

Report of the directors

Principal activities

The principal activity of the Group is the retailing of jewellery, watches and gifts with branches throughout the UK and the US. The subsidiaries principally affecting the profit or net assets of the Group are listed in note 29 on page 105.

Business review

The Board has prepared the reviews and descriptions in this document for the purpose of assisting shareholders to assess the position and strategies of the Group and the potential for those strategies to succeed. Section 234ZZB of the Companies Act 1985 requires that the Group produces a business review. The information that has been prepared to fulfil the requirements of that business review can be found in the Group Chief Executive's review, the US and UK operating reviews, the Key performance indicators, the Financial review, the Social, ethical & environmental matters and the Risk and other factors ("the Reviews") on pages 8 to 45 of this document, those pages being incorporated by reference into this Report of the directors. The reviews report on the Group's development and performance during the past year together with its strategy and prospects with particular reference to stated key performance indicators (KPIs) (pages 25 to 28).

A review of the Group's performance during the year, with comments on the financial results, details of the KPIs that management use, the principal risks and uncertainties facing the Group and likely future developments, are set out on pages 8 to 45 and form part of this Report. The directors, in preparing this review, took into account the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review.

The Group collects performance indicator data for many management purposes, including environmental, employment and social factors for review by the Board. Due to the nature of the business, this information is not considered to be necessary for an understanding of the development, performance or position of the business of the Group, and is therefore not made publicly available. Further information on environmental, employment and social factors is set out in the Social, ethical and environmental matters on pages 55 to 59.

Cautionary statement

The Reviews incorporated by reference in this Report of the directors contain forward-looking statements which are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that expectations reflected in these statements are reasonable but they may be affected by a wide range of factors which could cause actual results to differ materially from those currently anticipated.

Going concern

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is

appropriate to continue to adopt the going concern basis in preparing its annual accounts.

Results and dividends

The results of the Group for the year appear on page 76. The directors recommend the payment of a final dividend of 6.317 cents per share, to be paid on 6 July 2007 to shareholders on the register of members at close of business on 1 June 2007. Those persons with a UK address or who so elect, will receive their dividends in pound sterling. Those shareholders with a US address or another address outside the UK will receive their dividends in US dollars. The equivalent pound sterling rate will be calculated by reference to the mid-point exchange rate for pound sterling with US dollars in London as derived from Reuters at 4.00 p.m. on 1 June 2007. An interim dividend of 0.4434p per share was paid in November 2006. See note 10 on page 89 for waiver of dividends.

Directors

The directors who served during the period were James McAdam, Robert Anderson, Robert Blanchard, Walker Boyd, Terry Burman, Dale Hilpert, Brook Land, Mark Light, Robert Walker, Russell Walls and Malcolm Williamson (Chairman). Details of the current directors are shown on page 46. James McAdam retired as a director and Chairman at the conclusion of the annual general meeting on 9 June 2006. Malcolm Williamson was appointed as Chairman in his place.

Independence of non-executive directors

The Board has considered the independence of all of the non-executive directors in relation to the Combined Code and has concluded that each is independent, including Mr. Land notwithstanding that he has served on the Board for longer than nine years. The non-executive directors and the Board as a whole have considered Mr. Land's position and have concluded that he performs effectively and has demonstrated his objectivity and his commitment. The Board continues to value Mr. Land's contribution. Mr. Land will therefore offer himself for re-election to the Board at the forthcoming annual general meeting, but has indicated his intention to retire from the Board at the conclusion of the annual general meeting to be held in 2008.

Directors' remuneration, service contracts and share interests

Details of directors' remuneration, service contracts and the interests in the share capital of the Company of the directors and their immediate families at 3 February 2007 are given in the Directors' remuneration report on pages 60 to 73.

Allotment of equity securities

There were no equity securities allotted save in relation to the exercise of options as set out in note 28 on page 103.

Social, ethical and environmental matters

Matters relating to these issues, including employees, payment of creditors and charitable and political donations, are set out on pages 55 to 59.

Substantial shareholdings and control of the Company

Details of substantial shareholdings and control of the Company are as set out on pages 119 and 120.

Purchase of own shares

At the annual general meeting of the Company held on 9 June 2006, the shareholders gave the Company authority to purchase, in the market, up to 174,013,800 shares of 0.5p each in the Company at a minimum price of 0.5p per share and a maximum price of 105% of the average of the market values derived from the London Stock Exchange Daily Official List for the preceding five business days. At the extraordinary general meeting held on 12 December 2006 to approve the redenomination of the Company's share capital in US dollars, this authority was renewed for 171,400,507 shares of 0.9 US cents.

During the financial year the Company purchased 30,271,522 shares at a weighted average price of 111.5 pence. Since the year end, the Company has purchased a further 11.4 million shares at a weighted average price, excluding transaction costs, of 121 pence. The authority expires at the forthcoming annual general meeting and a resolution to renew it will be proposed at that meeting.

Pension funds

Information about the Group's pension schemes is set out in the Financial review section on pages 33 and 34, the Risk and other factors section on page 43 and in note 21 on page 96. Information about pension arrangements for executive directors is set out in the Directors' remuneration report on pages 60 to 73.

Indemnities

Certain US subsidiaries of the Company had constitutions and by-laws that provided indemnities to directors which although conforming to local laws and practice, in some respects exceeded what would be permitted under English law if they were UK companies. To ensure compliance with the UK Listing Rules the Company, following discussion with the UKLA, amended the existing constitutions and by-laws of all relevant US subsidiaries to cap any such indemnity (to the extent that it exceeds what is permitted under English law) at the lower of (a) 4.99% of the market capitalisation of the Company; and (b) 24.99% of the average profits of the Company for the last three years, each as calculated in accordance with the UK Listing Rules.

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

Auditor

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the Company will be submitted to the annual general meeting.

Disclosure of information to auditors

Each of the directors at the date hereof confirms that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

New York Stock Exchange ("NYSE")

The Company's shares are listed on the NYSE in the form of an American Depositary Share ("ADS"). Each ADS represents ten ordinary shares.

A reconciliation between Signet's corporate governance practices and those required by the NYSE are detailed on the corporate website.

Annual general meeting

The annual general meeting is to be held at 11.00 a.m. on 8 June 2007 at The Café Royal, 68 Regent Street, London W1B 5EL.

A description of the business to be transacted at the annual general meeting is included with the notice of the meeting.

By order of the Board

Mark Jenkins

Group Company Secretary
18 April 2007