158 is therefore £25.9 million (2006: £27.1 million), being the cumulative employer contributions in excess of net periodic benefit cost. Following application of FAS 158, the Group must record a pension asset as at 3 February 2007 of £1.9 million, being the funded status of the Group Scheme. To achieve this, FAS 158 requires a one-time adjustment at 3 February 2007 to accumulated other comprehensive income (AOCI) in shareholders' equity (£24.0 million before tax effect).

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 FAS 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 FAS 123(R) "Share-based payment" ("FAS 123(R)") using the 'modified prospective application method', recognising the fair value of option awards over the award vesting period.

The Group operates a number of employee share schemes, set out in note 28 on pages 103 to 104. The Executive and LTIP share schemes 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. 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 FAS 123 'Accounting for stock-based compensation' were also treated as equity awards under US GAAP. On the application of FAS 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 and revalued at every reporting date until the option has been settled or until equity-classified.

Employers' payroll taxes in respect of share-based payment

Under Adopted IFRS, 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.

Earnings per share

Under IAS 33 'Earnings per share' and FAS 128 'Earnings per share', the computation of the weighted average number of shares and adjusted weighted average number of shares outstanding is generally consistent. The calculation of fully diluted EPS for the 53 weeks ended 3 February 2007 excludes options to purchase 17,846,848 shares (2006: 26,826,235 shares; 2005: 16,263,700 shares), on the basis that their effect on basic EPS was anti-dilutive. Each ADS represents ten ordinary shares.

Returns provision

The Group had not historically made provision for sales returns as the impact on profit and the impact on net assets was not material. The Group revised its policy on the adoption of Adopted IFRS and now recognises such a provision.

For the purposes of US GAAP reporting, the impact on net assets of this change in policy has been 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 individually to any financial statement period presented. As a result, GAAP differences arise on the 2005/06 reconciliation of Adopted IFRS to US GAAP profit for the financial period, and in the reconciliation of net assets at 29 January 2005, representing the net asset impact of establishing returns provisions. The charge to US GAAP profit in 2005/06 for establishing returns provisions was £4.0 million net of tax.

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. As of 29 January 2006, this is consistent under both Adopted IFRS and US GAAP.

Revaluation of properties
Under Adopted 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.

Depreciation of properties
Prior to the adoption of FRS 15 'Tangible fixed assets' from 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 Adopted IFRS such property is depreciated, consistent with the requirements of US GAAP. The net difference arising between Adopted IFRS and US GAAP therefore represents depreciation charges applied under US GAAP prior to the adoption of FRS 15.

Securitised customer receivables
In 2006, under Adopted IFRS, securitised US receivables of £141.8 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 ("the Transferor"), 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 3 February 2007 all US customer receivables are included within trade debtors under Adopted IFRS and US GAAP.

The Group received servicing fees of £2.6 million (2006; £3.1 million; 2005: £2.9 million) which offset its costs of fulfilling its servicing responsibilities to the trust.

Consolidation
Except for the US securitised customer receivables qualifying for off-balance sheet treatment in 2005/06, there were no other differences in the consolidation treatment of Group assets and liabilities due to differences in Adopted IFRS and US GAAP consolidation standards.

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

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Profit for the financial period in accordance with Adopted IFRS	**141.5**	130.8	134.8
Pensions	**(2.4)**	(1.8)	(0.9)
Sale and leaseback transactions	**0.8**	0.8	1.0
Returns provisions	**–**	(6.0)	–
Share-based payment	**(2.4)**	4.4	–
Asset retirement obligations	**–**	(1.0)	–
Taxation	**0.1**	5.0	2.6
US GAAP adjustments before change in accounting principle	**(3.9)**	1.4	2.7
Cumulative effect of change in accounting principle	**(3.2)**	–	–
Retained profit attributable to shareholders in accordance with US GAAP	**134.4**	132.2	137.5
Basic earnings per ADS in accordance with US GAAP:			
– Before change in accounting principle	**79.7p**	76.1p	79.4p
– Cumulative effect of change in accounting principle	**(1.9)p**	–	–
– After change in accounting principle	**77.8p**	76.1p	79.4p
Diluted earnings per ADS in accordance with US GAAP:			
– Before change in accounting principle	**78.0p**	76.0p	79.1p
– Cumulative effect of change in accounting principle	**(1.9)p**	–	–
– After change in accounting principle	**76.1p**	76.0p	79.1p
Weighted average number of ADSs outstanding (million) – basic	**172.8**	173.7	173.2
Weighted average number of ADSs outstanding (million) – diluted	**176.5**	174.0	173.8

Notes to the accounts (continued)

Effect on shareholders' funds of differences between Adopted IFRS and US GAAP

	3 February 2007 £m	28 January 2006 £m
Shareholders' funds in accordance with Adopted IFRS	**886.3**	878.9
Goodwill in respect of acquisitions (gross)	**462.4**	501.0
Adjustment to goodwill	**(53.7)**	(59.7)
Accumulated goodwill amortisation	**(142.0)**	(153.0)
Sale and leaseback transactions	**(6.2)**	(7.1)
Pensions	**–**	14.4
Depreciation of properties	**(2.5)**	(2.5)
Revaluation of properties	**(4.3)**	(4.3)
Share-based payment	**(10.8)**	–
Taxation	**1.7**	(2.2)
US GAAP adjustments	**244.6**	286.6
Shareholders' funds in accordance with US GAAP	**1,130.9**	1,165.5

Reconciliation of shareholders' funds in accordance with US GAAP

	3 February 2007 £m	28 January 2006 £m
Shareholders' funds at beginning of period	**1,165.5**	1,056.0
Adoption of FAS 123(R)	**(2.8)**	–
	1,162.7	1,056.0
Retained profit attributable to shareholders	**134.4**	132.2
(Purchase)/issue of shares (net)	**(29.6)**	1.9
Increase/(decrease) in additional paid-in capital	**1.2**	(0.3)
Dividends paid	**(57.8)**	(52.7)
Other comprehensive income/(expense)	**21.8**	(18.1)
Translation differences	**(85.0)**	46.5
	1,147.7	1,165.5
Adoption of FAS 158	**(16.8)**	–
Shareholders' funds at end of period	**1,130.9**	1,165.5

Employee share schemes

The following tables summarise the information used to calculate the fair value charge for share options accounted for as liability awards on adoption of FAS 123(R) on 29 January 2006 and as at 3 February 2007, and the comparison of compensation expense recognised in prior years under APB 25 against fair value:

	Executive schemes(1)		LTIPs(1)	
	As at 3 February 2007	As at 29 January 2006	**As at 3 February 2007**	As at 29 January 2006
Share price	**122p**	104p	**122p**	104p
Exercise price	**106p**	103p	**nil**	nil
Risk free interest rate	**5.07%**	4.42%	**4.88%**	4.44%
Expected life of options	**2.1 years**	3.2 years	**2.1 years**	1.6 years
Expected volatility	**28%**	36%	**28%**	36%
Dividend yield	**3.0%**	2.7%	**3.0%**	2.7%
Fair value	**35p**	27p	**116p**	100p

(1) Weighted average

(2) The fair value of fixed share option schemes is that determined at grant date.

	2006 £m	2005 £m
Net income in accordance with US GAAP:		
As reported	132.2	137.5
Add: stock-based employee compensation expense	0.4	3.2
Deduct: stock-based employee compensation expense determined under fair value method for all awards – net of tax	(2.5)	(2.6)
	130.1	138.1

Under FAS 123(R) £3.2 million has been charged in the income statement for the 53 weeks ended 3 February 2007 in respect of the cumulative effect of a change in accounting principle related to changes in classification of awards on adoption. Additionally, the charge for the 53 weeks ended 3 February 2007 in respect of option awards under FAS 123(R) was £6.0 million.

Post employment benefits

The following table shows a reconciliation of the opening and closing balances of the projected benefit obligation under the Group Scheme.

	2007 £m	2006 £m
At beginning of period	**141.8**	108.4
Service cost	**4.0**	3.6
Past service cost	**0.1**	–
Interest cost	**6.6**	5.6
Members' contributions	**0.5**	0.5
Actuarial gain	**(17.8)**	28.1
Benefits paid	**(4.3)**	(4.4)
At end of period	**130.9**	141.8

The following table shows the change in Group Scheme assets:

	2007 £m	2006 £m
At beginning of period	**126.3**	106.5
Actual return on assets	**6.7**	19.4
Employer contributions	**3.6**	4.3
Members' contributions	**0.5**	0.5
Benefits paid	**(4.3)**	(4.4)
At end of period	**132.8**	126.3

Funded status prior to application of FAS 158:

	2007 – before adoption of FAS 158 £m	2006 £m
Funded status	1.9	(15.5)
Unrecognised prior service cost	4.8	5.3
Unrecognised net actuarial loss	19.2	37.3
Net amount recognised	25.9	27.1

Notes to the accounts (continued)

Amounts reflected in statement of financial position prior to application of FAS 158:

	2007 – before adoption of FAS 158 £m	2006 £m
Prepaid benefit cost	25.9	–
Accrued pension liability	–	(6.4)
Intangible asset	–	5.3
Accumulated other comprehensive income	–	28.2
	25.9	27.1

Amount recognised in the statement of financial position after application of FAS 158:

	2007 before adoption of FAS 158 £m	Incremental effect of FAS 158 £m	**2007 after adoption of FAS 158 £m**
Prepaid benefit cost	25.9	–	**25.9**
Accumulated other comprehensive income	–	(24.0)	**(24.0)**
	25.9	(24.0)	**1.9**
Deferred tax liability	(7.8)	7.2	**(0.6)**
	18.1	(16.8)	**1.3**

The components of pension expense which arise under FAS 87 for the Group's pension plans are estimated to be as follows:

	2007 £m	2006 £m	2005 £m
Service cost	**4.0**	3.6	3.1
Interest cost	**6.6**	5.6	5.3
Expected return on Group Scheme assets	**(8.2)**	(7.2)	(6.9)
Amortisation of prior service cost	**0.6**	0.6	0.6
Recognised actuarial loss	**1.8**	0.9	0.5
Net periodic cost	**4.8**	3.5	2.6

	2007 £m	2006 £m
Additional minimum liability (released)/included in other comprehensive income	**(28.2)**	28.2

Assumptions used to determine benefit obligations (at the end of the year):

	2007 £m	2006 £m
Discount rate	**5.20%**	4.75%
Long term rate of return	**7.20%**	6.50%
Salary increases	**4.60%**	4.30%

Assumptions used to determine net periodic pension costs (at the start of the year):

	2007 £m	2006 £m
Discount rate	**4.75%**	5.30%
Long term rate of return	**6.50%**	6.80%
Salary increases	**4.30%**	4.30%

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

	2007 **£m**	2006 £m
Equities	**74%**	71%
Bonds	**24%**	25%
Cash	**2%**	4%
Total	**100%**	100%

The long term target allocation for the Group Scheme's assets is: equities 70% and bonds 30%.

See note 21 for further information on the Group's pension plans. For US GAAP purposes, the pension fund asset included in the Group's consolidated balance sheet would be classified as a non-current asset.

New US accounting standards adopted

FAS 123 (revised 2004) 'Share-based payment' requires the compensation cost relating to share-based payment transactions be recognised in financial statements. The cost is measured based on the fair value of the equity or liability instruments issued. Details are given on page 108.

FAS 151 'Inventory costs – an amendment to ARB No. 43' clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material requiring those items to be expensed in the current period and the allocation of fixed production overheads to the cost of conversion to be based on normal capacity of the production facility. There has been no impact on the results or net assets of Signet Group plc on adoption of this standard.

FAS 154 'Accounting changes and error correction – a replacement of APB Opinion No. 20 and FASB Statement No. 3' requires retrospective application of prior periods' financial statements for changes in accounting principle. There has been no impact on the results or net assets of the Group on adoption of this standard.

FAS 158 'Employer's accounting for defined benefit pension and other post-retirement plans – an amendment to FASB statements No. 87, 88, 106, and 132(R)' requires employers to recognise the overfunded or underfunded status of a defined benefit pension and other post-retirement plans as an asset or liability in its statement of financial position and to recognise changes in that funded status in the year in which the changes occur through comprehensive income other than the net periodic benefit cost which is recognised in the income statement. Details are given on page 109.

New US accounting standards not adopted

FAS 155 'Accounting for certain hybrid financial instruments – an amendment of FASB Statements No. 133 and 140' was issued in February 2006 to amend certain aspects of FAS 133 'Accounting for derivative instruments and hedging activities' and FAS 140 'Accounting for transfers and servicing of financial assets and extinguishments of liabilities'. This statement is effective for years beginning after 15 September 2006. The Group believes that the adoption of FAS 155 will not have a significant effect on its consolidated financial statements.

FAS 156 'Accounting for servicing of financial assets – an amendment of FASB Statement No. 140' was issued in March 2006. This statement amends FASB Statement No. 140, 'Accounting for transfers and servicing of financial assets and extinguishment of liabilities', with respect to the accounting for separately recognised servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after 15 September 2006. The Group believes that the adoption of FAS 156 will not have a significant effect on its consolidated financial statements.

FAS 157 'Fair value measurements' was issued in September 2006. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective for fiscal years beginning after 15 November 2007. The Group believes that the adoption of FAS 157 will not have a significant effect on its consolidated financial statements.

FAS 159 'The fair value option for financial assets and financial liabilities – Including an amendment of FASB Statement No. 115 was issued in February 2007 and permits entities to measure many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after 15 November 2007. The Group believes that the adoption of FAS 159 will not have a significant effect on its consolidated financial statements.

FIN 48 'Accounting for uncertainty in income taxes – an interpretation of FASB statement no. 109' was issued in June 2006. The interpretation establishes a two-step approach for recognising and measuring tax benefits, with tax positions only to be recognised when considered to be more likely than not sustained upon examination by the taxing authority. Disclosures are required at the end of each reporting period about uncertainties in the Group's tax position. The Group is currently in the process of quantifying the effect of adoption of FIN 48 on its results and net assets. The Group believes that the adoption of FIN 48 will not have a significant effect on its consolidated financial statements.

Notes to the accounts (continued)

32. Company balance sheet

	3 February 2007 £m	28 January 2006 £m	Notes
Fixed assets:			
Tangible assets	**–**	74.9	32(c)
Investments	**766.8**	766.8	32(k)
	766.8	841.7	
Current assets			
Debtors	**827.6**	541.3	32(d)
Cash at bank and in hand	**55.8**	21.9	32(e)
	883.4	563.2	
Creditors: amounts falling due within one year	**(624.2)**	(595.4)	32(f)
Net current assets/(liabilities)	**259.2**	(32.2)	
Total assets less current liabilities	**1,026.0**	809.5	
Creditors: amounts falling due after more than one year	**(192.9)**	(2.1)	32(g)
Net assets	**833.1**	807.4	
Equity:			
Capital and reserves			
Share capital	**8.6**	8.7	22
Share premium	**77.0**	71.7	32(h)
Capital redemption reserve	**0.1**	–	32(h)
Special reserve	**565.1**	565.1	32(h)
Retained earnings	**182.3**	161.9	32(h)
Shareholders' funds	**833.1**	807.4	

These accounts were approved by the Board of Directors on 18 April 2007, and were signed on its behalf by:

Terry Burman Director

Walker Boyd Director

(a) Principal accounting policies
The Company accounts of Signet Group plc are prepared in accordance with generally accepted accounting principles in the UK (“UK GAAP”). The following accounting policies are applied consistently in dealing with items which are considered material in relation to the accounts of the Company.

(i) Basis of preparation
The Company accounts have been prepared in accordance with applicable UK law and accounting standards and under the historical cost convention except for derivative financial instruments which are stated at fair value.

In accordance with section 230 of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

(ii) Foreign currency translation
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The company has taken the exemptions granted by paragraph 3(c) of FRS 8 ‘related party disclosures’, not to disclose transactions with companies within the Group.

(iii) Depreciation and amortisation
Premiums paid and incentives received in order to acquire short leasehold properties are amortised over the lease term. Provision is made for future net lease obligations in respect of onerous leases of vacant, partially vacant or sublet properties. Depreciation on other fixed assets is provided on a straight line basis at the following annual rates:

Plant, machinery and vehicles
– 10%, 20%, 33⅓%,
Shopfronts, fixtures and fittings
– rates up to 33⅓%.

During the year the Company’s fixed assets were sold to other Group companies at their net book value.

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 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 tangible fixed assets relating to stores planned for closure.

(iv) Shares in subsidiary undertakings
Shares in subsidiary undertakings are stated at cost, less amounts written off for any impairment in value.

(v) Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(vi) Employee benefits
The Company participates in 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 Company is unable to identify its share of underlying assets and liabilities of the Group Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 ‘Retirement benefits’, accounts for these as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the Group Scheme in respect of the accounting period. For details of the Group Scheme see note 21 on page 96.

Notes to the accounts (continued)

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 profit and loss account as incurred. The FURBS has now been closed and in substitution a supplement of the same amount is now paid directly to the members.

The parent company has issued shares to employees to satisfy the exercise of employee share options. Full details of shares issued to the ESOT and employees are disclosed in note 22 on page 99. No share options have been granted by the Company to its directors, with all grants being made though subsidiary companies.

(vii) Financial instruments
Changes in the fair value of financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Any ineffective portion of the gain or loss is recognised immediately in the profit and loss account. 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 profit and loss account in the same period in which the hedged item affects net profit or loss. The Company applies the hedge accounting provisions of FRS 26 'Financial instruments' as they relate to forward currency and commodity contracts in order to minimise future volatility.

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

(viii) Cash at bank and in hand
Cash at bank and in hand includes 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. For the purpose of these financial statements, bank overdrafts are included in 'Creditors: amounts falling due within one year'.

(ix) 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 profit and loss account over the period of the borrowings on an effective interest basis.

(x) 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 charged to total equity and the proceeds of their reissue are credited to total equity.

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

(b) Profit for the financial period
The profit attributable to shareholders dealt with in the accounts of the Company is £110.1 million (2006: £52.1 million). The profit is stated after foreign exchange losses of £3.2 million (2006: £0.5 million gains).

Audit and non-audit fees are disclosed in note 3 on page 86. Details of directors' remuneration are given in the Directors' remuneration report on pages 60 to 73. The Company has no employees.

(c) Tangible fixed assets

	Short leasehold land and buildings £m	Plant, machinery and vehicles £m	Shopfronts, fixtures and fittings £m	Total £m
Cost:				
At 28 January 2006	5.9	14.8	101.4	122.1
Additions	0.1	3.0	5.7	8.8
Disposals	(6.0)	(17.8)	(107.1)	(130.9)
At 3 February 2007	**–**	**–**	**–**	**–**
Depreciation:				
At 28 January 2006	3.7	7.0	36.5	47.2
Charged in the period	0.2	2.3	12.2	14.7
Disposals	(3.9)	(9.3)	(48.7)	(61.9)
At 3 February 2007	**–**	**–**	**–**	**–**
Net book value:				
At 3 February 2007	**–**	**–**	**–**	**–**
At 28 January 2006	2.2	7.8	64.9	74.9

During the year all of the Company's fixed assets were sold to other Group companies.

(d) Debtors

	2007 £m	2006 £m
Debtors recoverable within one year – amounts owed by subsidiary undertakings	**823.4**	539.3
Derivative fair values	**4.2**	2.0
	827.6	541.3

(e) Cash at bank and in hand

	2007 £m	2006 £m
Bank deposits	**55.8**	21.9

(f) Creditors: amounts falling due within one year

	2007 £m	2006 £m
Bank overdrafts	**7.9**	17.4
Amounts owed to subsidiary undertakings	**605.7**	570.5
Derivative fair values	**0.4**	–
Corporation tax	**6.6**	5.4
Accruals and deferred income	**3.6**	2.1
	624.2	595.4

The number of days' purchases outstanding at 3 February 2007 was nil.

Notes to the accounts (continued)

(g) Creditors: amounts falling due after more than one year

	2007 £m	2006 £m
US Private Placement	192.9	–
Deferred taxation	–	2.1
	192.9	2.1

Details of the Private Placement are given in note 18 on page 94.

(h) Reserves

	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Retained earnings: Purchase of own shares £m	Retained earnings: Hedging reserve £m	Retained earnings: Profit and loss account £m
At 28 January 2006	71.7	–	565.1	(8.3)	1.4	168.8
Profit for the period attributable to equity shareholders	–	–	–	–	–	110.1
Effective portion of changes in fair value of cash flow hedges net of recycling	–	–	–	–	1.2	–
Dividends	–	–	–	–	–	(57.8)
Equity settled transactions	–	–	–	–	–	1.1
Share options exercised	4.6	–	–	1.1	–	(1.6)
Purchase of own shares	–	0.1	–	–	–	(33.7)
Shares issued to ESOTs	0.7	–	–	–	–	–
At 3 February 2007	**77.0**	**0.1**	**565.1**	**(7.2)**	**2.6**	**186.9**

Details of each of the reserves are given in note 23 on page 100.

(i) Commitments

The Company does not occupy any property or hold any plant, machinery and vehicles under operating leases.

Capital commitments at 3 February 2007 for which no provision has been made in these accounts were as follows:

	2007 £m	2006 £m
Contracted	–	1.1

(j) Contingent liabilities

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

The Company has assigned or sub-let UK property leases in the normal course of business. Should the assignees or sub-tenants fail to fulfil any obligations in respect of these leases, the Company 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 profit and loss account as it arises, has not been material.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(k) Investments

	Shares in subsidiary undertakings £m
Cost at 3 February 2007 and 28 January 2006	**766.8**

A list of the principal subsidiaries is given in note 29 on page 105.