

SIGNET JEWELERS LTD

FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 05/04/06 for the Period Ending 01/28/06

Telephone	44-207-317-9700
CIK	0000832988
Symbol	SIG
SIC Code	5944 - Jewelry Stores
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	02/29

SIGNET GROUP PLC

FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 5/4/2006 For Period Ending 1/28/2006

Address	ZENITH HOUSE THE HYDE COLINDALE LONDON NW9 6EW ENGLA, 00000
CIK	0000832988
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	01/31

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

- ☐ Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934
- ☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended January 28, 2006
- ☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____.
- ☐ Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-16945

SIGNET GROUP plc

(Exact name of Registrant as specified in its charter)

ENGLAND

(Jurisdiction of incorporation or organization)

15 Golden Square
London W1F 9JG
England

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

American Depositary Shares
Ordinary Shares of 0.5 pence each

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares of 0.5 pence each	1,738,843,382
Class A Dollar Deferred Shares of \$0.01 each	0
Class B Dollar Deferred Shares of \$1.00 each	0

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

☒ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Explanatory Note

This document comprises the annual report on Form 20-F for the year ended 28 January 2006 of Signet Group plc (the “2005/06 Form 20-F”). Reference is made to the Cross Reference to Form 20-F table on page 1 hereof (the “Cross Reference to Form 20-F Table”). Only (i) the information in this document that is referenced in the Cross Reference to Form 20-F Table, (ii) the cautionary statement concerning forward-looking statements on page 1 and (iii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statements on Form S-8 of Signet Group plc (No. 333-12304, 333-09634 and 333-08964), and any other documents, including documents filed by Signet Group plc pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference the 2005/06 Form 20-F. Any information herein which is not referenced in the Cross Reference to Form 20-F Table, or the Exhibits themselves, shall not be deemed to be so incorporated by reference.

In 2005, the Company began preparing its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and as permitted by IFRS has prepared one year of comparative financial data on a consistent basis. As a result, in accordance with the instructions of Form 20-F, selected financial data for only 2004/05 and 2005/06 is included below. Selected financial data under US GAAP is presented for 2001/02, 2002/03, 2003/04, 2004/05 and 2005/06.



Signet Group plc

Annual Report & Accounts
Year ended 28 January 2006



The world's largest speciality retail jeweller

K A Y
JEWELERS

JARED®
The Galleria Of Jewelry

H.SAMUEL
THE JEWELLER

Ernest Jones
THE DIAMOND & WATCH SPECIALIST

The world's largest speciality retail jeweller

2005/06 Group performance

ι	Like for like sales:		up 2.4%
ι	Sales:	£1,752.3m	up 8.5%
ι	Operating profit:	£208.2m	down 2.0%
ι	Profit before tax:	£200.4m	down 1.7%
ι	Earnings per share ⁽¹⁾ :	7.5p	down 3.8%
ι	Dividend per share:	3.3p	up 10.0%
<hr/>			
ι	Return on capital employed ⁽¹⁾ :	22.4%	down from 26.3%
ι	Gearing ⁽¹⁾ :	11.2%	up from 10.8%
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(1) Earnings per share, return on capital employed and gearing are defined on page 121.

Annual Report & Accounts

Year ended 28 January 2006

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Signet Group plc is an English public limited company, whose shares are listed on the London Stock Exchange (under the symbol "SIG") and whose American Depositary Shares are listed on the New York Stock Exchange (under the symbol "SIG").

In this Annual Report, "2004/05", "2005/06" and "2006/07", refer to, as appropriate, the 52 weeks ended 29 January 2005, the 52 weeks ended 28 January 2006 and the 53 weeks ending 3 February 2007.

This Annual Report contains translations of certain pound sterling amounts into US dollars at a rate of \$1.77 = £1, which was the Noon Buying Rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal

Reserve Bank of New York (the "Noon Buying Rate") on 28 January 2006. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. On 5 April 2006 the Noon Buying Rate was \$1.75 = £1.

For financial years commencing on or after 1 January 2005 UK listed companies are required to report in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Group therefore now prepares its results under IFRS and this Annual Report contains audited and restated comparative information for 2004/05.

Cautionary statement regarding forward-looking statements

The Company desires to take advantage of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 with respect to the forward-looking statements about its financial performance and objectives in this Annual Report. Readers are referred to "Risk and other factors" on pages 30 to 35.

Group results

In the 52 weeks to 28 January 2006 total sales rose by 8.5% to £1,752.3 million (2004/05: £1,615.5 million). Like for like sales advanced by 2.4%, a strong US performance more than compensating for a significant fall in the UK. Profit before tax was £200.4 million (2004/05: £203.9 million). The tax rate was 34.7% (2004/05: 33.9%). Earnings per share were 7.5p (2004/05: 7.8p). See page 27 for the impact of exchange rate movements.

The US division again significantly outperformed its main competition and has now become the largest US speciality jewellery retailer by sales. Total dollar sales increased by 12.1%, with like for like sales up 7.1%. Like for like sales in the first half rose by 7.9% followed by a solid performance in the second half when they rose by 6.4%.

The UK experienced the sharpest deterioration in retail trading conditions for 14 years. Consequently the division's annual like for like sales fell by 8.2%, a performance believed to be at least in line with that of the UK jewellery sector.

The Group had a net cash outflow of £4.8 million (2004/05: £10.0 million) after investing £136.7 million in fixed and working capital during the year (2004/05: £152.1 million). The balance sheet remains strong and gearing (net debt to shareholders' funds) at 28 January 2006 was 11.2% (29 January 2005: 10.8%). The store refurbishment programme in the UK continued at a similar level to that in 2004/05. In the US, new store space grew by 9% (2004/05: 8%) and will increase further over the next five years given a planned investment programme of \$1 billion.

Dividend

The Board is pleased to recommend a 10.0% increase in the final dividend to 2.8875p per share (2004/05: 2.625p), the total for the year being 3.3p per share (2004/05: 3.0p). Dividend cover is 2.3 times (2004/05: 2.6 times). Distribution policy is regularly reviewed taking into account earnings, cash flow, gearing and the needs of the business. See page 79 regarding dividends to US holders of ordinary shares and ADSs.

Board changes

Following the announcement made at this time last year, I now confirm that I will retire from the Board at the end of the 2006 annual general meeting. I have held the position of Chairman since 1992. At that time the Group was in a perilous state but much has changed since then and today Signet has a market capitalisation approaching £2 billion. I will stand down knowing that the business is in good hands and I would like to thank Board colleagues, executives and staff for their contribution and support during my tenure in office.

Subject to shareholders electing Malcolm Williamson as a director at the annual general meeting in 2006, the Board has appointed him as Chairman with effect from the conclusion of that annual general meeting. Mr Williamson is a senior international businessman with significant chairmanship experience and has been a non-executive of the Group since November 2005.

Mark Light was appointed Chief Executive of the US division in January 2006. He was also appointed an executive director of Signet Group plc at that time. Mr Light joined the Group in 1978 and had been President and Chief Operating Officer of the US business since 2002.

Current trading

In the year to date, US like for like sales have increased at a similar rate to that achieved in the year to 28 January 2006. The gross margin eased reflecting the expansion of Jared, product mix changes and higher commodity costs. In the UK, the like for like sales decline during the nine week period reduced to low single digits. Valentine's Day promotions and a stronger performance by the insurance replacement business resulted in some reduction in gross margin.



James McAdam
Chairman
5 April 2006

Group Chief Executive's review

Group

Group operating profit was £208.2 million (2004/05: £212.5 million). The operating margin was 11.9% (2004/05: 13.2%) and the return on capital employed ("ROCE") 22.4% (2004/05: 26.3%). The declines being primarily due to difficult trading conditions in the UK.

The Group's medium term objectives are to maintain leading performance standards on both sides of the Atlantic, to increase new store space in the US, and to maintain a strong balance sheet whilst funding expansion of space in the US and dividend payments.

US division

During the year the division became the largest speciality retail jeweller in the US with an 8.2% market share. Kay substantially strengthened its position as the leading speciality jewellery brand and Jared is now also among the top-five brands in the sector. Operating profit rose by 17.3% to £167.1 million (2004/05: £142.4 million). At constant exchange rates the increase was 13.6% and the five year annual compound growth rate was 11.9%.

The division significantly outperformed the US retail sector with total dollar sales up by 12.1% and like for like sales rising by 7.1%. Jared's like for like sales performance was particularly strong. Kay's like for like sales increased broadly in line with the division as a whole, while those of the regional brands were slightly ahead of last year. Over the last five years the US division's total dollar sales have grown at an annual compound rate of 9.7% and like for like sales by 4.7%. During the same period, the division's share of the speciality jewellery market has risen from 5.8% to 8.2%. Consolidation in the speciality jewellery sector continues, providing significant opportunity to gain further market share.

New store space growth increased to 9% during 2005/06 (2004/05: 8%), compared with 6% in 2001/02. Compound growth in new store space over the last five years has been 7% per annum. The majority of the space increase was attributable to the expansion of Jared. The business also continued to invest in support services including increased capacity in the distribution centre, staff recruitment and training, and an expanded real estate department.

Over the next five years it is planned to invest \$1 billion in fixed and working capital to grow new store space. This will increase the number of stores in operation by over 40%. Over the longer term the US division has the potential to double store space within the three existing formats of Kay, Jared and the regional brands.

The division's current strategy is to gain further profitable market share through like for like sales growth by focusing on proven competitive advantages and by increasing new store space by 8% - 10% per annum (a measured increase from the previous target of 7% - 9%). Where appropriate, acceleration of this growth through acquisitions will be considered. Increases in total sales will provide further leverage of the cost base and supply chain efficiencies. The US division is increasingly becoming the speciality jewellery retailer of choice for customers, employees, suppliers and real estate developers.

UK division

Against the background of a difficult retail environment, UK operating profit fell to £49.1 million (2004/05: £76.9 million including a restructuring charge of £1.7 million). The retail sector experienced the sharpest deterioration in trading conditions since 1991. Whilst like for like sales fell by 8.2% the division still achieved a healthy operating margin of 10.5%, ROCE of 26.6% and strong cash flow. The division's strategy is to increase store productivity and operating margin by lifting the average transaction value, predominantly through higher diamond sales.

Notwithstanding the difficult environment, the average transaction value increased by 5% and diamonds now account for 29% (2004/05: 28%) of the division's sales. During the last five years the average transaction values have increased by 34% in H.Samuel and by 37% in Ernest Jones. Diamond participation has risen from 17% to 21% and from 33% to 38% respectively.

The business has continued to focus on improving customer service, with concentration on staff training and motivation. The diamond selection was further improved, with the Leo and Forever Diamond ranges once more outperforming the division. Stores remodelled during the year achieved a superior sales performance sufficient to satisfy the Group's investment criteria. Further trials of television advertising for both brands took place. In implementing these initiatives the division continued to draw on the US business' best practice and experience. While the UK business has undergone significant changes in recent years there are still many opportunities for further improvement.

US performance review (73% of Group sales)

Details of the US division's performance are set out below:

	2005/06	2004/05	Change	Change at constant exchange rates	Like for like change
	£m	£m	%	%	%
Sales	1,282.7	1,107.8	+15.8	+12.1	+7.1
Operating profit	167.1	142.4	+17.3	+13.6	
Operating margin	13.0%	12.9%			
ROCE	22.4%	22.2%			

The operating margin was a little above that of last year, leverage of like for like sales growth offsetting the impact of additional immature space of 50 basis points as well as the adverse movement in gross margin of 50 basis points. The change in gross margin primarily reflected the growth of Jared and the increase in average transaction values as customers increasingly purchased larger and more expensive diamonds. Both of these factors were drivers of the like for like sales growth and are expected to continue in 2006/07. A range of supply chain initiatives and selective pricing changes largely counterbalanced commodity cost increases. The increase in the price of diamonds has moderated although the cost of fine gold continues to rise. Further pricing and supply chain initiatives are planned to

mitigate the impact of commodity cost increases. The bad debt charge was 3.0% of total sales (2004/05: 2.8%). The proportion of sales through the in-house credit card was 51.1% (2004/05: 50.6%).

In the jewellery sector, superior customer service and product knowledge are critical competitive advantages and during 2005/06 a system to measure customer satisfaction was introduced to help identify areas for improvement on a store-by-store basis. The proportion of qualified diamondologists, including those in training, increased to over 70% of full time sales staff. Recruitment practices were further improved and the programme to enhance jewellery repair procedures continued. A virtual diamond vault, offering consumers access via an in-store computer to a supplier's inventory of loose diamonds, was rolled out to all Jared stores and selected mall stores.

Average unit selling prices in both mall stores and Jared increased by some 8% reflecting further positive response by the consumer to new, higher value, merchandising initiatives, as well as selective changes in retail prices due to increased commodity costs. The upper end of the diamond selection was further enhanced and the Leo Diamond range was again expanded. In Jared the luxury watch ranges continued to be extended. During the year an initiative to develop the capability to source rough diamonds was commenced with the objective of securing additional reliable and consistent supplies of diamonds.

The annual gross marketing spend amounted to 6.7% of sales (2004/05: 6.6%) and dollar marketing expenditure increased by 12.7% reflecting the growth in sales. Kay's consistent use of its highly effective "Every kiss begins with Kay" advertising campaign enabled it to gain further consumer awareness thereby benefiting its sales performance. It is intended to launch a new Kay website with an e-commerce capability during the second half of 2006. Regional brands continued to use radio advertising although television advertising was tested in one market over Christmas 2005. The test will be expanded to a further two markets in 2006/07. Local television advertising supported all Jared stores for the first time during the holiday period and it is now expected that Jared will have sufficient scale to move to national television advertising in the fourth quarter of 2007/08.

A project to increase the capacity of the distribution centre commenced in 2005/06 and is on schedule to be completed in 2006/07. As part of this project a new central repair facility was opened thereby increasing productivity.

In 2005/06 Kay increased sales by 9.9% to \$1,290.1 million (2004/05: \$1,174.4 million) and at the year end there were 781 Kay stores. It is planned to increase Kay's representation in malls by 23-28 net new stores in 2006/07. In selected malls a superstore format, drawing on the experience of Jared and the recently launched metropolitan store concept, will be tested during 2006/07. The trial of Kay in open-air retail centres has proved successful and the rate of openings will be increased to 20-25 in 2006/07 (2005/06: 11). Three stores in metropolitan locations started trading in 2005/06 and two

more sites are expected to be added in 2006/07. An opportunity to open Kay stores in outlet centres has also been identified and it is intended to test about five stores in this format in 2006/07. In total a net 50-60 additional Kay stores are planned for 2006/07 (2005/06: 39) and in the longer term there is the potential for over 1,450 stores.

330 mall stores traded under strong regional brand names at 28 January 2006 with sales of \$484.5 million (2004/05: \$471.1 million). The regionally branded stores provide the potential to develop a second mall brand of sufficient size to justify the cost of national television advertising. This would require about 550 stores which could be achieved in the medium term by a mixture of store openings and acquisitions. It is planned that 10-15 net new stores will be opened in 2006/07 (2005/06: nine) and there is potential for some 700 regional stores under a single national brand.

Jared sales were \$534.2 million (2004/05: \$415.0 million) and the portfolio of 110 stores is equivalent in space terms to about 450 mall stores. The Jared concept is the primary vehicle for US space growth and in 2005/06 the number of store openings increased to 18 (2004/05: 14). One store in New Orleans was closed due to hurricane and flood damage. The chain is immature with only 40% of stores having traded for five full years. Nonetheless Jared's average store contribution rate is nearing that of the division as a whole. The 43 mature Jareds achieved, on average, sales of some \$5.6 million in their fifth year of trading, above their target level. During 2006/07 it is intended to increase the number of Jared openings to 18-23 and opportunities for over 250 stores have been identified.

The table below sets out the store numbers and net new openings and the potential number of stores by chain:

Store numbers	Net openings		Planned net openings		Potential
	29 January 2005	2005/06	28 January 2006	2006/07	
Kay:					
Mall	721	25	746	23-28	850+
Off-mall	20	11	31	20-25	c.500
Metropolitan	nil	3	3	2	c.50
Outlet	1	nil	1	5	50-100
	742	39	781	50-60	1,450+
Regionals	321	9	330	10-15	c.700
Jared	93	17	110	18-23	250+
Total	1,156	65	1,221	80-90	2,400+

In 2005/06 fixed capital investment was \$88.4 million (2004/05: \$77.6 million) and this is planned to rise to over \$100 million in 2006/07. Some \$45 million of the fixed capital investment related to new store space in 2005/06, with an increase to about \$55 million expected in 2006/07. The investment in working capital, that is inventory and receivables, associated with space growth amounted to some \$96 million in 2005/06 [and is expected to increase to over \$115 million in 2006/07.

Recent investment in the store portfolio, both fixed and working capital, is set out below:

	2005/06	2004/05
New stores:		
Mall stores	49	44
Off-mall stores ⁽¹⁾	14	10
Jared stores	18	14
Fixed capital investment	\$45m	\$27m
Working capital investment	\$96m	\$76m
New store investment	\$141m	\$103m
Store refurbishments and relocations	57	76
Other store fixed capital investment	\$28m	\$29m
Total store investment	\$169m	\$132m

(1) Includes three metropolitan stores

UK performance review (27% of Group sales)

Details of the UK division's performance are set out below:

	2005/06	2004/05	Change	Like for like change
	£m	£m	%	%
Sales: H.Samuel	256.2	281.1	(8.8)	(8.7)
Ernest Jones	208.5	221.1	(5.7)	(7.5)
Other	4.9	5.5	(10.9)	
Total	469.6	507.7	(7.5)	(8.2)
Operating profit	49.1	76.9 ⁽¹⁾	(36.2)	
Operating margin	10.5%	15.1% ⁽¹⁾		
ROCE	26.6%	44.5% ⁽¹⁾		

(1) After charging a restructuring expenses of £1.7 million.

The UK division's operating margin was 10.5% (2004/05: 15.1%) reflecting the poor trading conditions and the resulting negative operational leverage. Pricing discipline was maintained and the gross margin increased by 60 basis points in 2005/06 but is expected to show a slight decline in 2006/07.

Diamond jewellery assortments were further enhanced during the year and participation continued to rise. The Leo Diamond range was further expanded in Ernest Jones and the Forever Diamond selection was increased in H.Samuel. White metal jewellery again proved popular. The average selling price in H.Samuel was £38 (2004/05: £37) and in Ernest Jones £148 (2004/05: £141).

Both customer service and product knowledge remain priorities. A carefully structured weekly training programme continues to be followed, with an emphasis on measurable outcomes. The sales commission scheme, which drew on the Group's US experience, was successfully tested in 2004/05 and rolled out during 2005/06.

The television advertising trial continued at a similar level of coverage to 2004/05. Marketing expenditure represented 3.2% of sales in 2005/06 (2004/05: 3.0%). In August 2005 an e-commerce capability was launched on the H.Samuel website as a complement to store-based customer service. It is anticipated that the Ernest Jones website will commence e-commerce in 2006/07.

During the year 78 stores were refurbished or relocated. At the year end 228 stores, mostly H.Samuel, traded in the modernised format, accounting for over 40% of the UK division's sales. Five Ernest Jones and three H.Samuel stores were opened. 15 H.Samuel and two Ernest Jones stores were closed. At the year end there were 593 stores (386 H.Samuel and 207 Ernest Jones). A lower level of store refit is planned for 2006/07 in line with the normal refit cycle, with store capital expenditure expected to be some £12 million (2005/06: £22 million).

Recent investment in the store portfolio is set out below:

	2005/06	2004/05
Number of stores		
Store refurbishments and relocations	78	81
New H.Samuel stores	3	2
New Ernest Jones stores	5	7
Store fixed capital investment	£22m	£23m



Terry Burman
Group Chief Executive
5 April 2006

Financial summary

	2005/06 £m	2005/06 ⁽¹⁾ \$m	2004/05 £m
Sales	1,752.3	3,101.6	1,615.5
Operating profit	208.2	368.5	212.5
Financing costs	(7.8)	(13.8)	(8.6)
Profit before tax	200.4	354.7	203.9
Taxation	(69.6)	(123.2)	(69.1)
Profit for the period	130.8	231.5	134.8
Earnings per share ⁽²⁾	7.5p	\$0.13	7.8p
Dividend per share (£)	3.300p		3.000p
Dividend per share (\$)	\$0.0594		\$0.0558
Capital expenditure	75.9	134.3	70.5
Investment in fixed and working capital	136.7	242.0	152.1
Depreciation and amortisation	46.2	81.8	41.7
Net debt	98.6	174.5	83.5
Shareholders' funds	878.9	1,555.7	771.7
Shares in issue (million)	1,738.8		1,735.6
Gearing ⁽²⁾	11.2%		10.8%
Return on capital employed ⁽²⁾	22.4%		26.3%
Store numbers (at end of period):			
US	1,221		1,156
UK	593		602
Percentage increase/(decrease) in like for like sales:			
US	7%		6%
UK	(8%)		3%
Group	2%		5%
Average sales per store (£'000s) ⁽³⁾ :			
US	1,072		976
UK	813		866
Number of employees (full-time equivalents)	15,652		15,145

(1) Amounts in pounds sterling are translated into US dollars solely for the convenience of the reader, at a rate of £1.00 to \$1.77, the Noon Buying Rate on 28 January 2006.

(2) Earnings per share, return on capital employed and gearing are defined on page 121.

(3) Including only stores operated for the full financial period.

The financial data included in the Financial summary above has been derived, in part, from the consolidated accounts for such periods included elsewhere in this Annual Report. The financial data should be read in conjunction with the accounts, including the notes thereto, and the Financial review included on pages 22 to 29.

Further selected financial data is shown on pages 118 and 119. The accounts of the Group for 2005/06 and 2004/05 have been prepared in accordance with IFRS, which differ in certain respects

from US GAAP. See note 30 on page 99 for details of transitional exemptions where full retrospective application has not been applied. See pages 103 to 111 for information on the material differences between IFRS and US GAAP that affect the Group's profit and shareholders' funds.

Overview

During 2005/06 Signet's US division became the sector leader in the speciality retail jewellery market in the United States with an approximate share of 8.2%. Total US sales in the year to 28 January 2006 were \$2,309 million (2004/05: \$2,061 million). The division's mall stores target the middle market while the off-mall superstores target the upper middle market. Its mall stores trade nationwide as Kay Jewelers ("Kay"), and regionally under a number of well established and recognised brands. Kay Jewelers is the largest speciality retail jewellery brand in the US by sales and accounted for 40.5% of Group sales. The regional stores amounted to 15.2% of Group sales. The destination superstores trade as Jared The Galleria Of Jewelry ("Jared") and the 110 stores are equivalent in space terms to some 450 of the Group's mall stores. Jared, which accounts for 16.8% of Group sales, became one of the top-five US speciality jewellery retailers by sales in 2005/06. It is the largest and fastest growing chain of off-mall category killer destination jewellery stores. A category killer store offers a wider selection of merchandise at highly competitive prices and is not normally located in a regional mall.

Over the longer term, the division's aim is to gain further profitable market share through like for like sales growth by focusing on proven competitive advantages. It aims also to increase US new store space by between 8% – 10% per annum, with Jared accounting for the majority of the planned space growth.

Competitive advantages

Management attributes the division's success in the US speciality retail jewellery market to a range of competitive advantages in store operations and human resources, real estate, merchandising and marketing. These advantages are reflected in an above average sales per store and operating profit margin. The principal competitive advantages are summarised below, and are explained in greater detail over the following pages.

• Store operations and human resources

Experience demonstrates that the sales associate's ability to communicate and explain the value and quality of the merchandise plays a significant part in a retail jewellery purchase. Therefore, the US division has developed specialised training for its retail associates, and its size provides leverage of training resources and systems. The division now has at least one certified diamontologist in each of its stores and all store managers are required to be so qualified.

• Real estate

Strict criteria are followed when evaluating real estate investment or lease renewal, and management believes that the quality of the store portfolio is superior to that of its competitors. The trading record and the strength of the Group balance sheet make Signet an attractive tenant.

• Merchandising

Management believes that Signet has a supply chain advantage compared to its competitors as it has greater experience and capacity to direct source loose diamonds (i.e. to purchase loose polished diamonds from diamond cutters and supply them to contract manufacturers who produce finished merchandise). This sourcing strategy allows the Group to provide superior value and quality to the consumer. Diamond jewellery accounts for approximately 71% of total merchandise sales. The division's sophisticated merchandising systems test, track, forecast and respond to consumer preferences and provide competitive advantage by helping to ensure high in-stock positions of key merchandise assortments and faster moving items.

• Marketing

Kay is one of a very limited number of US speciality retail jewellery brands with a presence large enough to justify national television advertising, which is the most cost effective way to attract customers, enter new markets and increase brand recognition.

All Jared stores were supported by local television advertising over Christmas 2005 and it is expected to have sufficient scale to benefit from the use of national television advertising for Christmas 2007.

Initiatives in 2005/06

Specific initiatives taken during 2005/06 to strengthen the Group's competitive position included:

Store operations and human resources

- strengthened field recruitment organisation;
- increased number of certified diamontologists by 12%; and
- introduced customer satisfaction index.

Real estate

- increased number of Jared openings by 29% to 18;
- continued test of Kay off-mall store format and opened first three stores in metropolitan locations; and
- development of plans for Kay stores in outlet centres.

Merchandising

- further developed the Leo Diamond range;
- tested virtual diamond vault (giving on-line access to vendor inventory);
- began initiative to develop a capability to source rough diamonds; and
- capacity of distribution centre substantially increased.

Marketing

- expanded national TV advertising for Kay;
- all Jared stores supported by local TV advertising; and
- commenced developing television advertisements for JB Robinson.

Initiatives for 2006/07

Initiatives planned for 2006/07 include:

Store operation and human resources

- improve jewellery repair business processes; and
- continue to trial e-learning.

Real estate

- increase number of Jared openings to between 18 and 23;
- commence roll-out of Kay stores in off-mall locations with 20 to 25 openings; and
- test Kay stores in outlet centres.

Merchandising

- expand range of diamond jewellery, including larger, higher priced stones;
- test superstore concept in high traffic malls; and
- further extend luxury watch collection in Jared.

Marketing

- further increase Kay and Jared television advertising;
- expand trial of JB Robinson television advertising into two additional markets; and
- launch e-commerce capability for Kay.

Marketplace

Total US jewellery sales, including watches and fashion jewellery, are estimated by the US Department of Commerce to have been \$59 billion in 2005 (2004: \$57 billion). The US jewellery market has grown at a compound annual growth rate of 5.7% over the last 25 years. In 2005 the total jewellery market grew by about 3.8%. Signet has an approximate 3.9% share of the total US jewellery market. US diamond jewellery sales are believed to account for about 50% of worldwide diamond jewellery sales according to Rapaport Research. In the US market, diamond jewellery sales account for about 55% of total jewellery sales. In the last ten years the growth in diamond jewellery sales has been more than a third faster than that of the total jewellery market. Speciality retailers accounted for about 48% – 49% of the total jewellery market over the last five years and 47.3% in 2005. The speciality jewellery sector grew by 2.4% in 2005. The US division has an approximate 8.2% market share of the speciality sector.

Jewellery sector sales have, over the longer term, grown faster than retail sales (source: US Department of Commerce and US Census Bureau) and the rate of growth accelerates and slows broadly in line with major non-food retail categories. Management believes that a major contributor to the relationship with other non-food retail categories is that the majority of jewellery sales are made in the middle mass market for bridal related or annual gift giving events. Retail jewellery sales have risen at a compound annual growth rate of 4.8% from 1998 to 2005 (see graph below). Jewellery sales outperformed other comparable sectors in the more buoyant late 1990's, under-performed in 2001 and have performed in line with the selected other non-food retail categories over the last four years. Over this eight year period Signet's total US dollar sales rose (excluding the acquisition of Marks & Morgan) at a compound annual growth rate of 10.9%.

1999, a decrease of about 2,250 firms, equivalent to a compound annual decrease of around 1.5%. The number of stores operated by the five largest speciality jewellery retailers increased by about 700 over the same period and reflects the continuing consolidation taking place in the sector. The US division accounted for about 60% of the increase in store numbers of the five largest speciality jewellery retailers.

Management believes that the five largest speciality jewellery retailers have increased their market share from about 18% to about 24% of speciality jewellery sales over the last five years. The majority of this increase reflected Signet's growth. These trends provide a significant growth opportunity for those businesses with competitive advantages in the sector, and it is believed that Signet is well positioned to gain further market share.

The US division competes on the basis of the quality of its personal customer service, merchandise selection, availability, quality and value. Brand recognition, trust and store locations are also competitive advantages as is the ability to offer private label credit card programmes to customers. The US division does not hold any material patents, licenses, franchises or concessions but has a range of trading agreements with suppliers, the most important being in regard of the Leo Diamond. The established trademarks and trade names of the division are essential to maintaining its competitive position in the retail jewellery industry.

Store operations and human resources

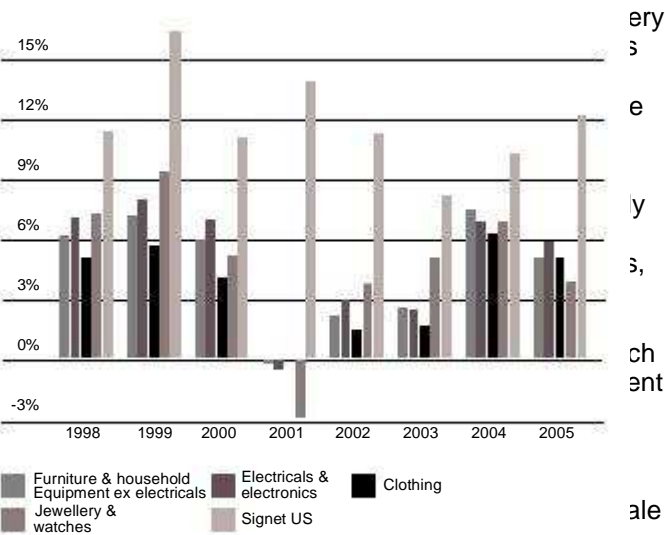
A retail jewellery sale normally requires face-to-face interaction between the customer and the sales associate, during which the items being considered for purchase are removed from the display cases and presented one at a time while their respective qualities are explained to the customer. Consumer surveys indicate that a key factor in the retail purchase of jewellery is the customer's confidence in the sales associate.

A customer satisfaction index covering 20 criteria was introduced during 2005/06. Each store is benchmarked against others in its district, region and across the division based on customer feedback. The scores are reported on a monthly basis highlighting areas of good performance and those for improvement.

Providing knowledgeable and responsive customer service is a priority, and is regarded by management as a key point of differentiation. It is believed that highly trained store sales staff with the necessary product knowledge to communicate the quality, attributes and competitive value of the merchandise are critical to the success of the business. The US division's substantial training and incentive programmes for all levels of store staff are designed to play an important role in recruiting, educating and retaining qualified store staff. The preferred practice is to promote managers of all levels from within the organisation in order to maintain continuity and familiarity with the division's procedures.

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jewellery retailers have more than 100 stores) and independent retail jewellery stores (including smaller regional chains of fewer than 100 stores) which account for over 70% of the speciality market.

In 2005 the Jewelers Board of Trade estimated that there were some 24,500 speciality jewellery firms in the US, compared to 26,750 in

Retail sales personnel are encouraged to become certified diamontologists by graduating from a comprehensive correspondence course provided by the Diamond Council of America. Over 73% of the division's full time sales staff who have completed their probationary period are certified diamontologists or are training to become certified. Employees often continue their professional development through completion of further courses on gemstones. The number of certified diamontologists employed by the US division was up by 12% in 2005/06.

All store employees are set daily performance standards and commit to goals. Sales contests and incentive programmes also reward the achievement of specific goals with travel or additional cash awards. In addition to sales-based incentives, bonuses are paid to store managers based on store contribution and to district managers based on the achievement of key performance objectives. In 2005/06 approximately 24% (2004/05: 23%) of store personnel remuneration was commission and incentive-based.

Each store is led by a store manager who is responsible for various store level operations including overall store sales and branch level variable costs; certain personnel matters such as recruitment and training; and customer service. Administrative matters, including purchasing, merchandising, payroll, preparation of training materials, credit operations and divisional operating procedures are consolidated at divisional level. This allows the store manager to focus on those tasks that can be best executed at a store level, while enabling the business to benefit from economies of scale in administrative matters and to help ensure consistency of execution across all the stores.

Although staff recruitment is primarily the responsibility of store and district managers, a central recruitment function supplies field recruiters from the US head office, and uses methods such as internet recruitment to provide stores with a larger number of better-qualified candidates from which to select new staff.

Management believes that the retention and recruitment of highly-qualified and well-trained staff in the US head office in Akron, Ohio is essential to supporting the stores. A comprehensive in-house curriculum supplements specific job training and emphasises the importance of the working partnership between stores and the head office.

US head office bonuses are mainly based on the performance of the division against predetermined annual profit targets. Promotion decisions for all non-management head office personnel are based on performance against service level and production goals; for managers they are based on annual objectives and performance against individual job requirements.

Real estate

The vast majority of Signet's US stores are located in suburban areas. Kay and the regional chains are predominantly located in superior regional and super-regional enclosed malls where they seek sites at busy centre court locations. Approximately 57% of the stores are so situated. The average mall store contains approximately 1,170 square feet of selling space and 1,460 square feet of total space. The design

and appearance of stores is standardised within each chain. The typical investment in the first year of trading to open a mall store is about \$1.1 million.

The typical Jared store has about 4,700 square feet of selling space and 5,900 square feet of total space. Its size permits significantly expanded product ranges and enhanced customer services, including in-store repair and custom design facilities. A private viewing room is available for customers when required. There are also complimentary refreshments and a children's play area. The typical investment in the first year of trading to open a Jared store is about \$3.8 million.

Management believes that the US division's prime real estate portfolio, together with its regular investment in mall store refurbishments and relocations, are competitive advantages that help build store traffic. Superior like for like sales growth is normally achieved for a number of years following such investment. The typical benefits from mall store refurbishments, which normally occur on a ten year cycle, include an increase in linear footage of display cases positioned on the store frontage, more effective lighting, improved visibility and better access to the store. When relocating a store to a better location in a mall, such as a centre court corner site from an in-line location, an increase in like for like sales is expected for the reasons given above.

In some of the highest traffic malls it is intended to test a format which offers increased selling space, better customer service facilities and a wider merchandise assortment, in particular a much greater selection of loose polished diamonds and settings thereby drawing on the division's experience with Jared.

In 2005/06 there was a net increase in the US division's new store selling space of 9%, at the top end of the target range. In 2006/07 it is planned to open approximately 18-23 Jared stores, 23-28 mall stores, 20-25 off-mall Kay locations, two metropolitan stores and up to five Kay stores in outlet centres. Around 20 mall stores are planned for closure. The programme should result in a net increase in new store space of 8% – 10% by the end of 2006/07. Criteria for investment in real estate remain stringent.

Signet may consider selective purchases of mall stores that meet its acquisition criteria regarding location, quality of real estate, customer base and return on investment.

Kay

The expansion of Kay as a nationwide chain is an important element of the US growth strategy. With 781 stores in 50 states at 28 January 2006 (29 January 2005: 742 stores), Kay is targeted at the middle income consumer and in 2005/06 had sales of \$1,290.1 million (2004/05: \$1,174.4 million). During 2004/05 Kay became the largest speciality retail jewellery brand in the US, based on sales, and increased its leadership position in 2005/06. It is believed that in the longer term there is potential to expand the Kay chain to over 1,450 stores, including some 850 stores in covered regional malls. New Kay formats have been developed for locations outside traditional malls and these are detailed below.

Kay lifestyle and power strip stores provide an expansion opportunity to take advantage of fast growing retail venues. A lifestyle centre is a suburban open air shopping centre where the retail mix is biased toward fashion and leisure stores and is also likely to have a large number of restaurants. A power strip centre is also a suburban open air shopping complex but the retail mix is predominantly category killer superstores with some smaller speciality units. These shopping centres are often referred to as "off-mall" locations.

Kay stores in off-mall locations were successfully tested between 2003 and 2005 with 31 stores having been opened. It is intended to commence the roll-out of Kay stores in these open air centres with 20-25 openings expected in 2006/07. The potential for some 500 suitable locations has been identified in these types of centres. While these Kay stores are expected to have a lower capital expenditure, lower rents and lower sales per store at maturity than that of the Kay chain average, they are expected to satisfy the normal return on investment hurdle set by the Group.

Kay metropolitan stores allow penetration into high population downtown areas under-served by the division's typical mall and

off-mall stores. These metropolitan markets have a high density of retail, business, entertainment and government establishments with good transit services and high pedestrian footfall.

During 2005/06 three Kay stores were opened in metropolitan locations in Chicago, Manhattan and Brooklyn. These Kay stores also need to meet the Group's normal investment criteria and are anticipated to have a higher capital expenditure, higher rents and higher sales per store at maturity than that of the Kay chain average. The development of these stores draw on the division's experience gained from both Kay and Jared. It is anticipated that there is potential for approximately 50 such stores.

In 2006/07 it is intended to test about five Kay stores in outlet malls. These stores will provide penetration into the "bargain hunter" sector of the market. They will be located in two types of centres; "Factory outlets" in which 50% or more tenants are manufacturing outlets and "Mixed use" centres, typically with one million square feet of manufacturers' outlet units, traditional mall stores and large space retailers.

The following table sets out information concerning the US stores operated by Signet during the period indicated:

	2005/06	2004/05
Number of stores:		
Total opened during the year ⁽¹⁾	81	68
Kay	43	34
Regional chains	20	20
Jared	18	14
Total closed during the year	(16)	(15)
Kay ⁽²⁾	(4)	(9)
Regional chains	(11)	(6)
Jared ⁽²⁾	(1)	–
Total open at the end of the year	1,221	1,156
Kay	781	742
Regional chains	330	321
Jared	110	93
Average retail price of merchandise sold	\$351	\$320
Kay	\$305	\$282
Regional chains	\$324	\$304
Jared	\$697	\$644
Average sales per store in thousands ⁽³⁾	\$1,930	\$1,816
Kay	\$1,665	\$1,584
Regional chains	\$1,514	\$1,533
Jared	\$5,453	\$4,975
Increase in net new store space	9%	8%
Percentage increase in like for like sales	7.1%	5.9%

(1) Figures for stores opened during the year are adjusted for the impact of conversions of format between Kay and regional chains.

(2) 2005/06 includes one Kay and one Jared store temporarily closed as a result of hurricane and flood damage. The stores are expected to re-open in 2006/07.

(3) Based upon stores operated for the full financial year.

Management believes that the expansion of Kay outside of covered regional malls presents a potential opportunity to reach new customers currently aware of the brand but with no convenient access to a store. These stores will leverage further the strong Kay brand awareness, the marketing support and the central overhead.

Regional chains

Signet also operates US mall stores under a variety of established regional trade names (see Description of property, page 21). The leading brands include JB Robinson Jewelers, Marks & Morgan Jewelers and Belden Jewelers. At 28 January 2006 330 regional stores operated in 31 states (29 January 2005: 321 stores) and sales for 2005/06 were \$484.5 million (2004/05: \$471.1 million). Nearly all of these stores are located in malls where there is also a Kay store.

New regional chain stores are opened if real estate satisfying the division's investment criteria becomes available in their respective trading areas or in adjacent areas where marketing support can be cost effective. Areas in which the scale to support cost-effective marketing can be built over a reasonable time span are also considered for store openings. Management believes there is potential to develop a second mall-based brand of sufficient size to take advantage of national television advertising. Such a strategy would require the rebranding of the stores to one national format and may also include the acquisition of small or large regional chains of speciality jewellery stores that meet the Group's strict operational and financial criteria.

Jared

Jared is the leading off-mall destination speciality retail jewellery chain in its sector of the market. Its main competitors are independent operators, with the next largest chain having about 25 stores. If Jared was a stand-alone operation it would be the fourth or fifth largest US speciality jewellery retail brand by sales.

Jared locations are typically free-standing sites in shopping complexes with high visibility and traffic flow, and positioned close to major roads. The retail centres in which Jared stores operate normally contain strong retail co-tenants, including other category killer destination stores such as Borders Books, Best Buy, Home Depot and Bed, Bath & Beyond as well as some smaller speciality units.

Jared targets an under-served sector at the upper end of the middle market. This customer is more mature with a higher income than that of Signet's US mall store customers. An important advantage of a destination store is that the potential customer visits the store with the intention of making a jewellery purchase, whereas in a mall there is a greater possibility of the intended spend being diverted to non-jewellery purchases.

There were 110 Jared stores at 28 January 2006 (29 January 2005: 93 stores) and sales in 2005/06 were \$534.2 million (2004/05: \$415.0 million). The average retail price of merchandise sold in Jared stores during 2005/06 was \$697 (2004/05: \$644), which was more than double that of a Signet US mall store.

In the first five years of trading a Jared store is projected to have a faster rate of like for like sales growth than that of a mall store during the same period. At the end of this period the projected operating margin is expected to have risen to a level comparable to that of a mall store at maturity, with a greater return on capital employed. The average sales of the 43 Jared stores that have reached maturity is \$5.6 million in their fifth full year. At 28 January 2006 some 60% of the Jared stores had been open for less than five years. The average sales per Jared store opened for the whole of 2005/06 was \$5.5 million (2004/05: \$5.0 million).

Since the first Jared store opened in 1993, the concept has been continually evaluated, developed and refined. Management believes that in addition to the competitive advantages possessed by the division as a whole, Jared also benefits from leveraging the division's established infrastructure, access to a pool of experienced store management, and availability of capital required to develop and grow the brand.

Some Jared stores are being opened to test new real estate selection criteria that may increase the potential number of sites suitable for a Jared store. These include opening Jared stores nearer to each other in established markets with above-average population density, entering smaller markets when national television advertising would make marketing support cost-effective and locating stores attached to the exterior of covered malls. Consideration is also being given to entering major metropolitan markets in anticipation of the planned introduction of national television advertising during the fourth quarter of 2007/08.

In the longer term, the chain has the potential to expand nationwide to over 250 stores, generating annual sales of over \$1.5 billion based on the current performance of existing Jared stores.

In summary, management believes that there is potential to almost double US selling space over the next several years by continuing to focus on existing concepts and the potential number of stores by chain.

Store numbers

	28 January 2006	Planned net openings 2006/07	Potential
Kay:			
Mall	746	23-28	850+
Off-mall	31	20-25	c.500
Metropolitan	3	2	c.50
Outlet centres	1	5	50-100
	781	50-60	1,450+
Regionals	330	10-15	c.700
Jared	110	18-23	250+
Total	1,221	80-90	2,400+

Merchandising and purchasing

It is believed that selection, availability and value for money of merchandise are all factors that are critical to success. In the US business the range of merchandise offered and the high level of stock availability are supported centrally by extensive and continuous

The following map shows the number and locations of Kay, Regional and Jared stores at 28 January 2006:



research and testing. Best-selling products are identified and their rapid replenishment ensured through analysis of sales by stock keeping unit. This approach enables the division to deliver a focused assortment of merchandise to maximise sales, minimise the need for discounting and accelerate inventory turn. The US division is able to offer superior value and consistency of merchandise due to its industry leading direct sourcing capability.

Sophisticated inventory management systems for merchandise testing, assortment planning, allocation and replenishment have been developed and implemented. Approximately 70% of the merchandise is common to all US division mall stores, with the remainder allocated to reflect demand in particular markets. It is believed that the merchandising and inventory management systems, as well as improvements in the productivity of the centralised distribution centre, have allowed the division to achieve inventory turns comparable to those of most of its quoted competitors although it has

a less mature store base and undertakes more direct sourcing of merchandise.

In 2005/06, the bridal category accounted for about 45% of merchandise sold and its participation in the sales mix has steadily grown over the past five years.

Programmes have been developed in conjunction with certain vendors for the provision of branded jewellery merchandise. For example, the Leo Diamond range is sold exclusively by Signet in the US and the UK. Management believes that the US division's merchandising process, market share and relationship with suppliers, position the business as an ideal partner to develop branded initiatives.

Further examples of merchandising initiatives are:

- increasing the number of Jared stores that stock luxury watch brands such as Baume & Mercier, Cartier and Raymond Weil; and

- testing of merchandise relating to the latest De Beers' initiative of "journey" jewellery consisting of four diamonds to represent significant stages of an individual's life.

The table below sets out Signet's US merchandise sales mix as a percentage of sales:

Merchandise mix	Percentage of sales	
	2005/06	2004/05
	%	%
Diamonds and diamond jewellery	71	70
Gold jewellery	7	7
Gemstone jewellery	9	10
Watches	7	7
Repairs	6	6

It is believed that the US division has a competitive cost and quality advantage as approximately 55% of the diamond merchandise sold is sourced through contract manufacturing; Signet purchases loose polished diamonds on the world market and outsources the casting, assembly and finishing operations to third parties. By using this approach the cost of merchandise is reduced and this cost advantage is largely used to provide superior value to the consumer which helps to increase market share. Contract manufacturing is generally utilised on basic items with proven non-volatile historical sales patterns that represent a lower risk of over or under purchasing. This purchasing strategy also allows the buyers to gain a detailed understanding of the manufacturing cost structure and improves the prospects of negotiating better pricing for the supply of finished products.

Having made some preliminary test purchases of rough diamonds during 2005/06, further purchases of rough diamonds will be made in 2006/07. Once the rough stones have been cut and polished on a contract basis, they enter the US division's supply chain in a similar way to other polished loose diamonds. As part of this process the division has appointed Hennig, the world's largest international diamond consultancy and broking firm to act as its strategic consultant on rough diamond related issues. The objective of this supply chain initiative is to secure additional reliable and consistent supplies of diamonds for the division's customers, supporting the growth of Signet's US business and its ability to offer customers superior value.

Certain merchandise is purchased complete as a finished product where the manufacturer's price is more competitive than using direct sourcing, or the complexity of the product is great or the merchandise is considered likely to have a less predictable sales pattern. This strategy provides the opportunity to reserve stock held by vendors and to make supplier returns or exchanges, thereby reducing the risk of over or under purchasing.

Merchandise held on consignment is used to enhance product selection and test new designs. This minimises exposure to changes in fashion trends and obsolescence and provides the flexibility to

return non-performing merchandise. At 28 January 2006 the US division held approximately \$174 million (29 January 2005: \$158 million) of merchandise on consignment (see note 13 on page 82).

In 2005/06 the five largest suppliers collectively accounted for approximately 22% (2004/05: 25%) of the total US division's purchases, with the largest supplier accounting for approximately 11% (2004/05: 12%).

Marketing and advertising

Store brand name recognition by consumers is believed to be an important factor in jewellery retailing, as the products themselves are predominantly unbranded. Signet continues to strengthen and promote its US brands and build store brand name recognition through an integrated marketing campaign. The marketing channels used include television, radio, print, catalogues, direct mail, telephone marketing, customer relationship marketing, point of sale signage, in-store displays and the internet. Gross advertising and marketing expenditure was increased by 13% to \$152.8 million in 2005/06 (2004/05: \$135.5 million), primarily to support total mall sales growth and the continued expansion of the Jared chain. Over the last five years, advertising and marketing expenditure has increased by some 95%. Gross expenditure as a percentage of sales was 6.7% (2004/05: 6.6%) reflecting the increasing proportion of sales from Jared which has a higher percentage of sales spent on marketing than the mall stores.

Advertising activities are concentrated during periods when customers are expected to be most receptive to the marketing message. The proportion of television advertising expenditure to sales continues to grow, and the cost of network television advertising is leveraged as the number of stores increases. The romance and appreciation based theme of Kay's advertising programme continues to utilise the tag line "Every kiss begins with Kay", which has improved name recognition of the chain. This programme was supplemented with national print advertising in USA Today and national network radio advertising.

Seasonal promotion campaigns for the regional chains use local radio advertising as the primary medium to support and enhance name recognition. Direct mail and telephone marketing are also used to encourage repeat purchases by current customers. Local television advertising was tested in the Cleveland, Ohio market for JB Robinson during Christmas 2005 and it is intended to expand this test in 2006/07 to two additional markets. The regional brands' marketing support is a similar proportion of sales as for Kay.

Jared advertising on local radio takes place for most of the year and is complemented during key trading periods by advertising on local television in all markets. Management believes that when the Jared chain reaches the critical mass to justify national television advertising, which is considered to be the most efficient and cost-effective form of marketing, brand name recognition will be enhanced nationwide, thus providing increased marketing leverage

and improved access to prime store real estate sites in large, high cost advertising markets. National television advertising for Jared is planned to start during the fourth quarter of 2007/08. Jared has a higher advertising to sales ratio than the division's mall stores because it is a destination store and is still at an early stage of development. Jared advertising is designed to build name recognition and visit intent through an emphasis on selection and service.

In 2005/06 the US division produced ten Kay catalogues that featured a wide selection of merchandise and were prominently displayed in stores and are also mailed directly to targeted customers. A similar number of catalogue editions were produced for each regional brand. Statistical and technology based systems are employed to support a direct marketing programme that uses a proprietary database of about 24 million names to strengthen the relationship with customers. The programme targets current customers with special savings and merchandise offers during the key trading periods. In addition, invitations to special in-store promotional events are extended throughout the year. A special catalogue featuring luxury watches was produced for Jared.

There are informational websites for Kay, JB Robinson and Jared that display a selection of merchandise assortments, provide store locations, and allow for on-line customer registration and credit application. The division continues to research and monitor the development and execution of e-commerce as a sales channel in conjunction with the marketing and advertising programmes. It is anticipated that a new Kay website incorporating an e-commerce facility will be launched during the second half of 2006.

Credit operations

Management regards the provision of an in-house credit programme as a competitive advantage for a number of reasons. It allows management to establish and implement customer service standards appropriate for the business, and also provides a database of regular customers and their spending patterns. Investment in systems and management of credit offerings appropriate for the business can also be facilitated in a more cost-efficient manner than if managed by a third party provider. Furthermore it is believed that the various credit programmes help to establish long-term relationships with customers and complement the marketing strategy by encouraging additional purchases and higher unit and value sales.

The table on page 15 presents data related to the in-house credit business for the past three financial years. Since credit authorisation and collection systems were centralised in 1994 the credit offer and performance have been relatively consistent over the economic cycle. The average outstanding balance at the year end was \$841 (2004/05: \$792).

The credit portfolio turns approximately every seven months and the monthly collection rate in 2005/06 was 14.5%. The bad debt charge for the year, at 5.8% of credit sales, remained near the bottom end of

the historic range. In-house credit sales represented 51.1% of total US sales in 2005/06 (2004/05: 50.6%). A number of programmes offer interest-free financing, subject to certain conditions. In most US states customers are offered optional third party credit insurance.

Authorisation and collections are all performed centrally at the US head office, rather than by store staff. The majority of credit applications are processed and approved automatically; they can and are initiated via in-store terminals, through a toll-free phone number or on-line through the informational websites. All applications are evaluated by the scoring of credit data and using data obtained through third party credit bureaux.

Investment in staff, training and systems to maintain or improve the quality of the credit portfolio continued throughout 2005/06. A new, customised, collection system using up to date technology replacing a system that was initially installed when credit operations were centralised began to be developed in 2004/05 and was fully implemented during 2005/06.

The new system provides management with increased flexibility to implement and/or modify collection strategies, and a more user-friendly platform. Collection strategies and efforts continued to include emphasis on risk-based calling and first call resolution. In authorisations, new applicant scorecards were updated to provide improved separation in evaluating high and low-risk applicants and to increase activation rates with preferred customers to encourage higher sales.

In addition to in-house credit sales, the US stores accept major credit cards. Third party credit sales are treated as cash sales and accounted for approximately 38% of total US sales during the year.

Management tools and communications

The US division's highly integrated and comprehensive information systems provide detailed, timely information to monitor and evaluate virtually every aspect of the business and are designed to decrease the time sales staff spend on administrative tasks and increase time spent on sales activities. They also support merchandise testing, loss prevention and inventory control.

All stores are supported by the internally developed Store Information System, which includes electronic point of sale ("EPOS") processing, in-house credit authorisation and support, a district manager information system and a satellite-based communications system that supports data transmissions and division-wide e-mail. The EPOS system updates sales, in-house credit and perpetual inventory replenishment systems from data captured throughout the day for each store.

In order to enhance customer service and allow staff more time for selling, further steps to improve store systems were taken. For example special order and repair service procedures were made more efficient.

	2005/06	2004/05
Credit sales (\$m)	1,169.4	1,035.8
Credit sales as % of total sales	51.1%	50.6%
Number of active credit accounts at year end	883,873	838,916
Average outstanding account balance (\$)	841	792
Average monthly collection rates	14.5%	14.8%
Bad debt as % of total sales	3.0%	2.8%
Bad debt as % of credit sales	5.8%	5.6%

Regulation

While there are many regulations within which Signet US operates, the speciality jewellery sector is generally a lightly regulated business. Signet US is required to comply with numerous US federal and state laws and regulations covering areas such as consumer protection, consumer privacy, consumer credit, consumer credit insurance, truth in advertising and employment legislation. Management endeavours to monitor changes in these laws to ensure that its practices comply with applicable requirements.

Overview

Signet is the largest speciality retailer of fine jewellery in the UK, with 593 stores and a total market share of approximately 17%. It trades as H.Samuel (15% of Group sales), targeting the middle market, and Ernest Jones (12% of Group sales), positioned at the upper end of the middle market. Total sales during 2005/06 were £469.6 million (2004/05: £507.7 million), H.Samuel's sales were £256.2 million (2004/05: £281.1 million) and Ernest Jones £208.5 million (2004/05: £221.1 million).

At 28 January 2006 there were 386 H.Samuel stores and 207 Ernest Jones stores (including 16 Leslie Davis stores). Approximately 47% of these are located in prime "High Streets" (main shopping streets with high pedestrian traffic) and 53% are in covered or enclosed shopping malls. High Street stores accounted for 39% of total UK division sales and shopping mall stores for 61%. H.Samuel is the largest chain of speciality retail jewellers in the UK and its stores are located in virtually every medium and large retail centre. Ernest Jones, the second largest speciality retail jewellery chain, is represented in most large retail centres.

The UK strategy is to increase the average transaction value by focusing on merchandise where the UK division's competitive advantages are greatest, particularly diamond jewellery, thereby improving store productivity and achieving operational leverage. To achieve this the division has a series of initiatives in the key areas of retail execution that are designed to grow the sales of diamonds and other products involving higher customer service levels.

Competitive advantages

Signet has a range of advantages in store operations and human resources, real estate, merchandising, marketing and access to US expertise, compared to competitors within the UK speciality jewellery retail market. The principal competitive advantages are summarised below and explained in greater detail on pages 17 to 20.

• Store operations and human resources

The division's scale enables it to develop and invest in training procedures tailored to its own requirements. This is particularly important, as the sale of diamond jewellery requires increased standards of product knowledge and customer service from sales associates. The division also enjoys economies of scale in recruitment and store administration.

• Real estate

Strict criteria are followed when evaluating real estate investment, and management believes that the quality of its store portfolio is superior to that of many of its competitors. The strength of the Group's balance sheet and the division's trading record makes it an attractive tenant. The well-tested H.Samuel and Ernest Jones revised store formats, which are more suited to selling diamonds, and improved customer service enables the division to take an increased share of the diamond category, which is one of the fastest growing major segments within the UK jewellery market.

• Merchandising

Management believes that the division's leading position in the UK jewellery sector is a commercial advantage when sourcing merchandise and enables delivery of better value to the customer. An example of this is its capacity to contract with jewellery manufacturers to assemble products, utilising directly sourced gold and loose polished diamonds. In addition, the division has the scale to utilise sophisticated merchandising systems to test, track, forecast and respond to consumer preferences.

• Marketing

The UK division has strong and well established brands and leverages them with advertising (both print and television), catalogues and the development of customer relationship marketing techniques. Few of its competitors have sufficient scale to utilise these marketing methods successfully.

• Access to US expertise

The UK business also benefits from its close relationship with Signet's US operations. Synergy is gained by sharing knowledge in merchandising, marketing, operations, systems and best practice procedures. None of the UK division's competitors has similar access to the leading operator in the world's largest jewellery market.

Initiatives in 2005/06

Specific initiatives taken to strengthen the division's competitive position included:

Store operations and human resources

- increased from 25% to 30% the number of store personnel with externally accredited jewellers qualifications; and
- introduced commission based incentives to all stores.

Real estate

- rolled-out revised store design to an additional 78 stores; and
- improved store design elements tested in a prototype store.

Merchandising

- increased the size, quality and range of settings of diamond jewellery;
- further widened the Leo Diamond range in Ernest Jones; and
- enhanced the Forever Diamond range in H.Samuel.

Marketing

- tested different television commercials for H.Samuel and Ernest Jones;
- H.Samuel website made transactional to complement in-store customer service; and
- continued the development of catalogue design and distribution.

Initiatives in 2006/07

Initiatives planned for 2006/07 include:

Store operation and human resources

- improve customer service element of training; and
- test customer satisfaction index.

Real estate

- trial of improved store design features; and
- refurbish between 30 and 35 stores.

Merchandising

- expand Forever and Leo Diamond ranges; and
- increase in white metal ranges.

Marketing

- develop new commercials for television advertising; and
- launch e-commerce capability for Ernest Jones.

Marketplace

Although reliable figures on the size of the UK jewellery market are difficult to obtain, management estimates that in calendar year 2005 the size of the total UK market for fine jewellery, costume jewellery and watches was approximately £3.2 billion (\$5.8 billion) (including VAT of 17.5%). The market includes speciality retail jewellers and

non-speciality jewellery retailers such as mail order catalogues, catalogue showrooms and jewellery departments in department stores.

The UK retail jewellery market is very fragmented and competitive, with a substantial number of independent speciality jewellery retailers. Management believes there are approximately 7,000 speciality retail jewellery stores in the UK.

In the middle market H.Samuel competes with a large number of independent jewellers, the only competitor of significant size being F Hinds (105 stores). Competition at the lower end of the H.Samuel product range also comes from Argos, the catalogue showroom operator and discount jewellery retailers such as Warren James (116 stores).

In the upper middle market Ernest Jones' competition is from independent speciality retailers and a limited number of other upper middle market jewellery brands such as Goldsmiths (173 stores) and Beaverbrooks (57 stores).

Based on surveys, management believes that customers are attracted to H.Samuel because they have confidence in the brand and its staff are perceived to be friendly, helpful and knowledgeable. Ernest Jones is perceived to offer high quality merchandise and premium service from a professional and knowledgeable staff.

Store operations and human resources

Management regards customer service as an essential element in the success of its business. During 2003/04 the "Signet Jewellery Academy," a multi-year training programme and framework for measuring standards of capability, was introduced for all store staff. As part of this programme just over two-thirds of all store managers and assistant store managers have now passed the National Association of Goldsmiths accredited Jewellery Education & Training Level 1 qualification. Upon completion of each of the four levels of the Academy, the staff member normally takes on increasing responsibilities. Training programmes have contributed to the improvement in the quality, performance and retention of UK staff.

Recruitment procedures continue to improve the suitability of new store personnel helping to ensure that they meet key basic requirements and are motivated to work within the jewellery store environment. Field and human resources management are responsible for the recruitment, performance review, training and development of sales staff, thereby ensuring consistency in operating standards and procedures throughout the business. All new store personnel must complete a "selling skills" learning programme during their probationary period and thereafter undertake additional training in selling, product knowledge and customer care.

All store personnel have daily performance targets. They are given training and weekly feedback on their performance from store and field management to help them achieve these targets.

In 2004/05 commission-based remuneration was tested. The level of commission paid is dependent on a combination of store and individual performance. This commission system was introduced in all stores during 2005/06.

In conjunction with the Signet Jewellery Academy, training in management skills for all tiers of store operations management was developed further last year to support the initiative to improve customer service. In 2005/06 the number of training courses completed again increased.

The preferred policy is to promote store managers from within the business; approximately 66% of store management appointed in 2005/06 were so promoted. At any given time each chain has a number of sales staff who are qualified to advance to store management level, thus assuring the availability of newly trained managers familiar with the division's operating standards and procedures.

In order to increase staff selling time and to improve efficiency, operating procedures are routinely reviewed to identify opportunities to enhance customer service and reduce in-store administrative tasks. The Signet intranet provides a computer-based platform for improved communication between stores and head office, with sales floor and back office administrative functions being simplified and standardised through this medium.

Management also believes that successful recruitment, training and retention of head office staff is essential. Comprehensive recruitment, training and incentive programmes for head office staff are in place in the Borehamwood and Birmingham offices. Programmes to provide employees with structured development plans, training and career paths have been implemented. Internal career advancement is encouraged and is supported by a succession planning process. Teamwork and service to the stores are encouraged through a performance bonus plan for head office staff, which is based on the division's results.

Opportunities for better employment practices were identified through a staff opinion survey. It is believed that the results provide a basis for further improvement in the motivation and retention of staff.

Real estate

As part of the normal store refurbishment cycle a store design better suited to the sale of diamonds, fine jewellery and higher priced watches is being rolled out. The design draws on the Group's mall store experience in the US and was developed as part of the programme to increase sales and store productivity by focusing on the outperforming diamond category. The design allows greater interaction between sales associates and customers and better presentation of merchandise.

UK operating review (continued)

This revised format features open frontages which are intended to make the store more accessible and inviting to the customer, as well as improved presentation of the merchandise. The design for mall locations includes display cases on the frontage with the concourse, rather than the traditional window presentation. The High Street stores have wide floor-to-ceiling windows that provide views directly into the store.

Much of the merchandise is presented in low level display units that also serve as service counters and allow the sales associate to show an assortment of merchandise to the customer without having to break away to select additional merchandise from the window displays, as in the traditionally designed store.

The increase in sales from the additional investment meets the well established Group investment criteria. The reformatted stores achieved a rise in both diamond sales and average retail price. An additional 86 stores, primarily H.Samuel, were trading in the new format at 28 January 2006, bringing the total to 228, accounting for over 40% of the UK division's sales. A multi-year rollout plan for the new format is being implemented as part of the normal refurbishment cycle; it is planned to refurbish or relocate 30 to 35 stores in 2006/07, the majority again being H.Samuel.

Details of recent investment in the store portfolio are set out below:

Number of stores	2005/06	2004/05
Store refurbishments and relocations	78	8
New H.Samuel stores	3	2
New Ernest Jones stores	5	7
Store fixed capital investment	£22m	£23m

H.Samuel

H.Samuel, accounting for 15% of Group sales in 2005/06 (2004/05: 18%), offers a range of jewellery, gold, watches and gifts (see page 19, Merchandise mix). At 28 January 2006 average selling space was 1,091 square feet per store.

H.Samuel store data	2005/06	2004/05
Number of stores:		
Opened during year	3	2
Closed during year	(15)	(11)
Open at end of year	386	398
Percentage (decrease)/increase in like for like sales	(8.8)%	1.9%
Average retail price of items sold ⁽¹⁾	£38	£37
Average sales per store		
in thousands (exc. VAT) ⁽²⁾	£681	£723

(1) Excluding accessories, repairs and warranties.
(2) Including only stores operated for the full financial year.

The average retail price of items sold has increased at a compound annual growth rate of 6.1% over the last five years. This upward trend is expected to continue as the sales mix of diamonds is anticipated to rise and that of gifts to decline as a percentage of sales. Average sales per store have increased at a compound annual growth rate of 2.3% over the same period. In 2005/06 the average retail price increased

by 4.1% but the sales per store decreased by 5.8%. Management believes that the number of H.Samuel stores is unlikely to increase.

Ernest Jones (including Leslie Davis)

Ernest Jones sales accounted for 12% of Group sales in 2005/06 (2004/05: 14%). Where local market size and the availability of suitable watch agencies permit, the Ernest Jones chain follows a two-site strategy, using the trade names Ernest Jones and Leslie Davis.

The principal product categories are diamonds, branded watches and gold jewellery, which are all merchandised and marketed to appeal to the more affluent upper middle market customer (see page 19, Merchandise mix). Ernest Jones retails an extensive range of diamond and gold jewellery as well as prestige watches such as Breitling, Cartier, Longines, Omega, Rado, Raymond Weil, Rolex, and Tag Heuer. It also sells contemporary fashion watches such as Burberry, DKNY, Emporio Armani, Gucci, Hugo Boss and a range of traditional watches including Accurist, Rotary, Seiko and Tissot.

At 28 January 2006 the chain had average selling space of 862 square feet per store. The average retail price of items sold has increased at a compound annual growth rate of 6.4% over the last five years. Over the same period average sales per store increased at an annual compound growth rate of 5.8% and were the most productive mall stores in the Group in terms of sales per square foot. In 2005/06 the increase in average retail price was 5.1% but sales per store decreased by 7.4%. Management considers that there is potential to increase the number of Ernest Jones stores to approximately 225 as suitable sites and watch agencies become available.

Ernest Jones store data ⁽¹⁾

	2005/06	2004/05
Number of stores:		
Opened during year	5	7
Closed during year	(2)	—
Open at end of year	207	204
Percentage (decrease)/increase in like for like sales	(7.6)%	4.5%
Average retail price of items sold ⁽²⁾	£148	£141
Average sales per store in thousands (exc. VAT) ⁽³⁾	£1,065	£1,150

(1) Including Leslie Davis stores.

(2) Excluding accessories, repairs and warranties.

(3) Including only stores operated for the full financial year.

Merchandising and purchasing

The division retails an extensive range of merchandise including gold and silver jewellery, watches, diamond and gemstone set jewellery and gifts. As with other UK speciality retail jewellers, most gold jewellery sold is 9 carat. However, sales of 18 carat gold jewellery, and white gold, have been increasing.

The merchandise mix of the UK division is given below. In 2005/06 diamond jewellery sales accounted for 29% of total Signet UK sales versus 22% five years ago. In line with the strategy of the UK division to increase the percentage of diamonds in the merchandise sales mix, since 2000/01 the compound annual growth rate of Signet UK diamond sales has been about 10%.

Merchandise mix	Percentage of sales	
	2005/06	2004/05
Gold and silver jewellery		
H.Samuel	37	37
Ernest Jones	27	27
Signet UK	32	32
Watches		
H.Samuel	23	23
Ernest Jones	29	29
Signet UK	26	26
Diamond jewellery		
H.Samuel	21	20
Ernest Jones	38	38
Signet UK	29	28
Gifts		
H.Samuel	12	13
Ernest Jones	2	2
Signet UK	7	8
Repairs and accessories		
H.Samuel	7	7
Ernest Jones	4	4
Signet UK	6	6

Merchandise is purchased from a range of suppliers and manufacturers. In 2005/06 the five largest of these, all watch suppliers, together accounted for approximately 22% of total UK division purchases, with the largest accounting for approximately 6%. Only a small percentage of merchandise is purchased on consignment (see note 13 on page 82).

Economies of scale continued to be achieved by combining the volume of purchases for H.Samuel and Ernest Jones. Some 21% of the UK business' gold jewellery is manufactured on a contract basis in Italy through a buying office in Vicenza, Italy, thereby eliminating the costs associated with intermediaries.

The UK division also employs contract manufacturers for approximately 28% of the diamond merchandise sold, thereby achieving cost savings. Both H.Samuel and Ernest Jones employ experienced buyers who concentrate on product development, sourcing and supplier management appropriate to their particular needs. Overseas direct sourcing capability in most product areas has been increased. Such purchases have grown by 144% in value since 1999/00, and now account for 31% of the merchandise mix.

Merchandising teams work in conjunction with the buyers and focus on assortment planning, branch grading, repeat orders, inventory levels and margin management. Product category reviews are regularly carried out with a focus on increasing potential gross margin return on investment. Rigorous test marketing procedures are used to trial products, and their subsequent distribution is made strictly against rates of sale. The merchandise ranges have been rationalised, with greater focus on key items, and offer a wider choice in the most popular categories.

The size and quality of diamond jewellery available to customers was enhanced during the year, with a greater proportion utilising precious white metals. Branded diamonds exclusive to Signet have been developed in recent years, an example of which is the Leo Diamond available in all Ernest Jones stores. The Forever Diamonds range is sold in all H.Samuel stores.

Each store is assigned a range of merchandise that reflects local buying patterns. Display equipment and layouts are constantly reviewed and updated, and new display formats that draw upon the US division's experience have been implemented.

Marketing and advertising

Gross expenditure on marketing and advertising amounted to 3.2% of sales in 2005/06 (2004/05: 3.0%), reflecting the continued trial of television advertising. Marketing campaigns have been tailored to reinforce and develop further the distinct brand identities of H.Samuel as a middle market jewellery chain and Ernest Jones as a more upmarket diamond and watch specialist. Both campaigns aim to expand the overall customer base and improve customer loyalty.

The primary marketing and advertising medium employed in 2005/06 consisted of a series of catalogues for each brand, distributed as inserts in newspapers and magazines as well as by mail and available in all stores. The quality of catalogues was improved and their distribution was better targeted.

Insurance loss replacement business

While nearly all the UK division's sales are made directly to the consumer, management believes that Signet is the leading UK jewellery retailer in the insurance loss replacement business.

This involves the settlement of insurance claims by product replacement through jewellery stores rather than by cash settlements from the insurance company. The division benefits from the resulting higher customer traffic in the stores and the opportunity to create and build relationships with new customers. Given its nationwide store portfolio, breadth of product range and ability to invest in systems to support the business, the division has benefited from insurance companies settling claims in this manner.

Credit operations

Whilst the division does not have an in-house credit operation, it does accept major credit cards. Credit card sales are treated as cash transactions and accounted for approximately 30% of sales during 2005/06 (2004/05: 31%). During the period approximately 2% (2004/05: 3%) of sales in the UK were made pursuant to interest-free programmes available for purchases above a particular price. The receivables for the interest-free programmes are sold at a discount on a limited recourse basis and administered by an unaffiliated company.

Management tools and communications

EPOS equipment, retail management systems, purchase order management systems and merchandise planning processes are in place to support financial management, inventory planning and control, purchasing, merchandising, replenishment and distribution and can ensure replacement within 24 hours of any merchandise sold. These systems have been upgraded to enable the implementation of "chip and pin" technology to reduce credit and debit card fraud. The first phase of an electronic "Business To Business" communications project, developed to improve the efficiency and effectiveness of dealing with suppliers, was implemented in 2005/06.

A perpetual inventory process allows store managers to check stock by product category. These systems are designed to assist control of shrinkage, fraud prevention, financial analysis of retail operations, merchandising and inventory control.

New systems have been introduced to enhance control over cash banking to support financial management. Major computer hardware upgrades took place to improve resilience and capacity, particularly during the peak Christmas season.

The former administration centre at Colindale in North London was sold during 2005/06 and UK store operations, senior management, financial planning, marketing, and buying & merchandising functions have now been relocated to office space more appropriate to the needs of the business in Borehamwood, Hertfordshire, just to the north of London. The facilities for payroll, human resources, information technology, certain finance functions, distribution, e-commerce fulfilment and customer services, as well as the insurance replacement business and call centre, are located in Birmingham.

Regulation

While there are many regulations within which the UK division operates it is generally a lightly regulated business. Various laws and regulations affect Signet's UK operations. These cover areas such as consumer protection, consumer credit, data protection, health and safety, waste disposal, employment legislation and planning and development standards. Management monitors changes in these laws with a view to ensuring that its practices comply with legal requirements.

Description of property & Group employees

Signet attributes great importance to the location and appearance of its stores. Accordingly, in both Signet's US and UK operations, investment decisions on selecting sites and refurbishing stores are made centrally, and strict real estate criteria are applied.

The Group has sufficient distribution capacity to meet its current requirements and increased capacity in 2005/06 to support anticipated future sales growth in the US.

US

Substantially all of Signet's US stores are leased. In addition to a minimum annual rental, a significant number of stores will also pay turnover related rent based on sales above a specified base level. Under the terms of a typical lease, the US business is required to conform and maintain its usage to agreed standards, including meeting required advertising expenditure as a percentage of sales, and is responsible for its proportionate share of expenses associated with common area maintenance, utilities and taxes of the mall. The initial term of a mall store lease is generally ten years. At 28 January 2006 the average unexpired lease term of US leased premises was six years and some 47.5% of leases had terms expiring within five years. The Jared stores are normally on 20 year leases with options to extend the lease and their rents are not turnover related.

The US division leases 17% of its store locations from Simon Property Group and 15% from General Growth Management, Inc. Otherwise, the division has no relationship with any lessor relating to 10% or more of its store locations.

During the past five financial years the US business has been generally successful in renewing its store leases as they expire and has not experienced difficulty in securing suitable locations for its stores. It is not believed that any of the store leases are individually material to the Group's US operations.

A 340,000 square foot head office facility is leased in Akron, Ohio. In addition, a 19,000 square foot repair centre was opened during 2005/06 in Akron. The relocation of the US division central repair facility from the head office premises enabled the expansion of the distribution capacity.

UK

At 28 January 2006 Signet UK traded from seven freehold premises, five premises where the lease had a remaining term in excess of 25 years and 581 other leasehold premises. As is typically the case in retailing in the UK, the division's stores are leased for terms of up to 25 years, generally under full repairing and insuring leases (equivalent to triple net leases in the US).

Wherever possible Signet is shortening the length of new leases that it enters into in order to improve the flexibility of its lease

commitments. Rents are usually subject to upward review every five years if market conditions so warrant. An increasing proportion of rents are related to sales of the store, subject to a minimum annual value. At the end of the lease period, subject to certain limited exceptions, leaseholders generally have statutory rights to enter into a new lease of the premises on negotiated terms. At 28 January 2006 the average unexpired lease term of Signet's leased premises in the UK was 11 years. As current leases expire, Signet believes that it will be able to renew leases, if desired, for present store locations or to obtain leases in equivalent or improved locations in the same general areas. Signet has not experienced difficulty in securing leases for suitable locations for its UK stores. It is not believed that any of the store leases are individually material to the Group's UK operations.

Signet owns a 255,000 square foot warehouse and distribution centre in Birmingham. The relocation of the UK division's central administration functions to Birmingham and Borehamwood, Hertfordshire, to enhance efficiency, meant that the 120,000 square foot administration centre at Colindale in North London was sold in August 2005. The new Borehamwood facility is held on a 15 year lease and consists of 36,200 square foot of office space. The holding company functions are located in 7,200 square foot offices on a ten year lease in central London which was entered into in 2005.

Trademarks and trade names

Signet is not dependent on any material patents or licenses in either the US or the UK; however, it does have several well-established trademarks and trade names which are significant in maintaining its reputation and competitive position in the jewellery retailing industry in both the US and the UK. These registered trademarks and trade names include the following in Signet's US operations: Kay Jewelers; Jared The Galleria Of Jewelry; JB Robinson Jewelers; Marks & Morgan Jewelers; Belden Jewelers; Weisfield Jewelers; Osterman Jewelers; Shaw's Jewelers; Rogers Jewelers; LeRoy's Jewelers; Goodman Jewelers; Friedlander's Jewelers; Every kiss begins with Kay; and Perfect Partner. Trademarks and trade names include the following in Signet's UK operations: H.Samuel; Ernest Jones; Leslie Davis; and Forever Diamonds.

Group employees

In 2005/06 the average number of full-time equivalent persons employed (including directors) was 15,652 (UK: 4,286; US: 11,366). The Company usually employs a limited number of temporary employees during each Christmas season.

None of Signet's employees in the UK and less than 1% of Signet's employees in the US are covered by collective bargaining agreements. Signet considers its relationship with its employees to be excellent.

	2005/06		2004/05	
	£m	%	£m	%
Sales:				
US	1,282.7	73.2	1,107.8	68.6
UK	469.6	26.8	507.7	31.4
Total	1,752.3	100.0	1,615.5	100.0
Operating profit:				
US	167.1	83.4	142.4	69.8
UK	49.1	24.5	76.9	37.7
Group central costs	(8.0)	(4.0)	(6.8)	(3.3)
	208.2	103.9	212.5	104.2
Net financing costs	(7.8)	(3.9)	(8.6)	(4.2)
Profit before tax	200.4	100.0	203.9	100.0

Adoption of International Financial Reporting Standards

For financial years commencing on or after 1 January 2005 UK listed companies are required to report in accordance with International Financial Reporting Standards as adopted by the European Union, ("IFRS"). The Group therefore now prepares its results under IFRS. Any differences between these standards and those issued and adopted by the International Accounting Standards Board are not material to the Group. These results contain comparative information presented, where necessary, in accordance with IFRS. IFRS is subject to review and possible amendment or interpretative guidance and therefore subject to change. The most significant elements contributing to the change in reporting the presentation of financial information under IFRS, as compared to Historic UK GAAP, are:

- the inclusion of a charge for share-based payments;
- the cessation of goodwill amortisation;
- the timing of dividend recognition;
- the disclosures relating to taxation; and
- the treatment of leases.

These changes have no impact on the Group's historical or future net cash flow, the timing of cash received or the timing of payments. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in note 30 on page 99.

Introduction

The key drivers of operating profitability are the:

- rate of sales growth;
- balance between like for like sales growth and sales from new store space;
- achieved gross margin;
- level of cost increases experienced by the Group; and
- movements in the US dollar to pound sterling exchange rate, since the majority of the Group's profits are generated in the US and the Group reports in pounds sterling.

The gross margin percentage in retail jewellery is above the average for speciality retailers reflecting the slow inventory turn. The trend in gross margin depends on Signet's pricing policy, movements in the cost of merchandise sold, changes in sales mix and the direct cost of providing services such as repairs.

In general, gross margin percentage on gold jewellery is above that of diamond jewellery, whilst that of watches and gift products is normally below that of diamond jewellery. Within the diamond jewellery category the gross margin percentage varies depending on the proportion of the merchandise cost accounted for by the value of the diamonds; the greater the proportion, the lower the gross margin percentage. In addition, the gross margin in a Jared store is slightly below that of a mall store, although at maturity the store contribution percentage of a Jared store is similar to that of a mall store. A change in merchandise mix will therefore impact the Group's UK and US division's gross margin percentage and a change in the proportion of sales from Jared will impact the gross margin percentage of both the US division and Group. In the US division the growth of Jared and the increase in sales of higher value diamonds, both of which are helping to drive like for like sales growth, means that US gross margin percentage is expected to show a small decline each year.

The cost of goods sold that is used to arrive at gross profit takes into account 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. The classification of distribution and selling costs under IFRS varies from company to company and therefore the gross profit percentage may not be comparable from one company to another.

To maintain the operating profit margin the Group needs to achieve like for like sales growth sufficient to offset any adverse movement in gross margin, the increase in operating costs (including the net bad debt charge) and the impact of immature selling space. Like for like sales growth above the level required to offset the factors outlined above, allows the Group to achieve leverage of its fixed cost base

and improve operating margin; slower sales growth results in reduced operating margin. There are not any known trends or uncertainties in future rent or amortisation expenses that could materially affect operating results or cash flows.

Signet's target of 8% - 10% new store space growth in the US, with minimal net new space in the UK, means lower like for like sales growth is required in the UK than in the US to maintain operating margin. The increase in the planned new space growth in the US to 8% - 10% from 6% - 8% two years ago, means that a faster rate of like for like sales growth will be required in the future to maintain the US operating margin than has historically been the case. However, as new store space is anticipated to break even or to make a small contribution at the store level, the increase in the rate of growth is not expected to reduce overall profitability.

The impact on operating profit of sales variances (either adverse or favourable) is less in the US division than the UK, as certain variable expenses such as turnover-related rent and sales commission account for a higher proportion of costs in the US business than in the UK division. The impact on operating profit of a sharp increase or decrease in like for like sales performance is particularly marked.

A key factor in driving operating margin is the level of average sales per store, with higher productivity allowing leverage of expenses both in store and in central functions.

Movements in the US dollar to pound sterling exchange rate impact the reported results of the Group as the US division's results are translated into pounds sterling. A one cent movement in the exchange rate impacts profit before tax by some £0.8 million. The Board believes it is inappropriate to hedge this exposure as the US division's sales and costs are dollar denominated and the cash flow from the US division is largely reinvested in the US space expansion or used to pay down US dollar denominated borrowings. The Group therefore would be putting in place a cash exposure to hedge a translation risk.

52 weeks ended 28 January 2006

Total Group sales rose to £1,752.3 million (2004/05: £1,615.5 million), up by 8.5% on a reported basis and 6.0% at constant exchange rates. Group like for like sales were up by 2.4% and space changes contributed 3.6% (see table below).

Group operating margin decreased to 11.9% (2004/05: 13.2%), reflecting the significant decline in the operating margin of the UK division. While total sales increased, the decline in the operating margin resulted in Group operating profit decreasing to £208.2 million (2004/05: £212.5 million), down by 2.0% on a reported basis and 4.1% at constant exchange rates.

Net financing costs decreased to £7.8 million (2004/05: £8.6 million). The reduction was principally due to an increase in interest income in the first half of the year.

Group profit before tax decreased to £200.4 million (2004/05: £203.9 million), down by 1.7% on a reported basis and 3.8% at constant exchange rates. After a tax charge of 34.7% (2004/05: 33.9%) profit for the financial period reduced by 3.0% to £130.8 million (2004/05: £134.8 million), a decrease of 5.0% at constant exchange rates. It is anticipated that the tax charge for 2006/07 will be approximately 36%. Earnings per share was 7.5p (2004/05: 7.8p), down by 3.8% on a reported basis and 6.3% at constant exchange rates.

Sales

2005/06 sales growth

	US %	UK %	Group %
Like for like	7.1	(8.2)	2.4
Space	5.0	0.7	3.6
Exchange translation	3.7	–	2.5
Total sales growth	15.8	(7.5)	8.5

US

Like for like sales for the US division increased by 7.1% and total US dollar sales by 15.8%. The US division had a strong first half with like for like sales up by 7.9%. While the retail environment slowed a little in the second half of the year, the business continued to show solid growth with like for like sales up by 6.4% in the fourth quarter. The contribution from new store space and the impact of exchange rate movements is shown in the table above.

UK

The UK business experienced the sharpest deterioration in trading conditions for 14 years. Although the strategy of increasing diamond participation continued to drive improvements in key performance indicators such as average selling price, the volume of transactions was much reduced. For the year as a whole like for like sales decreased by 8.2% and total sales decreased by 7.5%.

Operating profit

Operating margin movement

	US %	UK %	Group %
2004/05 margin	12.9	15.1	13.2
Gross margin	(0.5)	0.6	(0.5)
Expenses	1.1	(5.2)	(0.5)
New store space	(0.5)	–	(0.3)
2005/06 margin	13.0	10.5	11.9

US

The operating margin in the US division increased slightly on last year to 13.0% (2004/05: 12.9%), with the leverage from like for like sales growth more than offsetting the impact of immature store space and the decline in gross margin (see table above). The ratio of net bad debt to sales was little changed at 3.0% (2004/05: 2.8%).

Operating profit was £167.1 million (2004/05: £142.4 million), up by 17.3% on a reported basis and 13.6% at constant exchange rates.

UK

The division's gross margin benefited from lower sterling commodity costs. The operating margin at 10.5% was down on last year (2004/05: 15.1%) due to the adverse leverage from the 7.5% decline in UK sales. Operating profit fell by 36.2% to £49.1 million (2004/05: £76.9 million).

Group costs

Group central costs amounted to £8.0 million (2004/05: £6.8 million), the increase including additional costs associated with new corporate governance practices and a net property provision of £0.7 million (2004/05: £0.4 million).

Return on capital employed

The Group's ROCE was 22.4% (2004/05: 26.3%). In the US the ROCE was 22.4% (2004/05: 22.2%) in line with last year. In the UK there was a marked decrease to 26.6% reflecting the decline in UK profitability (2004/05: 44.5%). US capital employed included in-house credit card debtors of £382.7 million at 28 January 2006 (2004/05: £319.0 million at 29 January 2005).

Depreciation, amortisation and capital expenditure

Depreciation and amortisation charges were £46.2 million (2004/05: £41.7 million), £28.5 million (2004/05: £24.3 million) in the US and £17.7 million (2004/05: £17.4 million) in the UK. Capital expenditure in the US was £49.1 million (2004/05: £41.7 million) and in the UK was £26.8 million (2004/05: £28.8 million). The additional capital expenditure in the US is primarily due to the increase in the rate of new store space growth.

Dividends

In November 2005 an interim dividend of 0.4125p per share was paid (2004/05: 0.375p). The Board is recommending to shareholders a final dividend of 2.8875p (2004/05: 2.625p) per share for 2005/06, which, subject to shareholder approval, is to be paid on 7 July 2006 to those shareholders on the register of members at close of business on 2 June 2006. Future distribution policy will continue to take account of earnings, cash flow, gearing and the needs of the business.

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 unrealised losses) and not out of share capital or share premiums (generally equivalent in US terms to paid-in surplus). At 28 January 2006, after taking into account the subsequently recommended final dividend of 2.8875p per share (2004/05: 2.625p per share), the holding company had distributable reserves of £110.3 million (29 January 2005: £116.0 million).

In order to make further distributions in excess of this figure, the holding company would first need to receive dividends from its subsidiaries. In addition to restrictions imposed at the time of the 1997 capital reduction on the distribution of dividends received from subsidiaries, the payments of dividends from other tax jurisdictions,

such as the US, may not be tax efficient. Furthermore, there may be other reasons why dividends may not be paid by subsidiaries to the holding company.

Liquidity and capital resources

It is the objective of the Group to maintain a strong balance sheet, after implementing its 8% – 10% new store space growth strategy in the US, the continuing programme of store refurbishments and relocations on both sides of the Atlantic and payment of dividends. Factors which could affect this objective would be the acquisition of a business or a change in the Group's distribution policy to shareholders or if there was a variation in the operating performance of the Group.

The cash flow performance of the Group depends on a number of factors, such as the:

- operating performance of the business;
- rate of space expansion, which influences both fixed and working capital investment;
- level of store refurbishment and relocations;
- level of inventory investment; and
- proportion of sales made on the in-house credit card and the average monthly collection rate of the credit balances.

Investment in new space requires significant investment in working capital, as well as fixed capital investment, due to the slow inventory turn, and the additional investment required to fund sales in the US utilising the in-house credit card.

In years when the rate of new store space expansion in the US is towards the lower end of the planned 8% – 10% range, or the level of store refurbishment and relocation is below normal, the Group will have reduced levels of investment in fixed and working capital. In 2005/06 a faster rate of new store space growth in the US, a maintained level of refurbishment in the UK and increased dividend payments meant that cash flow was broadly neutral.

The Group's working capital requirements fluctuate during the year as a result of the seasonal nature of its business. As inventory is purchased for the Christmas season there is a working capital outflow which reaches its highest levels in late autumn. This position then reverses over the key selling period of November and December. The working capital needs of the business are then relatively stable from January to August. The rough diamond sourcing initiative will require the Group to hold an element of its inventory for approximately an additional 60 days. The timing of the payment of the final dividend, normally in July, is also material to working capital requirements during the year.

The Board considers that the capital resources currently available are sufficient for both its present and near term requirements. A description of the main credit facilities of the Group are given in the next section, "Net debt".

In 2005/06 cash generated from operating activities amounted to £188.1 million (2004/05: £172.6 million) after funding a working capital increase of £66.3 million (2004/05: £81.6 million), principally as a result of the growth of the US division. It is anticipated that in 2006/07 there will be a further increase in the level of working capital due to planned US store openings. Interest of £11.4 million (2004/05: £11.6 million) and tax of £64.5 million (2004/05: £56.5 million) were paid. Net cash from operating activities was £112.0 million (2004/05: £104.5 million).

Group capital expenditure was £75.9 million (2004/05: £70.5 million). The level of capital expenditure was some 1.6 times the depreciation and amortisation charge. Capital expenditure in 2006/07 is expected to be between £75 million and £85 million, most of which will be store related. There were disposal proceeds of £7.5 million (2004/05: £0.2 million). Equity dividends of £52.7 million (2004/05: £43.8 million) were paid. Net cash outflow was £4.8 million (2004/05: £10.0 million). In 2006/07 the cash outflow is expected to be between £10 million and £30 million reflecting the planned increase in space growth in the US.

Net debt

Net debt at 28 January 2006 was £98.6 million (29 January 2005: £83.5 million, £93.8 million after exchange translation differences). Group gearing at the year end was 11.2% (29 January 2005: 10.8%). Under IFRS, bank loans and overdrafts at 28 January 2006 include a \$251.0 million borrowing secured against the Group's US customer receivables (29 January 2005: \$251.0 million).

The Group funds part of 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 aggregate outstanding principal amount of the certificates totalled \$251.0 million at 28 January 2006 and 5 April 2006. The certificates have a weighted average interest rate of 5.42% and interest is paid monthly in arrears from the finance charges collections generated by the receivables portfolio. The revolving period of the securitisation ended in March 2006, with a final expected principal payment date in November 2006.

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 is 23 May 2006. The proceeds from this debt issuance are to be 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 on this Note Purchase Agreement are identical to the Group's \$390 million multi-currency revolving credit facility which are as follows:

2 Consolidated Net Worth

2. Consolidated Net Worth
 (total net assets) shall not
 fall below £400 million; and

3. The ratio of 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 28 September 2004 Signet entered into a \$390 million unsecured multi-currency five year revolving credit facility agreement (the "Facility Agreement"). Under the Facility Agreement, a syndicate of banks made facilities available to the Group in the form of multi-currency cash advances and sterling acceptance credits on, inter alia, the following terms:

- the Facility Agreement bears a maximum margin of 0.55% above LIBOR, though the margin may be lower dependent upon the performance of the Group. Since the commencement of the facility the margin has been 0.40% above LIBOR; and
- the Facility Agreement is guaranteed by the Group's principal holding and operating subsidiaries.

The continued availability of the Facility Agreement is conditional upon the Group achieving certain financial performance criteria (see above). It also has certain provisions which are

Pensions

The Group has one UK defined benefit plan (the "Group Scheme") which was closed to new members in 2004. All other pension arrangements are defined contribution plans. The IAS 19 present value of obligations of the Group Scheme increased last year by £33.4 million primarily as a result of increasing the longevity assumption by approximately four years to over 85 for future pensioners. The market value of the Group Scheme's assets increased by £19.8 million. As a result the pension deficit on the balance sheet increased by £13.6 million to £15.5 million before a related deferred tax asset of £4.6 million (29 January 2005 £0.6 million). The triennial actuarial valuation will be carried out during 2006/07, however the IAS 19 assumptions already reflect the revised longevity projections that are likely to be used.

The cash contribution to the fund in 2005/06 was £4.3 million (2004/05: £3.7 million). The Group expects to contribute a minimum of £3.5 million in 2006/07 subject to review following the completion of the actuarial valuation, when additional contributions are expected to be agreed.

Contingent property liabilities

Approximately 140 UK property leases had been assigned by the Group up to 28 January 2006 (and remained unexpired and occupied by assignees at that date) and approximately 32 additional properties were sub-let at that date. Should the assignees or sub-tenants fail to fulfil any obligations in respect of those leases or any other leases which have at any other time been assigned or sub-let, the Group or one of its UK subsidiaries 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.

Contractual obligations

Long term debt comprises borrowings with an original maturity of greater than one year. Purchase obligations comprise contracts entered into for the forward purchase of gold and US dollars with an original maturity of greater than one year. These contracts are taken out to manage market risks. It is expected that operating commitments will be funded from future operating cash flows and no additional facilities will be required to meet these obligations.

Contractual obligations as at 28 January 2006

	Less than one year £m	Between one and three years £m	Between three and five years £m	More than five years £m	Total £m
Long term debt obligations	141.8	—	—	—	141.8
Operating lease obligations	147.7	277.7	241.8	632.5	1,299.7
Fixed interest and commitment fee payments	6.1	0.7	0.2	—	7.0
Creditors falling due after one year	—	—	—	15.7	15.7
Total	295.6	278.4	242.0	648.2	1,464.2

(1) As at 28 January 2006 the Group has no outstanding floating rate indebtedness.

(2) The expected Group pension contribution to the Group Scheme has been excluded from the table as have obligations for subsequent years. The Group expects to contribute a minimum of £3.5 million in 2006/07, subject to review following the completion of an actuarial valuation taking place as at 5 April 2006. Following this valuation, it is currently expected that additional contributions will be agreed towards the end of 2006 to target the planned removal of any deficit.

Impact of constant exchange rates

The Group has historically used constant exchange rates to compare period to period changes in certain financial data. This is referred to as “at constant exchange rates” throughout these accounts. The Group considers this to be a useful measure for analysing and

explaining changes and trends in the Group's results. The impact of the recalculation of sales, operating profit, profit before tax, profit for the financial period, earnings per share and net debt at constant exchange rates, is analysed below.

	2005/06 £m	2004/05 £m	Growth at actual exchange rates %	Impact of exchange rate movement £m	2004/05 at constant exchange rates (non-GAAP) £m	Growth at constant exchange rates (non-GAAP) %
Sales by origin and destination:						
UK	469.6	507.7	(7.5)	–	507.7	(7.5)
US	1,282.7	1,107.8	15.8	36.9	1,144.7	12.1
	1,752.3	1,615.5	8.5	36.9	1,652.4	6.0
Operating profit:						
UK – Trading	49.1	76.9	(36.2)	–	76.9	(36.2)
– Group central costs	(8.0)	(6.8)	n/a	–	(6.8)	n/a
	41.1	70.1	(41.4)	–	70.1	(41.4)
US	167.1	142.4	17.3	4.7	147.1	13.6
	208.2	212.5	(2.0)	4.7	217.2	(4.1)
Profit before tax	200.4	203.9	(1.7)	4.4	208.3	(3.8)
Profit for the financial period	130.8	134.8	(3.0)	2.9	137.7	(5.0)
Earnings per share	7.5p	7.8p	(3.8)	0.2p	8.0p	(6.3)

	28 January 2006 £m	29 January 2005 £m	Impact of exchange rate movement £m	At constant exchange rates (non-GAAP) £m
Net debt	(98.6)	(83.5)	(7.8)	(91.3)

Critical accounting policies

Critical accounting policies covering areas of greater complexity or those particularly subject to the exercise of judgement are listed below. There are no material off-balance sheet structures. The principal accounting policies are set out in note 1 on pages 70 to 74.

Implementation of IFRS

These accounts have been prepared on the basis of IFRS. Any differences between these standards and those issued and adopted by the International Accounting Standards Board are not material to the Group. IFRS is subject to review and possible amendment or interpretive guidance and therefore subject to change.

These changes have no impact on the Group's historical or future net cash flow, the timing of cash received or the timing of payments. A reconciliation of the results and net assets under Historic UK GAAP, as previously reported, to IFRS is included in note 30 on page 99.

IFRS 1 'First-time adoption of international financial reporting standards' grants certain exemptions from the full requirements of IFRS's in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 February 2004 have not been restated;
- Fair value or revaluation to deemed cost – At the date of transition fair value has been used as deemed cost for properties previously measured at fair value; and
- Financial instruments – The comparative information for the 52 weeks ended 29 January 2005 has not been restated on adoption of IAS 32 and IAS 39, 'Financial instruments'.

Revenue recognition

Revenue from the sale of extended service agreements in the US is deferred and recognised, net of incremental costs arising from the initial sale in proportion to anticipated claims arising. This period is based on the historical claims experience of the US 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.

The Group has not historically made provisions for sales returns as the year on year impact on profit and the impact on net assets is not material. As part of the transition to IFRS, the Group has now established returns provisions as part of its opening balance sheet.

The transition to IFRS has resulted in a number of presentational changes that do not have an impact on the profit or net assets of the Group. Insurance income and the impact of voucher promotions are now recognised in revenue. Only the commission element of UK warranty sales is recognised as revenue. Interest receivable from the US in-house credit programme is classified as other operating income.

Stock valuation

Stock is valued on an average cost basis and includes appropriate overheads. Overheads allocated to inventory cost are only those directly related to bringing inventory to its present location and condition. These include relevant warehousing, distribution and certain buying, security and data processing costs.

Where necessary, provision is made for obsolete, slow-moving and damaged stock. This provision represents the difference between the cost of the stock and its estimated market value, based upon stock turn rates, market conditions and trends in consumer demand. For further detail on the provisions for inventory and the amount of reserves recorded each year, refer to note 13 on page 82 in the notes to the accounts.

In the US, stock losses are recognised at the mid-year and fiscal year end based on complete physical inventories. In the UK, stock losses are recorded as identified on a perpetual inventory system and an estimate is made of losses for the period from the last stock count date to the end of the financial year on a store by store basis. These estimates are based on the overall divisional stock loss experience since the last stock count.

Foreign currency translation

The results of overseas subsidiary undertakings are translated into pounds sterling at the weighted average rates of exchange, based on US sales, 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 are charged or credited to reserves. Other exchange differences arising from foreign currency transactions are included in profit before taxation.

Hedge accounting

The Group has taken the exemption not to restate 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 accounts is presented on previously existing UK GAAP basis. The Group applied the hedge accounting provisions of IAS 39 from 30 January 2005 as they relate to forward currency and commodity contracts to the extent practically and economically appropriate in order to minimise future volatility arising from its implementation.

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 statement of changes in equity. 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 forecast transaction affects the Group's net profit or loss.

Depreciation and impairment

Depreciation is provided on freehold and long leasehold premises over a useful life not exceeding 50 years. Freehold land is not depreciated. Depreciation is provided on other fixed assets at rates between 10% and $33\frac{1}{3}\%$. Shopfit depreciation rates have been set based on the refit cycle for each store fascia and the useful lives of each individual element of the shopfit. Tills and other IT equipment have separately determined depreciation rates.

In the UK, there are circumstances where refurbishments are carried out close to the end of the lease term, such that the expected life of the newly installed leasehold improvements will exceed the lease term. Where the renewal of the lease is reasonably assured, such shopfronts, fixtures and fittings are depreciated over a period equal to the lesser of their economic useful life, or the remaining lease term plus the period of reasonably assured renewal. Reasonable assurance is gained through evaluation of the right to enter into a new lease, the performance of the store and potential availability of alternative sites.

Where appropriate, provision is made on assets that have a lower economic value than net book value. Additionally, 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 a negative cash contribution, the related store assets are considered for impairment by reference to the higher of net realisable value and value in use.

Lease costs and incentives

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 operating lease costs are charged to the income statement as incurred. Amounts payable in respect of turnover leases are charged in the period to which the turnover relates. Premiums paid to acquire short leasehold properties and incentives received relating to leased properties are amortised over the lease term.

Where the Group has onerous lease obligations, provision is made for the discounted cash outflow that is expected to arise under the lease. Account is taken of any sublet income received or reasonably expected, incentives to be received or paid and the time to lease expiry or reversal of the net cash outflow, whichever is the later.

The Group policy is to recognise a provision for onerous leases when the leased property ceases to be used by the Group.

Receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

The bad debt experience of the US division has been relatively stable over the past five years at between 2.8% and 3.2% of sales.

UK retirement benefits

The surplus or deficit on the Group Scheme that is charged to shareholders' funds through the Statement of Recognised Income and Expenses is

income and expense is subject to a number of assumptions and uncertainties. A qualified actuary is engaged to calculate the expected liabilities of the Group Scheme based primarily on assumptions regarding salary and pension increases, inflation rates, discount rates, projected life expectancy and the long term rate of return expected on the Group Scheme's assets. Details of these assumptions are given in note 21 on page 86. The assumptions are set based on the advice of the actuary to be mutually compatible and lead to the best estimate of future cash flows that will arise under the Group Scheme liabilities. The discount rate is based on the yield at the balance sheet date of AA rated corporate bonds of equivalent currency and term to the Group Scheme's liabilities. The liabilities at 28 January 2006 include an allowance for improved life expectancy. The effect of this has been to increase the year end liabilities for IAS 19 reporting by £15 million (an 11% increase in the Group Scheme liabilities). The value of the assets of the Group Scheme is measured as at the balance sheet date, this being particularly dependent on the value of equity investments held by the Group Scheme at that date. However the overall impact on the Group balance sheet is significantly mitigated as the members of the Group Scheme are only in the UK and account for less than 12% of UK employees. The Group Scheme closed to new members in April 2004.

Share-based payments

The Group recognises a charge to income in respect of the fair values of outstanding employee share options. The fair values are calculated using the Black-Scholes option pricing model up to 29 January 2005 and a binomial valuation

Risk and other factors

Operating reviews, financial review and descriptive material

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. They may not be relied upon by anyone, including shareholders of Signet, for any other purpose. The directors of Signet owe their duties to shareholders of Signet as a whole and undertake no duty of care to individual shareholders, other stakeholders or potential investors.

Forward-looking statements

All statements in this document (including the financial statements and notes), other than statements of historical fact included in this document, are or may be deemed to be forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs as well as on assumptions made by and data currently available to management, appear in a number of places throughout this document and include statements regarding, among other things, our results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates. The use of the words "expects," "intends," "anticipates," "estimates," "may," "forecast," "objective," "plan" or "target," and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include:

- adverse trends in the general economy which may impact negatively on discretionary consumer spending, including unemployment levels, the level of consumers' disposable income, consumer confidence, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation;
- the Group's ability to anticipate consumer preferences and the merchandising, pricing and inventory policies it follows;
- the reputation of the Group and its trading names, together with the success of the Group's marketing and promotional programmes;
- the ability to recruit, train and retain staff;
- the extent and results of the Group's net store expansion and refurbishment strategy together with the availability of suitable real estate;
- the level of competition in the selling of jewellery and the development of new distribution channels in competition with the Group;
- the level of dependence on particular suppliers of merchandise;
- fluctuations in the supply, price and availability of diamonds, gold and other precious and semi-precious metals and stones as well as the consumer attitude to those and other products;
- the seasonality of the Group's business, the risk of disruption during the Christmas trading period, and the availability of inventory during the three months leading up to the Christmas season;
- social, ethical and environmental risks;

- the suitability and reliability of the Group's systems and procedures, including its information technology, warehousing and distribution systems;
- regulatory requirements and GAAP;
- acquisitions;
- pensions regulations, actuarial assumptions, pension valuation and investment returns;
- the cost and availability of borrowings and equity capital; and
- financial market risks, including fluctuations in exchange rates between the pound sterling and the US dollar which may affect reported revenues, costs, the value of the Group's consolidated borrowings, and the cost of capital.

All forward-looking statements should be read, in particular, in the context of the Risk and other factors described in this section. Shareholders are cautioned not to place undue weight on these forward-looking statements. Actual results may differ materially from those anticipated in such forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein may not be realised. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

Impact of general economic conditions

Jewellery purchases are discretionary and may be particularly affected by adverse trends in the general economy.

The success of the Group's operations depends to a significant extent upon a number of factors relating to discretionary consumer spending. These include economic conditions and perceptions of such conditions by consumers, employment, the rate of change in employment, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation for the economy as a whole and in regional and local markets where the Group operates. There can be no assurance that consumer spending on jewellery will not be adversely affected by changes in general economic conditions. However, due to the limited seasonality in the product mix, the risk of having to discount inventory in order to be correctly stocked for the next selling season is more limited than for some other retail sectors.

While the level of consumer expenditure may vary, the occasions when jewellery is purchased – engagements, weddings and events such as Christmas, wedding anniversaries, birthdays, Valentine's Day and Mothers' Day – occur on a regular basis.

Signet's US business is believed to be less exposed to the economic cycle than its UK business. Approximately 45% of sales in the US are in the bridal related sector which is thought to be less sensitive to changes in general economic conditions than other categories of jewellery, while in the UK only 15% – 20% of sales are bridal related. Furthermore, a greater proportion of costs in the US business are proportional to sales than in the UK business so the impact on any change in sales, either positive or negative, has less of an impact on operating profit in the US than in the UK.

As a substantial proportion of the Group's US sales are made on credit, any significant deterioration in general economic conditions or consumer debt levels may inhibit consumers' use of credit and cause a material adverse effect on the Group's revenues and profitability. Furthermore, any downturn in general or local economic conditions in the markets in which the Group operates may adversely affect its collection of outstanding credit accounts receivable and hence the net bad debt charge. Currently there are all-time high levels of consumer debt in the US, however, the level of net bad debt charge as a percentage of credit sales in the Group's US division in 2005/06 was towards the bottom end of the range in recent years.

Merchandise selection, pricing, inventory and purchasing

The Group depends on consumer fashions, preferences for jewellery in general and the demand for particular products. Design trends in jewellery normally only change over relatively long periods and there is little seasonality in the merchandise mix. The ability to predict accurately future changes in taste, respond to changes in consumer preferences, carry the inventory demanded by customers, deliver the appropriate quality, price products correctly and implement effective purchasing procedures, all have an important influence on determining sales performance and achieved gross margin (see pages 13 and 19 for more details of the Group's merchandising and purchasing procedures).

The Group's operating experience suggests that while the price of jewellery is a consideration for consumers, it is not among the top three factors in determining where they buy jewellery. The Group believes these factors to be the level of service provided to the customer, the quality, together with the selection of merchandise offered and the reputation of the retailer. Therefore while discounting price may increase sales, it may not increase profit.

Reputation and marketing

Primary factors in determining customer buying decisions in the jewellery sector include customer confidence in the retailer and the merchandise sold, together with the level and quality of customer service. The Group carries out quality control and staff training procedures and provides customer service facilities to help protect its reputation. During 2005/06 a customer satisfaction index for each store, based on customer feedback, was introduced in the US division and will be tested in the UK division in 2006/07 (see page 46 for details of the processes by which the Group obtains an understanding of customer attitudes).

The ability to differentiate the Group's stores from competitors by its branding, marketing and advertising programmes is a factor in attracting consumers. Therefore these programmes are carefully tested and their success monitored by methods such as market research (see pages 14 and 19 for more details).

The Diamond Trading Company ("DTC"), a subsidiary of De Beers Consolidated Mines Limited ("De Beers"), promotes diamonds and diamond jewellery in the US and the UK. The level of support provided by the DTC and the success of the promotions influence the size of the total jewellery market in those countries.

The Group's reputation in the financial markets can influence the availability of capital, the cost of capital and its share price.

Staff

In speciality jewellery retailing, the level and quality of customer service is largely determined by the effectiveness of recruitment, training and retention of suitably qualified sales staff and this will help determine sales and profitability. The support provided to the Group's store employees by staff at the divisional head offices and in the corporate functions will also influence the performance of the Group. Consequently the Group has in place comprehensive recruitment, training and incentive programmes and employee attitude surveys (see pages 9 and 17 for more details).

Store portfolio

The future growth of sales is partly dependent on the extent and results of the Group's net space expansion and refurbishment strategy. The Group has followed a steady programme of space expansion and refurbishment and has established capital expenditure procedures with investment criteria set by the Board. The projections used for investment decisions are reviewed and adjusted based on experience and economic conditions.

In particular, the success of the Jared off-mall destination store concept, which accounts for the majority of the Group's net increase in new store space, will influence the future performance of the Group. This concept has been tested and developed over a number of years and its performance against the investment model is regularly reviewed. The rate

Competition

Competitive factors in the jewellery sector are discussed in the US and UK operating reviews (see pages 7 to 20).

If the Group falls behind competitors with respect to one or more of these factors, the Group's operating results or financial condition could be adversely affected. In the US the Group has an estimated 8.2% market share of the speciality jewellery sector and has only one major national competitor. While another major national brand could develop, the sector is highly fragmented. As a result of the growth of Jared and the development of Kay outside of its mall base, the Group is increasingly competing with independent speciality jewellery retailers rather than the national or major regional chains which predominate in enclosed malls. In the UK the Group has an estimated 17% share of the fine jewellery sector and has only limited scope to increase sales by opening new stores.

The channels through which consumers buy jewellery continually evolve and a major non-speciality retailer could enter the wider jewellery market. In the US, for example, sales by discount retailers have increased, while those of the department stores have been in relative decline and catalogue retailers have withdrawn from the market. In the UK a number of fashion and general retailers have introduced jewellery into their ranges whilst others have reduced their selection. The Group regularly "shops the competition" to monitor their merchandising, pricing and service standards. In both the US and the UK, internet retailers sell jewellery and watches. The Group monitors the competitive environment and the development of possible new channels of distribution such as the internet. As part of this process there are marketing websites for each of the Group's major brands. H.Samuel added an e-commerce capability to its website in 2005/06 and it is anticipated that both the Ernest Jones and Kay websites will introduce e-commerce capabilities during 2006/07.

Supply chain

During 2005/06 the Group had one supplier that accounted for 10% of its merchandise. No other supplier accounted for more than 4% of its merchandise. Although the Group believes that alternative sources of supply are available, the abrupt loss of any significant supplier during the three month period (August to October) leading up to the Christmas season could result in a material adverse effect on the Group's business. The Group is therefore in regular dialogue with suppliers and uses its merchandising systems to monitor sales performance and predict its future inventory needs.

Raw materials

The jewellery industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a lesser extent, other precious and semi-precious metals and stones. The Group undertakes some hedging of its requirement for gold through the use of options, forward contracts and outright commodity purchasing. It does not hedge against fluctuations in the cost of diamonds. The Group does hedge the exposure of the UK division to the US dollar with regard to diamond and other costs of goods sold. In the US division, fine gold and diamonds account for over 60% of cost of goods sold, while in

the UK business the proportion is over 35%. The cost of raw materials is only part of the costs involved in the retail selling price of jewellery with labour costs also being a significant factor.

It is forecast that the demand for diamonds will increase faster than the growth in supply; therefore the cost of diamonds is anticipated to rise. In addition, if the Group continues to increase its market share it will require additional sources of diamonds of consistent quality. Therefore the Group continually seeks to identify and implement improvements in its supply chain. For example, an initiative to develop a capability to source, cut and polish rough diamonds was commenced in 2005/06.

The ability of the Group to increase retail prices to reflect higher commodity costs varies and an inability to increase retail prices could result in lower profitability. Historically jewellery retailers have been able, over time, to increase prices to reflect changes in commodity costs. Due to the slow inventory turnover they are not under immediate pressure to change prices. In addition, the Group can improve the efficiency of its supply chain to partly offset an increase in commodity costs.

Diamonds are the largest product category sold by the Group. The supply and price of diamonds in the principal world markets are significantly influenced by a single entity. The DTC (and its predecessor, the Central Selling Organisation) has for many years controlled the marketing of a substantial majority of the world's supply of rough diamonds and sells diamonds to diamond cutters in quantities and at prices determined at its sole discretion. In 2000 De Beers announced a change in corporate strategy designed to improve the efficiency of the supply chain and increase the level of marketing support for diamonds.

The availability of diamonds to the DTC and the Group's suppliers is to some extent dependent on the political situation in diamond producing countries. Until alternative sources can be developed, any sustained interruption in the supply of diamonds from the significant producing countries could adversely affect the Group and the retail jewellery industry as a whole.

Consumer confidence in diamonds, gold and other precious metals and gemstones also influences the level of Group sales. Confidence could be affected by a variety of issues including the availability and consumer awareness of substitute products such as cubic zirconia, moissanite and of laboratory created diamonds; labour conditions in the supply chain; and concern over the source of raw materials and the impact of mining and refining of minerals on the environment, health issues and the local community. The Group, therefore, has a Supplier Code of Conduct which sets out the Group's expectations of its suppliers. An example of an issue that could affect confidence in this way is that of conflict diamonds, which is the term used for diamonds sold by rebel movements to raise funds for military campaigns. There have been a number of United Nations resolutions regarding conflict diamonds and an international agreement, known as the Kimberley Process, was signed in November 2002. This was designed to exclude conflict diamonds from the legitimate diamond

trade. During 2003 legislation was passed in the European Union and the US, implementing the Kimberley Process. The impact of the Kimberley Process and its associated legislation has not resulted in any disruption to the supply of rough diamonds to date and has helped to improve the integrity of the supply chain.

The Group reviews its procedures and documentation for compliance with the Kimberley Process and makes appropriate amendments. In addition, staff are briefed and suppliers reminded about the procedures. During the year the Group's internal audit function and mystery shopper programmes checked for compliance. See page 46 for further information on the Supplier Code of Conduct, the Kimberley Process and the Group's policy on conflict diamonds.

Seasonality

The Group's business is highly seasonal, with a very significant proportion of its sales and operating profit generated during its fourth quarter, which includes the Christmas season. The Group expects to continue to experience a seasonal fluctuation in its sales and profit. Therefore the Group has limited ability to compensate for shortfalls in fourth quarter sales or earnings by changes in its operations and strategies in other quarters, or to recover from any extensive disruption, for example due to inclement weather conditions. A significant shortfall in results for the fourth quarter of any financial year would thus be expected to have a material adverse effect on the Group's annual results of operations. However, due to the limited seasonality in the product mix, the risk of having to discount inventory in order to be correctly stocked for the next selling season is more limited than for some other retail sectors. Disruption at more minor peaks in sales at Valentine's Day and Mothers' Day would impact the results of the Group to a lesser extent.

Social, ethical and environmental risks

Social, ethical and environmental ("SEE") matters influence the Group's reputation, demand for merchandise by consumers, the ability to recruit staff, relations with suppliers and standing in the financial markets. Signet, therefore, is committed to managing the SEE risks and responsibilities facing the Group. This commitment stems from the understanding that Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders: shareholders, customers, employees and suppliers.

In recent years stakeholder expectations of public companies have increased. Managing and responding as a business to these changing expectations, including with regard to SEE issues, is part of the normal responsibilities of corporate management.

The Group regularly carries out SEE risk reviews and benchmarking exercises with the assistance of an external adviser. Such reviews include an assessment of Group policies, procedures and controls in respect of SEE matters. Reports are regularly made to the Group's Risk Management Committee and to the Board. The greatest SEE risks are judged to relate to the integrity of the merchandise and to the SEE standards in the Group's supply chain.

In order to better address issues relating to social, ethical and environmental issues within the diamond and gold jewellery supply chain, the

the objective of promoting
responsible business practices
in a transparent and
accountable manner
throughout the industry from
mine to retail. The Council
represents all parts of the
supply chain and is
undertaking public consultation
on its Code of Practice, which
will involve third party
monitoring. See
www.responsiblejewellery.com
for further information on the
Council.

On 21 October 2001 the
Association of British Insurers
published guidelines on
Socially Responsible
Investment. In line with that
guidance the Board confirms
that it has identified and
assessed the Group's SEE
risks and that these are being
managed.

SEE matters are dealt with in
more detail on pages 45 to 49
and in the CSR section on
www.signetgroupplc.com.

Systems

The Group is dependent on
the suitability and reliability of
its systems and procedures,
including its information
technology, warehousing and
distribution systems. The
Group has emergency
procedures which are regularly
tested. The Group carries out
evaluation, planning and
implementation analysis before
updating or introducing new
systems that have an impact
on a function critical to the
Group. If support for a critical
externally supplied software
package ceased the Group
would have to implement an
alternative software package
or begin supporting the
software internally. Disruption
to parts of the business could
result and increased costs
could be incurred.

Pensions

In the UK the Group operates a closed defined benefit pension scheme. This closed Group Scheme ceased to admit new employees in 2004/05. The valuation of the Group Scheme's assets and liabilities partly depends on assumptions based on the financial markets as well as longevity rates and staff retention rates. This valuation is particularly sensitive to material changes in the value of equity investments held by the Group Scheme, changes in the UK AA rated corporate bond yields which are used in the measurement of the liabilities, changes in market expectations for long term price inflation and new evidence on projected longevity rates. Funding requirements and the profit and loss items relating to this closed Group Scheme are also influenced by these factors. At 28 January 2006 there was a net pension liability of £10.9 million compared with a net pension liability of £1.3 million, calculated in accordance with IAS 19, at the prior year end (see pages 86 to 88 for more details). The primary reason for this increase was the use of more conservative longevity assumptions which will be incorporated in the April 2006 actuarial valuation.

The next triennial valuation of the UK Scheme occurs as at 5 April 2006, following which, contribution rates will be reviewed with the trustees of the Group Scheme. Under the Pensions Act 2004 the Pensions Regulator has powers to vary and impose funding arrangements which could be more onerous than may be agreed with or proposed to the trustees. In addition, the provisions of the Pensions Act 2004 may restrict the freedom of the Group to undertake certain re-organisation steps or to effect returns on capital or unusual dividends without the prior agreement of the Group Scheme trustees, in consultation with the Pensions Regulator.

In the UK, the Group introduced a defined contribution plan in 2004, replacing the closed Group Scheme, for new employees. The US division also operates a defined contribution plan.

Equity and debt financing

The Group is dependent upon the availability of equity and debt financing to fund its operations and growth. Therefore it prepares annual budgets, medium term plans and headroom models which help to identify the future capital requirements so that appropriate facilities can be put in place on a timely basis. If these models are inaccurate adequate facilities may not be available.

Financial market risks

The Group publishes its consolidated annual accounts in pounds sterling. The Group held approximately 72% of its total assets in US dollars at 28 January 2006 and generated approximately 73% of its sales and 80% of its operating profit in US dollars for the financial year then ended. Thus, although the Group's US operations make substantially all of their sales and incur substantially all of their expenses in US dollars, in translating the results of its US operations, the Group's results are subject to fluctuations in the exchange rate between the pound sterling and the US dollar. Accordingly, depreciation in the weighted average value of the US dollar against the pound sterling could decrease reported revenues and operating

profit (as was the case in 2002/03, 2003/04 and 2004/05), and appreciation in the weighted average value of the US dollar against the pound sterling could increase reported revenues and operating profit (as was the case in 2000/01, 2001/02 and 2005/06). The Board has chosen not to hedge the translation effect of exchange rate movements on the results of the Group given that there is little movement of cash between the Group's two divisions.

As part of its long-term strategy, the Group seeks to finance its US net assets with borrowings denominated in US dollars as a hedge against the impact of exchange rate fluctuations on its US operating profit. Currently nearly all of the Group's borrowings are denominated in US dollars. Therefore fluctuations in the exchange rate between the pound sterling and the US dollar affect the amount of the Group's consolidated borrowings.

In addition, the prices of materials and certain products bought on the international markets by the UK division are denominated in US dollars, and therefore the Group has an exposure to exchange rates on the cost of goods sold which will have an opposite effect to its exposure on US operating profit. The Group does use hedging operations in respect of purchases of US dollars by its UK division, within the treasury guidelines approved by the Group's Board.

Cash dividends paid by the Group in respect of the shares will be in pounds sterling and fluctuations in the exchange rate between the pound sterling and the US dollar will affect the dollar amount received by holders of ADSs upon conversion of such dividends. Moreover, fluctuations in the exchange rate between the pound sterling and the US dollar will affect the US dollar equivalents of the pound sterling price of the shares on the London Stock Exchange and, as a result, are likely to affect the market price of the ADSs in the US.

The table on page 35 sets out, for the calendar years indicated, the average, high, low and period end exchange rates for the pound sterling expressed in US dollars per £1.

The Group's policy is to manage financial risk resulting from exposure to currency and interest rate fluctuations. Translation exposure relating to non-pound sterling denominated assets in the US is partially hedged by borrowing in US dollars. Interest rate exposure is managed through the use of swaps, caps and floors.

A committee of the Board is responsible for the implementation of treasury policies and guidelines which are considered to be appropriate by the Board for the management of financial risk. The Group's funding, liquidity and exposure to interest rate and exchange rate risks are managed by the Group's treasury department. The Group uses derivative instruments for risk management purposes only, and these are transacted by specialist treasury personnel.

For financial instruments held, the Group has used a sensitivity analysis technique that measures the change in the fair value of the Group's financial instruments from hypothetical changes in market rates and this is shown in the table on page 35.

Exchange rates between the pound sterling and the US dollar ⁽¹⁾

	Average	High	Low	At period end
Calendar year				
2001	1.44	1.50	1.38	1.45
2002	1.51	1.61	1.41	1.61
2003	1.62	1.79	1.55	1.77
2004	1.79	1.96	1.75	1.92
2005	1.90	1.93	1.85	1.88
2006 (cumulative to 5 April)	1.75	1.79	1.72	1.75
Month				
September 2005	1.81	1.84	1.76	1.76
October 2005	1.77	1.78	1.75	1.77
November 2005	1.74	1.78	1.72	1.73
December 2005	1.74	1.78	1.72	1.72
January 2006	1.76	1.79	1.72	1.78
February 2006	1.75	1.78	1.74	1.75
March 2006	1.75	1.76	1.72	1.74

(1) Based on unweighted data points sourced from Reuters.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from those projected due to changes in the portfolio of financial instruments held and actual developments in the global financial markets. These may cause fluctuations in interest and exchange rates to exceed the hypothetical amounts disclosed in the table above.

The example shown for changes in the fair values of borrowings and associated derivative financial instruments at 28 January 2006 is set out in the table below. The fair values of borrowings and derivative financial instruments are estimated by discounting the future cash

flows to net present values using appropriate market rates prevailing at the period end.

The estimated changes in fair values for interest rate movements are based on an instantaneous decrease of 1% (100 basis points) in the specific rate of interest applicable to each class of financial instruments from the levels effective at 28 January 2006 with all other variables remaining constant. The estimated changes in the fair value for foreign exchange rates are based on an instantaneous 10% weakening of the pound sterling against the US dollar from the levels applicable at 28 January 2006 with all other variables remaining constant.

Fair value changes arising from:

	Estimated fair value at 28 January 2006 £m	1% decrease in interest rates (unfavourable) £m	10% weakening in £ against \$ favourable/ (unfavourable) £m	Estimated fair value at 29 January 2005 £m
Borrowings	(151.1)	(1.0)	(17.1)	(180.3)
Foreign currency receivable	382.4	—	42.5	382.4
Foreign exchange contracts	0.5	—	6.1	(0.8)
Commodity hedging contracts	1.5	—	—	—

The analysis above should not be considered to be a projection of likely future events.

Directors

James McAdam CBE, 75, Chairman, appointed in 1992. He was also Group Chief Executive from 1992 until March 2000. From 31 March 2001, while continuing as Chairman, he ceased to be a full-time executive. Mr. McAdam is the non-executive Chairman of Bisley Office Equipment Company Limited, Chairman of the British Clothing Industry Association Limited and Chairman of the British Apparel & Textile Confederation; he devotes approximately 25% of his time to these latter roles. Mr. McAdam has indicated his intention to retire from the Board at the conclusion of the annual general meeting in 2006.

Robert Anderson, 47, appointed in 2005. He became Chief Executive of the Group's UK division in January 2003 having joined the Group as Chief Operating Officer of the UK division in August 2000. Prior to joining the Group Mr. Anderson had worked at Marks & Spencer Plc for 19 years, latterly as Business Unit Director.

Robert Blanchard*, 61, appointed in 2000. He was a Group Vice President of Procter & Gamble and President of its Global Skin Care and Cosmetics business until his retirement in 1999. He is a non-executive director of Bandag Inc. but has indicated that he will be retiring from that board in May 2006. He was also a non-executive director of Best Buy Co. Inc. until he retired from that board in June 2005.

Walker Boyd, 53, appointed Group Finance Director in 1995. He is a member of the Institute of Chartered Accountants of Scotland. From 1992 he was Finance Director of the Group's UK division.

Terry Burman, 60, appointed Group Chief Executive in 2000. He was, until January 2006, also Chief Executive Officer of the Group's US division. Mr. Burman was appointed to the Board in 1996. Prior to joining the Group in 1995 he was Chief Executive Officer of Barry's Jewelers, Inc.

Dale W. Hilpert*, 63, appointed in 2003. He was Chief Executive of Williams-Sonoma, Inc. from April 2001 until his retirement in January 2003. Prior to this he was Chairman and Chief Executive of Foot Locker, Inc. which he joined as President and Chief Operating Officer in 1995.

Brook Land*, 57, appointed in 1995 and first elected to the Board in 1996. Until 1996 he was a senior partner of, and is now a consultant to, solicitors Nabarro Nathanson. He is also non-executive Chairman of RPS Group plc and Medal Entertainment & Media plc. Mr. Land was nominated as the Senior Independent Director of Signet in June 2002.

Mark Light, 44, appointed in January 2006. He became Chief Executive of the Group's US division in January 2006 having been President and Chief Operating Officer of the US division from 2002. He joined the Group in 1978.

Robert Walker*, 61, appointed in 2004. He was Group Chief Executive of Severn Trent Plc, from August 2000 until his retirement in February 2005. Prior to this Mr. Walker had been a Division President of PepsiCo International and had previously worked for McKinsey and Company and Procter & Gamble. He is non-executive Chairman of WH Smith PLC and a non-executive director of Wolseley Plc, Tate & Lyle PLC and Williams Lea Group Limited. He is also an adviser to Cinven.

Russell Walls*, 62, appointed in 2002. He was Group Finance Director of BAA plc until his retirement in August 2002 and was the senior independent director of Hilton Group plc until May 2003. Mr. Walls is the senior independent director of Stagecoach Group plc and a non-executive director of Aviva plc and non-executive Chairman of Delphic Europe Limited. He is a Fellow of the Association of Chartered Certified Accountants.

Malcolm Williamson*, 67, appointed in November 2005. He was President and CEO of Visa International between 1998 and 2004 before which he was Group Chief Executive of Standard Chartered PLC from 1993 to 1998. He is Chairman of National Australia Group Europe Limited (and the Principal Board member of National Australia Bank), CDC Group plc, Youth Business International Advisory Board and Deputy Chairman of Resolution PLC. He is also a non-executive director of JP Morgan Cazenove Holdings and Group 4 Securicor PLC.

Subject to shareholders electing Mr. Williamson as a director at the annual general meeting in 2006, the Board has appointed him as Chairman with effect from the conclusion of that annual general meeting.

Committees

Remuneration Robert Blanchard (Chairman), Russell Walls and Robert Walker (the latter with effect from 1 March 2005).

Audit Russell Walls (Chairman), Dale Hilpert and Brook Land.

Nomination Brook Land (Chairman), Robert Blanchard, James McAdam and Malcolm Williamson (the latter with effect from 4 April 2006).

Under the Company's Articles of Association, directors appointed by the Board since the last annual general meeting, either to fill a vacancy or as an additional director, must retire at the next annual general meeting.

The Articles also specify that every director is required to retire at the annual general meeting in the third calendar year after he was last elected or re-elected, except for directors over the age of 70 who are required to retire at every annual general meeting. Similarly the Combined Code requires non-executive directors who have served longer than nine years; if they are to continue to serve, to do so subject to annual re-election. Such directors may, in these circumstances, seek re-election.

* Non-executive directors, all of whom satisfied the definitions of independence in the revised Combined Code ("the Combined Code") and are viewed as independent by the Board.

Messrs. Land, Light, McAdam, Walls and Williamson retire from the Board at the forthcoming annual general meeting. Following consideration by the Board of the recommendations of the Nomination Committee, other than Mr. McAdam who is not offering himself for re-election, the others do so.

Officers

Mark Jenkins , 48, Group Company Secretary, appointed in 2004. Previously he was a director and Company Secretary at COLT Telecom Group plc and Group Company Secretary at Peek plc. He is a barrister.

Liam O'Sullivan , 34, Group Treasurer, appointed 2003. Previously he was Group Treasury Manager at Rank Group Plc. He is a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Corporate Treasurers.

No director or officer has any family relationship with any other director or officer.

Advisers

Auditor

KPMG Audit Plc,
8 Salisbury Square, London EC4Y 8BB.

Financial adviser

Lazard Brothers & Co. Limited,
50 Stratton Street, London W1J 8LL.

Stockbrokers

Deutsche Bank AG,
Winchester House,
1 Great Winchester Street, London EC2N 2DB.

JP Morgan Cazenove Ltd,
20 Moorgate, London EC2R 6DA

UK lawyer

Herbert Smith LLP,
Exchange House,
Primrose Street, London EC2A 2HS.

US lawyer

Weil, Gotshal & Manges,
One South Place, London EC2M 2WG.

Principal bankers

Barclays Bank PLC,
5 The North Colonnade, Canary Wharf, London E14 4BB.

HSBC Bank plc,
8 Canada Square, Canary Wharf, London E14 5HQ.

Royal Bank of Scotland plc,
135 Bishopsgate, London EC2M 3UR.

Wachovia Bank N.A.,
1 Plantation Place, 30 Fenchurch Street, London EC3M 3BD.

Registrar

Capita Registrars,
The Registry,
34 Beckenham Road, Beckenham, Kent BR3 4TU.

Report of the directors

Business review

The principal activity of the Group is the retailing of jewellery, watches and gifts with branches throughout the UK and the US. A review of the Group's performance during the year, with comments on the financial results and likely future developments, is set out on pages 7 to 29 and forms part of this Report.

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 66. The directors recommend the payment of a final dividend of 2.8875p per share, to be paid on 7 July 2006 to shareholders on the register of members at close of business on 2 June 2006. An interim dividend of 0.4125p per share was paid in November 2005 making a total of 3.3p for the year (2004/05: 3.0p). See note 9 on page 79 for waiver of dividends.

Directors

The directors who served during the period were James McAdam (Chairman), Robert Anderson, Robert Blanchard, Walker Boyd, Terry Burman, Dale Hilpert, Brook Land, Mark Light, Robert Walker, Russell Walls and Malcolm Williamson. Details of the current directors are shown on page 36.

Independence of non-executive directors

Mr. Land was first elected to the Board as a director in June 1996, and therefore under the terms of the Combined Code maintenance of his independent status requires to be re-affirmed annually. The non-executive directors and the Board as a whole have considered Mr. Land's position and have concluded that he continues to be independent for the following reasons.

Mr. Land has no relationship with the Company, nor with any of the directors, which could impact his ability to remain objective or independent of mind. He does not provide any service to the Company and has no connections or ties to the Company other than in his capacity as a member of the Board. Where appropriate, he challenges and questions proposals in a positive and constructive way. This is an essential requirement of a strong independent non-executive director and the Board continues to value Mr. Land's contribution. The Board considers it to be especially important to have continuity in the role of Senior Independent Director whilst finding and establishing a new Chairman. Mr. Land will therefore offer himself for re-election to the Board at the forthcoming annual general meeting.

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 28 January 2006 are given in the Directors' remuneration report on pages 50 to 63.

Allotment of equity securities

There were no equity securities allotted save in relation to the exercise of options as set out in note 27 on page 94.

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 45 to 49.

Substantial shareholdings and control of the Company

Details of substantial shareholdings and control of the Company are as set out on pages 114 and 115.

Purchase of own shares

At 28 January 2006 there was outstanding an authority, granted by the shareholders at the annual general meeting in 2005, to purchase, in the market, up to 173,618,182 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. During the financial year no purchases were made under this authority or proposed to be made and no purchases or options or contracts to make purchases have been made or entered into since the end of the financial year. The authority expires at the forthcoming annual general meeting and a resolution to renew it will be proposed at the meeting.

Pension funds

Information about the Group's pension schemes is set out in the Financial review section on page 26, the Risk and other factors section on page 34 and in note 21 on page 86. Information about pension arrangements for executive directors is set out in the Directors' remuneration report on pages 50 to 63.

Indemnities

Certain US subsidiaries of the Company have constitutions and by-laws which provide indemnities to directors which conform to local laws and practice. In some respects those indemnities exceed what would be permitted under English law if they were UK companies. To ensure compliance with the UK Listing Rules, the Company is in discussion with the UKLA to amend 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.

New York Stock Exchange ("NYSE")

The Company's shares are listed on the NYSE in the form of American Depositary Shares ("ADS"). Each ADS represents ten ordinary shares. Prior to 18 October 2004, the ratio of ordinary shares per ADS had been 30:1.

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 9 June 2006 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

5 April 2006

The Board

The Board has as its prime objective the sustainable enhancement of business performance and shareholder value. It carries the responsibility for determining all major policies, for ensuring that effective strategies and management are in place, for assessing the performance of the Group and its senior management and for reviewing the system of internal controls, including those relating to social, ethical and environmental matters (see pages 45 to 49). The Board also seeks to present to shareholders, potential investors and other interested parties a balanced and coherent assessment of the Company's strategy, financial position and prospects. The Board retains responsibility for a range of specific matters including approval of the annual report and other documents circulated to shareholders by the Company; quarterly and annual results announcements; other trading statements; distribution policy; acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board; risk management; budgets; long range plans; senior executive appointments; succession planning; corporate governance and the setting of social, ethical and environmental policies.

The Board monitors all developments in corporate governance, including the Combined Code and changes due to the Sarbanes-Oxley Act of 2002 in the US. The Board reviews its performance and procedures in the light of changing expectations regarding best practice and makes amendments, where it believes appropriate, to take account of them.

The formal schedule of matters reserved for the Board is reviewed annually and the division of responsibilities between the Chairman and the Group Chief Executive was set out in writing and agreed by the Board. In summary, the Chairman is responsible for:

- the effective running of the Board, including the evaluation of its performance and that of the individual directors, the balance of the Board and the Board's compliance with corporate governance;
- the review, prior to their presentation to the Board by executive management, of strategy, medium term plans and annual budget;
- reviewing, prior to their presentation to the Remuneration Committee, the recommendations of the Group Chief Executive regarding the remuneration of senior executives and for making a recommendation regarding that of the Group Chief Executive;
- maintaining contact with major shareholders to understand directly their issues and concerns;
- keeping the non-executive directors appropriately informed of developments within the business and shareholders' attitude to the Group; and
- the reputation of the Group, and representing it both internally and externally.

The Chairman is also a member of the Nomination Committee.

In summary, the Group Chief Executive is responsible for:

- the executive leadership of the Group;
- the development, and presentation to the Board, of strategy, medium term plans and budgets;
- within this framework, for the performance of the business;
- compliance with legal and corporate governance requirements, together with the social, ethical and environmental principles of the Group; and
- making recommendations on the appointment and remuneration of senior executives and management development.

The incumbent Group Chief Executive was also Chief Executive of the US division until January 2006.

The Board met eight times in 2005/06, including three extended sessions of more than one day. All directors attended all meetings of the Board.

The Board currently consists of 11 directors: the Chairman, four executive directors (the Group Chief Executive, the Group Finance Director and the Chief Executives of the UK and the US divisions) and six independent non-executive directors, one of whom is nominated as the senior independent director. Incumbents are identified on page 36. Directors are subject to election at the first annual general meeting after appointment and then to re-election by shareholders at no more than three yearly intervals. Whilst the Board is of the view that fixed terms or age limits are not as important as the particular contributions being made by the individual non-executive directors in deciding their terms of office, the Board has agreed to apply fixed three year terms, but on a staggered basis, to existing and future non-executive directors. Notwithstanding this, the performance of each director will continue to be reviewed annually. Any non-executive director who has served on the Board for nine years since first being elected as a non-executive director must stand for annual re-election; also any director over the age of 70 must stand annually for re-election.

The mix of skills and business experience of the directors is considered to be appropriate for the proper and efficient functioning of the Board. The terms of reference of the Nomination Committee include the regular review of the composition and balance of the Board. No one individual has unfettered powers of decision and no individual or grouping is in a position to unduly influence the Board's decision making. At least once a year the non-executive directors meet without the executive directors being present. They also meet occasionally without the Chairman being present.

On appointment new directors take part in an induction programme and are given an opportunity to familiarise themselves with the Group's business, procedures and investor perceptions. In addition to meeting with management this process includes briefings from the

Group's external auditors, lawyers, financial advisers and stockbrokers. Directors are kept informed of the latest developments and best practice in corporate governance and attend relevant courses or receive appropriate training to equip them to carry out their duties. The non-executive directors are given regular opportunities to see the operations of the business and to meet management and staff.

All directors receive written reports in a timely manner prior to each meeting which enables them to make informed decisions on the issues under consideration.

The performance of the Board, its Committees and individual members is rigorously monitored to ensure that each director continues to contribute effectively and demonstrate commitment to the role. The Board has agreed a formal written procedure for the evaluation process which is conducted by the Chairman, in conjunction with the senior independent director and the Group Company Secretary. It consists of a questionnaire, completed by the directors, followed by a structured discussion session to explore the responses and any other matters raised during the process which is designed to help in assessing the future development needs of the Board and the directors. The performance evaluation of the Chairman is led by the senior independent director and takes into account the views of both the non-executive and executive directors.

The Group Company Secretary is responsible, through the Chairman, for advising the Board on all governance matters and ensuring that Board procedures are followed. All directors have access to his advice and service. There is also a procedure for directors to take independent advice in the course of their duties, if considered appropriate, at the Group's expense.

Board committees

Certain matters are delegated to Board committees, each with defined terms of reference, procedures, responsibilities and powers. The principal committees are as follows:

The Audit Committee has written terms of reference which are available on request from the Group Company Secretary and on the Group's website. The terms of reference are reviewed annually.

The Audit Committee's responsibilities include the review of the appropriateness and effectiveness of the Group's accounting policies and financial procedures and oversight of the external auditor's work, including the scope and result of the audit. The Audit Committee also reviews the effectiveness of the internal auditors, the Disclosure Control Committee and the Group's whistleblowing procedures. The review of the whistleblowing procedures includes receiving reports on all matters raised and on actions taken. The Audit Committee also reviews the effectiveness of the Group's internal control and risk management procedures and reports to the Board on these matters. This review is based on a report submitted via the Risk Management

Committee which includes annual written self-certification statements prepared by the operating divisions and head office departments which confirm the extent of their compliance with all material internal financial operating and disclosure controls. These statements are prepared by the divisional finance directors on behalf of each operating division and are reviewed by senior divisional executives, Group management and the Audit Committee. In addition to the Management self-certification process, the Audit Committee receives regular updates on divisional internal audit activity throughout the year and reviews reports submitted to the Board by the Group's external auditor. Quarterly Risk Management Committee reports are also provided to the Chairman of the Audit Committee and a member of that Committee is in attendance at each Risk Management Committee meeting. The Audit Committee reviews, discusses with management and approves for submission to the Board, all Group audited accounts, trading statements and selected internal financial reports.

The external auditor's objectivity and independence is monitored by the Audit Committee having primary responsibility for making a recommendation on the appointment of the external auditor, the determination of their fees and making an annual assessment of their independence (including consideration of a written disclosure by the external auditor of all relationships that they have with the Group). The planned rotation of partners and staff of the external auditor, together with a "cooling off" period before anyone from the external auditor joins the Group, also assist in maintaining the independence of the external auditor. The Audit Committee has reviewed and approved a policy for the provision of audit and non-audit services by the auditor which is compliant with the requirements of the Sarbanes-Oxley Act in relation to non-audit work. The policy requires that the Audit Committee approves in advance all audit and non-audit work carried out by the external auditor (subject to a de minimis amount, this being then reported to the Audit Committee on a quarterly basis). The approval process requires disclosure of the objectives and scope of services to be performed in addition to the fee structure. The Audit Committee also reviews all approved services and fees at subsequent meetings. See page 76 for details of fees paid to the external auditor.

The Audit Committee has an established channel of direct communication with the external auditor who normally attends meetings except in relation to certain aspects of their own appointment, assessment of their independence and determination of their fees. The Chairman, the Group Chief Executive, the Group Finance Director and others attend the meeting by invitation. The Audit Committee meets at least once a year with both the external auditor and internal auditors without executive management being present. The Audit Committee also meets on two occasions during the year for the purpose of being briefed on business and technical developments and to meet with divisional management to assess the risk and internal audit functions of both of the divisions. The Business Risk Assurance Manager also reports to the Committee on the processes in relation to the mitigation and review of business risks.

Corporate governance statement (continued)

All members of the Audit Committee are independent, as defined by the Combined Code, the SEC and the NYSE and the only remuneration members of the Audit Committee receive, from the Group, is as directors. Russell Walls is Chairman and an “audit committee financial expert” as defined by the applicable SEC regulations. During the year the Audit Committee consisted of Dale Hilpert, Brook Land and Russell Walls with all having significant financial experience either as a result of positions held in other companies or from advising on such matters. The Group Company Secretary acts as secretary to the Audit Committee. The Audit Committee met eight times in 2005/06, including a meeting entirely dedicated to the consideration of corporate governance matters and there was full attendance at all meetings.

The Nomination Committee terms of reference are reviewed annually and are available on request from the Group Company Secretary and on the Group’s website. The Nomination Committee has responsibility for reviewing the composition and balance of the Board, as well as Board and senior management succession. It also makes recommendations to the Board on all new Board appointments and nominations for re-election as directors. Once the Nomination Committee has agreed a job specification, the services of external recruitment agencies are used to identify suitable candidates for senior executive posts and for all Board appointments. The Nomination Committee carries out interviews with such individuals in accordance with a formalised re-election process particularly with regard to the performance evaluation procedures for individual directors. The review of any non-executive director, who is serving beyond six years from first being elected to the Board, is considered with particular care. No director is involved in any decision about his own re-appointment. The procedure for the election of directors is laid out on page 36.

When the role of the Chairman or any matter relating to succession to that role is discussed, the Chairman may be consulted, but the responsibility for preparing a job specification and making any recommendation to the Board rests solely with the independent non-executive directors of the Nomination Committee. The Nomination Committee also reviews a number of other senior appointments within the Group, such as that of the Group Company Secretary. The senior independent director chairs the Nomination Committee. During the year the Nomination Committee consisted of Robert Blanchard, Brook Land, and James McAdam. The Group Company Secretary acts as secretary to the Nomination Committee. The Nomination Committee met seven times in 2005/06 and there was full attendance at all meetings.

The role of the **Remuneration Committee** is discussed in the Directors’ Remuneration Report on page 50.

Further details regarding the chairmen and members of these Committees are set out on page 36.

Executive management

The Group comprises two separate operating divisions, one in the US and one in the UK, each with a separate executive committee which

meets regularly. The Group Chief Executive was, until January 2006, also Chief Executive of the Group’s US division. The Group Finance Director and the Chief Executives of the UK and US divisions report to the Group Chief Executive.

The executive management is responsible to the Board for the performance of the Group and its compliance with the internal policies and procedures set by the Board. As part of this responsibility the executive management regularly reports to the Board on the performance of the Group, the competitive environment and its relations with stakeholders.

Business strategies; long range plans; budgets; acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board; and internal policies and procedures are presented to the Board by executive management for consideration. Within this approved framework the executive management is responsible for the day to day running of the business including: merchandising; store operations; human resource management and planning; marketing; real estate; financial reporting; treasury management; risk management; tax management; social, ethical and environmental matters; and communications with investors.

Code of Conduct and Code of Ethics

Signet strives to act in accordance with the laws and customs of each country in which it operates; to adopt proper standards of business practice and procedure; to operate with integrity; and to observe and respect the culture of each country in which it operates. To that end, the Group has adopted a Statement of Social, Ethical and Environmental Principles and supporting policies applicable to all officers and employees of the Group and substantially complies with the requirements of the NYSE. In addition, it has a policy on business integrity, as well as more detailed guidance and regulations in the Group’s staff induction, training and operational procedures. These policies meet the corporate governance requirements of the NYSE, and include a code of business conduct and ethics.

A code of ethics meeting the requirements of the Sarbanes-Oxley Act, covering the Chairman, the Group Chief Executive, the Group Finance Director and senior officers, is also in place. These codes are available on request from the Group Company Secretary and on the Group’s website.

Relations with shareholders

The Board recognises the importance of relations with shareholders and communicates regularly with them about the Group’s strategy, financial performance and prospects. It does this through documents distributed to shareholders, stock exchange announcements and in meetings. Presentations on quarterly and annual results and the Christmas trading statement are open to all interested parties, including private shareholders, through the use of teleconferences and web casting. Other presentations are available on the Group website.

The Board recognises that the prime opportunity for private investors to question the Board is at a general meeting of shareholders. All of

the directors are expected to attend the annual general meeting and the chairmen of the Audit, Nomination and Remuneration Committees, in addition to the Chairman of the Board, are required to be available to answer questions relating to the function of their respective Committees.

The Group Chief Executive, the Group Finance Director and the Investor Relations Director carry out an extensive programme of meetings with institutional investors. The Chairman and the senior independent director are also available to meet with investors from time to time. Major shareholders are offered an opportunity to meet new non-executive directors following the appointment of the individual.

The Board is kept informed of investment market attitudes to the Group by receiving regular reports on investor relations, copies of brokers' research, press cuttings and third party surveys of investor perceptions.

Compliance statement and Combined Code

The NYSE corporate governance requirements are not mandatory for foreign issuer companies such as Signet, but the Group has chosen in general to comply as a matter of best practice.

In a limited number of areas the Group, as is permitted by the NYSE rules, has elected to defer to the UK corporate governance practices. This is permissible provided significant variations are explained. The explanation of those variations can be found on the Group's website.

The Board considers that it has complied throughout the year with the provisions of the Combined Code required to be observed by companies.

Internal controls

The Combined Code requires that the directors review the effectiveness of the Group's system of internal controls including the following areas:

- Financial
- Operational
- Compliance
- Risk management

Internal Control: Guidance for Directors on the Combined Code ("the Turnbull guidance") was published in September 1999. The Board of Directors considers that it has complied with the Turnbull guidance throughout the year and up to the date of approval of this Annual Report & Accounts. In addition, although compliance with the requirements of S404 of the Sarbanes-Oxley Act was deferred for a year, the Board continued during 2005/06 to review the implications of the Sarbanes-Oxley Act and took steps to ensure compliance. The Group Chief Executive and the Group Finance Director will, as they did in previous years, sign the applicable certifications required by the Sarbanes-Oxley Act when the Annual Report on Form 20-F is filed with the SEC.

The Board exercises ultimate responsibility for the Group's system of internal controls and for monitoring its effectiveness. The internal controls system is designed to safeguard shareholders' investments and the Group's assets, both tangible and intangible, including the reputation of the Group with its various stakeholders. Procedures are in place to ensure the maintenance of proper accounting records, the reliability of the financial information used within the business or for publication and the determination of disclosure obligations and of materiality. These procedures also cover disclosure on a timely basis of information to the investment markets. However, such procedures are designed to manage rather than wholly eliminate the risk of failure to achieve business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Signet's disclosure control procedures are designed to help ensure that processes and procedures for information management are in place at all levels of the Group. The disclosure control procedures aim to ensure that any information disclosed by the Group is recorded, processed, and summarised appropriately. The procedures are also designed to ensure that information is accumulated and communicated to management to allow timely decisions to be made regarding required disclosure. The Group's Disclosure Control Committee consists of the Group Finance Director, the Group Company Secretary, the Investor Relations Director and the Group Financial Controller who consult with the Group's external advisers and auditor, as necessary. These procedures are designed to enable Signet to make timely and accurate public disclosures.

Key procedures designed to provide effective internal controls are:

- **Control environment** – control is exercised through an organisational structure with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information, capital expenditure, investment, granting of guarantees and the use of treasury products (see page 34 for more detail) as well as health, safety, environmental and customer service issues.
- **Reporting and information systems** – the Group has a comprehensive budgeting and five year strategic planning system with an annual budget and strategic plan approved by the Board. Reported monthly trading results and balance sheets include the corresponding figures for the budget or revised forecast and for the previous year. Any significant variances are examined by divisional operating management and discussed with Group management, with action being taken as appropriate. A forecast of the full year's results is updated regularly, based on performance to date and any changes in outlook. The executive directors regularly report to the Board on the development of the business, the competitive environment and any material breaches of procedure. Through these mechanisms, the Group's performance is continually monitored, risks identified in a timely manner and their implications assessed.

The Group as part of its ongoing review of procedures has taken steps to strengthen, as appropriate, resources committed to meet

the increasing demands of corporate governance, to comply with the Sarbanes-Oxley Act, to monitor and address evolving and more complex accounting standards, including changes in the application and interpretation of US GAAP. The Group has recently strengthened its Group Finance function reflecting the increasing demands of IFRS accounting and US GAAP requirements. At the divisional level in both the UK and the US, the internal audit functions have been strengthened with particular focus on review of internal control processes.

The Group issues both sales and financial results on a quarterly basis. The external auditor reviews the quarterly and half year statements, and Christmas trading statement and presents reports to the Audit Committee for consideration.

- **Risk management** – the identification of major business risks is carried out in conjunction with operational management and appropriate steps are taken to monitor and mitigate risks. The Business Risk Assurance Manager co-ordinates risk management information and processes; he is responsible for assessing the risk management and internal controls for the Group, ensuring such processes satisfy the applicable standards in both the UK and the US and he reports his findings to the Audit Committee. The Risk Management Committee, chaired by the Business Risk Assurance Manager and whose members include the Group Finance Director and senior divisional executives, meets on a regular basis, at least four times a year. Matters considered by the Risk Management Committee include reviews of the Group's risk register, emerging issues, new regulations and the activity of the internal audit function. The external auditor receive copies of the papers submitted to the Committee. A report from each Risk Management Committee meeting, and any material non-compliance or emerging issue, is considered by the Board in a timely manner. In order to provide a formal forum for risk assessment, divisional risk and control committees were established during the year. These committees are chaired by the divisional Chief Executives and have formalised terms of reference and involve participation by the executive management teams and the Business Risk Assurance Manager to ensure a consistent approach and to provide a level of independent challenge.
- **Control procedures** – each operating division maintains documented financial and operating controls as well as procedures appropriate to its own business environment and in conformity with Group guidelines. Each of the operating divisions has an internal audit function which primarily reviews the processes in the store operations but also reviews central service functions. The work of the internal audit function is monitored by senior divisional executives, Group management, the Risk Management Committee and the Audit Committee.

There have been no changes in the Group's internal controls over financial reporting during the period covered by this

Annual Report & Accounts that have materially affected, or are reasonably likely to materially affect those controls.

- **Reviews of effectiveness** – the Board, in addition to receiving summaries of the Risk Management Committee reports, annually reviews the effectiveness of the internal controls system on the basis of a report from, and the recommendation of, the Audit Committee. The Disclosure Control Committee reports to the Audit Committee on a quarterly basis as to the effectiveness of the disclosure control procedures.

Based on their review of the Group's disclosure controls and procedures, as of the end of the period covered by this Annual Report & Accounts, the Group Chief Executive and Group Finance Director have concluded that the Group's current disclosure controls and procedures are effective in achieving their objective of ensuring that information regarding the Group is recorded, processed, summarised and reported and that the information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

It should be noted that while the Group Chief Executive and Group Finance Director conclude that its disclosure controls and procedures are effective to provide a reasonable level of assurance, they recognise such disclosure controls cannot eliminate all error and fraud. They are designed to provide only reasonable, not absolute, assurance that the objectives of this control system are met.

Sarbanes-Oxley Act of 2002

As a Foreign Private Issuer, Signet is required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 ("the Act") for fiscal years ending on or after 15 July 2006. The primary requirement of the Act is that management perform appropriate due diligence to conclude on the design and operating effectiveness of key internal controls over financial reporting.

In 2005/06 management assessed the state of readiness for Sarbanes-Oxley compliance by performing a detailed review of the design of key controls throughout all process streams in scope. This involved the US, UK and Group functions and included an extensive review of IT general controls across the organisation. In addition to the business processes review, management has performed a comprehensive analysis of entity wide controls, utilising best practice templates, sourced from external advisors, to ensure adequate coverage of the Committee of Sponsoring Organisations ("COSO") Risk and Control framework.

In addition to the detailed design work during 2005/06, Signet's management has undertaken limited operational testing of those key controls that have passed the initial design assessment.

The Group's external auditors have been closely involved in the project and have executed walkthrough tests of the design of all key controls.

Introduction

Signet recognises that many different stakeholders have an interest in its activities, and that the Group's success is dependent on the strength and effectiveness of its relationship with those stakeholders. Signet's approach to the governance of social, ethical and environmental ("SEE") matters, its framework of principles and policies, its relationship with key stakeholder groups and major initiatives that have occurred in 2005/06 are set out below.

Governance of SEE matters

The Group has a formal SEE governance framework with SEE matters being included in the schedule of matters reserved for the Board. The Group Chief Executive has been designated as the director responsible for SEE matters and reports to the Board on SEE issues on a regular basis.

A SEE Committee, chaired by the Group Company Secretary, and consisting of senior managers from the UK and US, has responsibilities for the implementation of the various aspects of the SEE principles and policies through a programme approved by the Board. The Committee members are drawn from the merchandising and buying, human resource, corporate communication, finance and internal control functions. It meets at least four times a year. The Group Company Secretary reports to the Group Chief Executive regarding the Committee's work.

Matters for which the SEE Committee has responsibility include:

- identification of significant risks to the Company's short and long term value arising from SEE matters;
- ensuring that the Board has adequate information to take account of material SEE matters;
- development of relevant SEE principles and policies for consideration and approval by the Board;
- implementation of the SEE programme agreed by the Board;
- reviewing systems for managing significant SEE risks;
- benchmarking the SEE performance and report of the Group against other general retail sector companies; and
- preparation, for review and approval by the Board, of public SEE disclosures and reporting.

The procedures for SEE risk management are embedded within the management structure of the Group. SEE risks are discussed on pages 30 to 35 'Risk and other factors'.

Signet has important relationships with a wide range of different stakeholders, including shareholders, customers, employees, suppliers and communities. The Group engages with these stakeholders in a number of ways, including consumer research, customer service facilities, employee attitude surveys, supplier relationship management systems, investor relations programmes and participation in civic and community activities. In addition, Jewelers of America (the US speciality jewellery retail trade association) engages with stakeholders in the industry, including non-governmental organisations, trade unions,

producers and manufacturers, governments and consumer groups, on major issues. The Group Chief Executive is on the Board of Jewelers of America and chairs its Ethical Initiatives Committee.

Principles and policies framework

The Board has a Statement of SEE Principles ("Principles") outlining the Group's policy to operate as a profitable and reputable speciality jewellery retailer, the Group's responsibilities to various stakeholders and the SEE principles by which it operates. The Principles cover the following areas:

- accountability to stakeholders;
- business integrity;
- human rights;
- labour standards;
- health and safety;
- the environment; and
- community.

The Group has a Supplier Code of Conduct ("Supplier Code") which was reviewed and updated in 2004 and policies on business integrity, health and safety, the environment and labour standards. The Principles, Supplier Code and other policies are now incorporated, as appropriate, into the Group's staff induction process and operational procedures within the business. More detailed information is available on the Group's website (www.signetgroupplc.com).

Signet's principles and policies are intended to provide a framework with which the divisional policies and procedures conform. They do not replace detailed divisional policies and procedures.

Developments in 2005/06

During the year the Group:

- enhanced the internal controls to ensure credible monitoring of the Kimberley Process which was designed to eliminate conflict diamonds from the legitimate diamond trade, details of which are set out on page 40;
- commenced the development of a formalised community affairs programme;
- continued its active involvement in the establishment of the Council for Responsible Jewellery Practices ("CRJP") to ensure consumer confidence in the diamond and gold supply chain;
- improved the collection of environmental data and validation processes; and
- continued to enhance its communications with stakeholders.

During the year the Group continued its work with the CRJP which is the industry group representing the entire length of the jewellery industry supply chain from the mine to retail and is dedicated to the objective of reinforcing consumer confidence in the diamond and gold supply chain. The Group believes it is in this forum that it can be most effective in considering environmental and supply chain issues and where, together with other industry constituents, it can more successfully promote responsible business practices in order to reinforce customer confidence and the integrity of the product.

More information is available on the CRJP website (www.responsiblejewellery.com).

Our stakeholders

Signet's commitments to various stakeholders are articulated in the Principles. These are summarised below:

Shareholders

Signet's aim is to deliver an acceptable growth in value to shareholders which is sustainable, thereby protecting shareholders' short and longer term interests. The Group's responsibilities to shareholders are set out in more detail in the Corporate governance statement on page 40. The Group is committed to maintaining open dialogue with its shareholders on SEE and other matters. Signet has been a member of the FTSE4Good UK Index since its launch and endeavours to meet the changing criteria of the Index. During 2004/05 the Group met the enhanced requirements of inclusion by strengthening its environmental management systems and data collection processes and continued in 2005/06 to maintain its presence in the Index.

Customers

Signet's mission is to meet, and where possible exceed, customer expectations through a high standard of customer service, high store standards, and by offering real choice and value. In doing so the Group endeavours to maintain product integrity by ensuring the quality of Signet's products and by offering merchandise that is responsibly sourced, and is in compliance with its obligations under the Kimberley Process.

The Group's policy is that all customers should be treated with respect and warmth. Sales training programmes include modules on treating all customers with respect generally. The Group has customer service departments, complaint resolution processes, mystery shopper programmes and conducts market research to better understand customer requirements.

Employees

Employees are key to Signet's ability to achieve its objectives and mission. Therefore teamwork, integrity, communication, and fair treatment of employees all play an important part in the way the Group operates. Furthermore, Signet's ability to operate in accordance with its Principles is dependent on its employees' understanding of them and the way in which the Principles impact on their respective roles and responsibilities.

Signet considers its relationship with its employees to be excellent and values honest, open and constructive two-way communication throughout the organisation. This is achieved through store, area and regional management meetings in addition to staff opinion surveys, feedback reports and staff meetings. These procedures facilitate consultation during which the views of employees can be expressed and taken into account in decisions likely to affect their interests. Staff are kept informed of the Group's performance and objectives through management contact supplemented by staff publications in both the UK and US. The involvement of employees in the Group's

performance is encouraged through participation in performance-related incentive payment schemes and savings-related share option schemes which cover all Group employees subject to minimum employment requirements. The Group does not restrict or discriminate against employees who wish to be covered by collective bargaining agreements.

The Group's policy is not to tolerate any form of unlawful discrimination on any grounds or at any level. In respect of people with disabilities, full and fair consideration is given to employment, opportunities for training, career development and promotion according to their skills and capacity. The services of any existing employees who become disabled are, where possible, retained and appropriate training is arranged for them wherever possible.

The Group assigns responsibility for human resource matters, including health and safety, to divisional executive management committees. Both the UK and US operations have established systems which include the provision of training and development opportunities at all levels of the organisation. See pages 9 and 17 for further details.

Suppliers

The Group recognises that stakeholders expect companies to exert influence, where they can, over suppliers to ensure that SEE standards are upheld throughout the supply chain. The Supplier Code outlines Signet's commitment to its suppliers, and the expectations it has of them. The Supplier Code applies to suppliers and agents with whom Signet deals directly and Signet regularly discusses its implementation with them. Those suppliers and agents are encouraged to ensure that this Supplier Code is communicated throughout the supply chain.

Most of the raw and processed materials for the merchandise sold by Signet are traded on commodity exchanges or through multiple brokers and traders making the original source difficult to trace. Signet believes that SEE risks at the mining, trading and secondary processing phases of the supply chain are more effectively managed through co-operation within the industry. Signet therefore actively participates in Jewelers of America in considering what action Jewelers of America can take on behalf of its members to set SEE standards and influence matters throughout the supply chain. In 2002 Jewelers of America adopted a Statement of Principles relating to SEE matters and adopted a programme to communicate those principles to its members. Jewelers of America has developed a Supplier Code for the industry that was launched in the first quarter of 2004.

Signet is also working, where appropriate, with other trade bodies such as the CRJP and the Jewelers Vigilance Committee to be better able to respond to SEE issues at an industry level.

One of the specific issues facing the Group and the diamond sector is conflict diamonds, which are diamonds sold by rebel movements to fund military campaigns. The Group is a non-voting member of the World Diamond Council which, together with Jewelers of America,

has worked with the United Nations, government bodies, commercial interests and civil society to introduce a workable system for the certification of the source of uncut diamonds. This system, known as the Kimberley Process, and Kimberley Process Certification System ("KPCS") was formally adopted in November 2002 and came into operation during 2003. Details regarding the Kimberley Process are available at www.kimberleyprocess.com.

Following the adoption of the KPCS, Signet wrote to all of its trade diamond and diamond jewellery suppliers. The text, based on the Jewelers of America guidance, requires them to supply the Group with merchandise that complies with the KPCS. Signet has amended its systems, procedures and documentation to take account of the KPCS so that only diamonds that are warranted to comply with the KPCS on invoices, annual agreements, or both are accepted from trade suppliers. As the Group moves to develop further its rough diamond sourcing and manufacturing capabilities, it has enhanced its KPCS processes in accordance with the requirements relating to rough diamond sourcing. The Group also trained its buying staff with regard to the KPCS requirements and briefed its sales associates on its operation. An internal audit of these procedures is carried out every year, and again this year the audit results confirmed the Group's compliance even though Signet is not directly governed for polished diamonds by the KPCS. During 2005/06 the US division also reviewed its systems for compliance with the recently enacted US Patriot Act, and updated its procedures where necessary.

In 2005 over 40 countries (including the European Union as a single entity) were Participants in the KPCS and accounted for over 99% of world diamond production. In 2005 Indonesia and Lebanon became Participants, with a further 11 countries wishing to become Participants. Currently Liberia and the Ivory Coast are temporarily suspended from participation.

While the overwhelming proportion of trade in rough diamonds was between Participants in the KPCS, it is difficult to assess the precise level of participation. However anecdotal evidence suggests that unscrupulous diamond dealers are finding it increasingly difficult to sell non-certified stones.

Since the formal adoption of the KPCS in November 2002, further steps to assist in the implementation have been taken. In 2005 these included:

- measures taken to prevent the introduction of conflict diamonds from the Ivory Coast into the legitimate trade;
- further KPCS review visits to participants were undertaken, bringing the total to 25, and a further 11 participants have invited review visits;
- for the first time presentations were made by participants on steps they have taken to implement the recommendations of review visits;
- progress by the Working Group on Monitoring towards ensuring consistent follow-up to all review visits;

- moving towards a standard method of statistical reporting by participants so allowing improved comparability, as well as steps to improve harmonization of valuation methodologies;
- adoption of a methodology to improve traceability of alluvial diamond mining production, as well as steps to help donors to assist in building capacity to further the effective implementation of the KPCS in areas of alluvial mining; and
- increased co-operation with bodies outside the KPCS to improve its efficiency and with Diamond Development Initiative, which aims to improve the working conditions of, and remuneration to, artisanal diamond miners.

In 2006 the three-year review of the KPCS will take place with the results and recommendations to be presented for consideration during autumn 2006.

While Signet is the world's largest speciality jeweller, its share of the worldwide jewellery and watch market amounts only to about 2% of the total. Therefore it is the Group's belief that it can be most effective in influencing improvements to the Supply Chain by working with other industry representatives who together can, by concentration into a single industry voice, be representative of many aspects of the Supply Chain, and use their combined influence in working to improve it as a whole.

During the year the Group continued to work actively with other companies representative of the industry. In 2004 Signet was one of the signatories to a Statement of Intent that formed the basis of an agreement for further co-operation to promote increased consumer confidence and integrity in the product by promoting responsible business practices throughout the industry. As a result, during 2005, the CRJP was formed as a not-for-profit organisation whose members are participants in all aspects of the Diamond and Gold Jewellery industry. The CRJP for the first time seeks to bring together all participants of all aspects of the Diamond and Gold supply chain from mining to retail to promote responsible business practices. The CRJP aims to maintain consumer confidence in Diamond and Gold Jewellery products and the trust of all interested stakeholders in their industry. The CRJP believes that a co-ordinated worldwide industry approach to improving its business practices will provide increased clarity to the Diamond and Gold Jewellery industry and be most effective in implementing the industry standards necessary to maintain consumer confidence and the integrity of the product.

The CRJP mission statement is to promote responsible ethical, social and environmental practices throughout the diamond and gold jewellery supply chain, from mine to retail. It will endeavour to implement its mission statement and, in turn, will seek to reinforce confidence in the diamond and gold jewellery supply chain by:

- developing a "Responsible Practices Framework", in consultation with key stakeholder groups, that will define the ethical, social and environmental standards according to which all Members commit to conduct their business;

- making it a condition of membership that Members apply the “Responsible Practices Framework” through an implementation model that will include self assessments and is evidenced through a system of independent third party monitoring;
- working with industry participants to advise on business responsibility issues as they arise and by offering guidance on the use of the “Responsible Practices Framework” to implement responsible business practices;
- promoting awareness and understanding of key ethical, social and environmental business responsibility issues by working with all stakeholders including, but not limited to, industry participants, trade organisations, governments, and civil society representatives;
- acting as an advocate for business responsibility within the industry and developing initiatives to address ethical, social and environmental challenges through publicly and privately financed projects;
- working with stakeholders and industry participants to continuously improve conformance with the standards and processes set out above and ensuring that they are relevant and achievable, while addressing key ethical, social and environmental challenges with due regard to the business objectives of the industry;
- encouraging Members to promote the adoption of the “Responsible Practices Framework” amongst their business partners; and
- seeking to be inclusive and extending the membership opportunity throughout the industry.

Payment policy

In respect of supplier payment, Group policy is that the operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted, rather than following any particular code or standard on payment practice. Accordingly suppliers are aware of the terms of payment and it is Group policy to ensure that payments to suppliers are made in accordance with these agreed terms.

Environment

Whilst the direct environmental impact of its operations is judged to be relatively low compared to many business sectors and to other retailers, Signet recognises that there may be opportunities to improve its performance. An environmental impact review confirmed that:

- jewellery has a very long life and is highly recyclable. Recycling takes place in respect of trade-ins, obsolete inventory, used watch batteries and certain packaging;
- jewellery and watches have an extremely high value to weight ratio and value to volume ratio making transportation through the supply chain relatively low impact. The Group makes use of third party distributors and reusable containers for merchandise distribution;
- the Group occupies relatively little space compared to other retailers of a similar market capitalisation and its sales density is above the jewellery sector average, and therefore the Group has a smaller physical impact on the environment; and

- Signet's supply chain originates with the producers of the raw materials with whom the Group presently has little direct relationship but it is recognised that the extraction of minerals has an environmental impact that requires careful management by mining companies.

During 2003/04 Signet developed and tested data collection systems for its energy usage, greenhouse gas emissions and water usage in both the US and the UK. Signet strengthened its environmental management systems during 2004/05 by further developing its data collection process of key performance indicators for the purpose of validating the previous year's results and then benchmarked the results against published data from UK competitors. The benchmarking process showed that when compared with its peers, the Group has a broadly similar impact in terms of energy usage, emission of greenhouse gases and water consumption. In 2005/06 the Board continued to collect baseline data for energy usage and greenhouse gas emissions, and to validate existing data for water usage. It also undertook an energy audit in representative stores in the US and reviewed the energy efficiency opportunities of the new model store designs in the UK.

During 2006/07 the Group will continue to collect and assess baseline data for energy use, greenhouse gas emissions and water usage.

Further, the Group continues to work within the CRJP, the Jewelers of America and with other jewellery retailers in exploring ways in which the jewellery industry can use its influence to improve environmental performance related to mining.

Community

Signet's prime benefit to society is through the contribution it makes to the success and efficiency of the economies in which it operates, through the employment it generates both within the business and throughout its supply chain, the taxes it pays and the value it creates for shareholders.

During 2005/06 community partnership initiatives were further increased, aimed at strengthening employment opportunities for disadvantaged citizens, and community affairs activities are continuing with the Group being committed to the support of charitable organisations. Signet believes it is best to give support to a small number of specific charities rather than fragment its charitable giving. In the US support is primarily given to The United Way, St. Jude Children's Research Hospital and The Jeweler's Charity Fund. In the UK the Group primarily supports the Princess Royal Trust for Carers. During the period the Group made provision for total charitable givings of £1,584,000 (2004/05: £1,467,000). This included direct charitable contributions of £369,000 (2004/05: £478,000), of which £103,000 (2004/05: £279,000) was in the UK and £266,000 (2004/05: £199,000) was in the US, and marketing initiatives on

both sides of the Atlantic which resulted in additional charitable contributions of £1,215,000 (2004/05: £989,000). In October 2005 a donation of \$100,000 was made to the Hurricane Katrina American Red Cross Disaster Relief Fund. Support is also given to the management of Carer Centres operated by the Princess Royal Trust for Carers. Assistance is also given to organisations that help the disadvantaged into employment in the vicinity of the Group's US administrative and distribution centre in Northeast Ohio, such as United Disabilities Services, Mature Services and the Urban League.

No political donations were made in the US or the UK by the Group in the period (2004/05: £nil).

Human rights

Signet supports the Fundamental Conventions of the International Labour Organisation and the UN Declaration of Human Rights. The Group encourages the support and respect for the protection of human rights within its sphere of influence. The Supplier Code sets out the Group's expectation that suppliers should respect the Fundamental Conventions of the International Labour Organisation and the UN Declaration of Human Rights. Signet is working at a senior executive level to address human rights in the jewellery supply chain on an industry wide basis, through the CRJP described above.

Directors' remuneration report

Information contained in sections and figures marked B has been audited.

1. The role of the Remuneration Committee

The prime purpose of the Remuneration Committee is to set the remuneration policy for executive directors and senior managers and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having due regard to the interests of shareholders, the financial and commercial health of the Group and pay and conditions elsewhere in the Group.

The Company's remuneration policy seeks, by application of the six principles detailed below, to provide an overall remuneration package to a value within a specific range. The way that each package as a whole is structured, and the components that make it up, may differ. Due to the significant differences in remuneration practices in the two countries in which the Group operates, the level of remuneration is based upon and supported by surveys which are undertaken in both the UK and the US.

All members of the Remuneration Committee are independent non-executive directors who do not have any personal financial interest (other than as shareholders) in matters decided by the Committee. No executive director or senior manager is involved in determining his or her own remuneration.

The Remuneration Committee sets the remuneration of the Chairman of the Board. It also sets that of the Group Chief Executive after consultation with the Chairman. The remuneration of the other executive directors and certain senior managers is set by the Committee based on recommendations made by the Group Chief Executive after consultation with the Chairman of the Board. Performance targets are set by the Committee in consultation with the Chairman of the Board and, where appropriate, external professional consultants. Where executive directors are involved in assisting the Remuneration Committee, care is taken to recognise and avoid possible conflicts of interest.

The Remuneration Committee draws on external professional advice on a regular basis and makes use of relevant and reliable independent market surveys. The Committee has retained Towers Perrin as advisers to assist it and they are not retained in any other capacity within the Group. In addition Herbert Smith (on UK aspects) and Weil, Gotshal & Manges (on US aspects) advised the Remuneration Committee on legal matters. These firms also provide general legal advice to Signet.

The remuneration of the non-executive directors is not within the remit of the Remuneration Committee. Such remuneration is determined by the Chairman and the executive members of the Board following a recommendation by the Chairman after consideration of, among other factors, external comparisons, the time commitment and responsibilities.

The Remuneration Committee consists of Robert Blanchard (Chairman), Russell Walls and Robert Walker. The Committee met eight times during 2005/06 and there was full attendance at all meetings.

The terms of reference for the Remuneration Committee are available on request from the Group Company Secretary and are on the Group's website.

2. Remuneration policy

The Remuneration Committee believes that the Group's remuneration policy must be based on sound, clearly stated principles which recognise the long term interests of the Group, its shareholders and employees. The Remuneration Committee will continue to review the Company's remuneration policy to ensure that it remains effective and appropriate to the Company, and to monitor the level of potential awards. After careful consideration during 2002/03, the Remuneration Committee formally adopted a set of six principles. Following a comprehensive review by the Remuneration Committee in 2005/06 these principles remain unaltered and they are set out below:

- (i) Signet's primary business objective is to deliver results which should consistently outperform the average of the industry sector.
- (ii) It is recognised that to consistently deliver above industry average performance Signet will need to retain, and where necessary attract, executives of well above industry average ability and leadership potential.
- (iii) It is also recognised that retaining, and where necessary recruiting, senior executives of this calibre will require that the Group provide above industry average total remuneration.
- (iv) Therefore, Signet's executive directors and other senior executives should be remunerated in a range beginning with the 51st and ending with the 75th percentiles of industry total remuneration, based on current surveys of relevant companies appropriate to the executive's position and geographic location. The remuneration of each executive within this range will be based on performance (both of the Group and the individual executive), potential (i.e. the executive's potential to grow in responsibility and performance), and scarcity (i.e. the availability of candidates to replace the executive should he/she leave the Group).
- (v) Total remuneration for executive directors and other senior executives should be highly geared towards performance with the proportion of "at risk" pay increasing disproportionately according to: a) the level of performance achieved, and b) the seniority of the executives and their ability to influence results. Excluding pension contributions, the provision of a company car and private health insurance, there should be only one element of guaranteed remuneration; base salary. The performance related portion of total remuneration should reward short term and long term performance separately, with the potential level of payment being heavily weighted in favour of the latter. Short term achievement should be recognised through the annual bonus

plan with long term achievement being rewarded through executive share option awards and participation in long term incentive plans.

- (vi) Surveys will be undertaken on a regular basis to ensure that total remuneration packages remain in the percentile range described in (iv) above. Recognising that some 70% of Signet's sales and profits are generated in the US and that significant differences in remuneration practices exist between the US and the UK, separate surveys will be conducted in each country.

The components of total remuneration are:

(a) Base salary

The base pay of each senior executive is intended to reflect the size and scope of that executive's responsibilities. Base salary is reviewed annually, taking into account factors such as the level of individual performance, experience over time in the post, relevant external comparative data, the geographic location of the post and the general movement of base pay within the Group.

(b) Annual bonus plan

Individual annual bonus targets are set each year to take account of the role of the executive and current business plans. Annual bonus awards for executive directors are based on the achievement of growth in pre-tax profit, or operating profit of the division as appropriate, in the year at a rate above inflation measured using constant exchange rates. There is a cap set each year on such awards and a threshold performance below which no payments are made. The bonus rate increases after an intermediate target rate of profit growth, which is set each year, is achieved.

(c) Share option plans

The Remuneration Committee believes that an executive share option plan is an appropriate part of the total remuneration package necessary to execute the remuneration principles set out on pages 50 and 51, and that a well constructed plan forms an important element in motivating executives to deliver the long term performance needed to generate strong returns to shareholders.

It is the policy of the Remuneration Committee that all employees, including directors, who satisfy certain qualifying conditions, should have the opportunity to participate in the equity of the Company through a savings-related share option plan, and annual invitations are normally made. Under the relevant legislation the exercise of these share options is not subject to performance criteria.

(d) Long term incentive plan ("LTIP")

The Remuneration Committee believes that, in addition to the provision of share options, it is appropriate to operate an LTIP to encourage executive directors, senior members of the divisional executive management committees and certain other senior executives with a similar level of responsibility, to meet long term strategic and financial objectives set by the Board. The policy is to make annual awards subject to the general principles explained in paragraphs 2(iv) and 2(v) above. Vesting is dependent on the achievement of challenging performance conditions set by the

Committee at the time the awards are made and such awards do not normally vest within three years from the date the award is granted.

A new LTIP replacing the previous LTIP which expired in June 2005, was approved by shareholders at an extraordinary general meeting on 14 December 2005.

(e) Performance criteria

The Remuneration Committee believes that where performance criteria are used they should be:

- easily understood,
- able to be directly linked to the performance of the Group or relevant business unit and to be influenced by management's own actions,
- designed to motivate management to increase profitability significantly beyond the rate of inflation,
- designed to incentivise senior management to make efficient use of capital and to increase shareholder value,
- equity based for long term schemes, and
- consistent with the overall objectives of the Group.

The criteria used to measure performance are based on the results of the Group (subject to minor adjustments that are approved by the Remuneration Committee) so as to provide clarity and objectivity.

For 2005/06 onwards achievement of performance criteria have been calculated against previously reported measures restated for IFRS.

(f) Pensions for executive directors

UK based executive directors are normally members of the Group Scheme.

At the present time there are two such directors, the Group Finance Director and the Chief Executive of the UK division. The Group Scheme is a funded, Inland Revenue approved, final salary, occupational pension scheme and has a separate category of membership for directors. Pensionable salary is the member's base salary, excluding all bonuses. All Group Scheme benefits are subject to Inland Revenue limits. Where such limitation was due to the Inland Revenue earnings cap the Signet Group Funded Unapproved Retirement Benefit Scheme (the "FURBS") has been used to supplement pension benefits. This is a defined contribution arrangement.

The main features of the Group Scheme for a director are:

- (i) a normal pension age of 60;
- (ii) pension at normal pension age of two-thirds of final pensionable salary, subject to completion of 20 years' service;
- (iii) life assurance cover of four times pensionable salary; and
- (iv) spouse's pension on death.

The Group Chief Executive and the Chief Executive of the US division receive, proportionately to base salary, equivalent pension contributions to the Group Finance Director and the Chief Executive of the UK division. These pension benefits are provided through an

Directors' remuneration report (continued)

unfunded, unqualified deferred compensation plan and the Sterling Jewelers Inc. 401(k) Retirement Savings Plan. This is a defined contribution arrangement.

In the context of changes to pension taxation in the UK in force from 6 April 2006 the Remuneration Committee has agreed that pension provision through the Group Scheme should continue broadly as before to ensure that pension benefit commitments made continue to be met. Members should not benefit from a windfall gain through the removal of the current limits, e.g. removal of the earnings cap and therefore a scheme specific earnings cap has been introduced equivalent to the previous earnings cap, increased by RPI annually. As the tax treatment of FURBS and the other advantages of such a funding scheme have been eroded over time and these latest changes have now removed any residual advantages, the Remuneration Committee has agreed that the Group should cease paying contributions to the FURBS; and in substitution pay a salary supplement of the same amount as the Group contribution to the FURBS. The Group will not compensate members for any increase in taxation that they may face as a result of the changes and members will not be protected by the Group from the consequences of the changes in taxation, but will be provided with a cash supplement in lieu of pension accrual once members reach the Lifetime Allowance limit set by the new legislation if they choose to exercise this option.

The Group Scheme has been reviewed to determine how the new range of flexibility in pension arrangements can be introduced where that can be achieved without additional cost or administrative burden. For example, the new flexibility on tax-free cash has been incorporated into the Group Scheme.

Apart from remuneration itself, there are certain other allied policy matters which are the concern of the Remuneration Committee. These are:

(i) Companies used for comparison

In assessing all aspects of pay and benefits, the Remuneration Committee takes account of the packages offered by a range of other retailers and, where appropriate, companies outside the retail sector. Different companies are used for comparison for executives in Group functions, and in the UK and the US divisions. These companies are chosen on the basis of turnover, market capitalisation, profits, number of employees and the nature and geographic spread of their operations.

(ii) Service contracts

It is the policy of the Remuneration Committee that an executive director's contract should be a rolling contract with the period of notice to terminate the contract to be given by either side not exceeding one year and that, if it is necessary to grant a longer period of notice when recruiting from outside the Group, this should reduce to a maximum of one year after an initial period. No director has a service contract of more than one year.

(iii) Early termination

The Remuneration Committee believes that the circumstances of early termination vary. Only in very exceptional circumstances will explicit terms for compensation for early termination be included in

contracts for new directors. Where no explicit compensation terms are included, departing directors or senior managers are expected to mitigate their loss within the framework of individual circumstances.

(iv) Executive directors – outside appointments

The Group recognises the benefits to the individual and to the Group when executive directors of the Company also act as non-executive directors of other companies not associated with Signet. Subject to certain conditions, unless otherwise determined by the Board, executive directors are permitted to accept one appointment as a non-executive director of another company. The executive director is permitted to retain any fees paid for such service.

3. Directors' remuneration

The remuneration packages of the Group Chief Executive, the highest paid director, and the Chief Executive of the US division are determined with regard to the fact that they are US citizens, based in the US and their remuneration is set in US dollars and not pounds sterling. Some 70% of Group sales and profits are generated in the US.

(a) Salary and benefits

The Remuneration Committee normally reviews the salary and benefits of executive directors annually. Details of the salaries received by executive directors are shown on page 53. Following the 2006 annual reviews the Remuneration Committee increased the Group Chief Executive's basic salary from \$1,354,000 to \$1,435,000, that of the Group Finance Director from £350,000 to £385,000 and that of the Chief Executive of the UK division from £295,000 to £310,000. The basic salary of the Chief Executive of the US division is \$700,000, and was not increased as part of the review, with the Remuneration Committee having considered it at the time of his appointment in January 2006. The Chairman's remuneration was not increased from £350,000. Mr. Williamson will receive a fee of £200,000 per annum when he becomes Chairman at the conclusion of the annual general meeting in June 2006 (subject to shareholders electing him as a director at that annual general meeting).

(b) Annual bonus plan

In 2005/06 no annual bonus was earned by the Group Chief Executive (potential maximum 100% of base salary), or by the Group Finance Director (potential maximum 75% of base salary). The bonus entitlements for the Group Chief Executive and the Group Finance Director were calculated for 2005/06 on the basis of the following formula:

2004/05 pre-tax profit + inflation: 0% of maximum bonus;
2004/05 pre-tax profit + 10%: 50% of maximum bonus; and
2004/05 pre-tax profit + 15%: 100% of maximum bonus.

Increase in pre-tax profit is calculated on a constant exchange rate basis and is earned on a pro-rata basis for performance between the targets.

In 2005/06 no annual bonus was earned by the Chief Executive of the UK division (potential maximum 75% of base salary). An annual bonus of 64.4% of base salary (potential maximum 70% of base salary) was earned by the Chief Executive of the US division. The

Directors' emoluments ¹⁸

Details of directors' emoluments for the year to 28 January 2006 were as follows:

	Basic salary or fees		Benefits ⁽¹⁾		Short term bonuses		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Chairman:								
James McAdam	346	323	30	24	—	—	376	347
Executive:								
Robert Anderson ⁽²⁾ <i>UK Chief Executive</i>	246	—	27	—	—	—	273	—
Walker Boyd <i>Group Finance Director</i>	347	327	23	23	—	176	370	526
Terry Burman ⁽³⁾ <i>Group Chief Executive</i>	746	683	26	26	—	490	772	1,199
Mark Light ⁽³⁾⁽⁴⁾ <i>US Chief Executive</i>	18	—	1	—	10	—	29	—
Non-executive:								
Robert Blanchard	51	43	—	—	—	—	51	43
Dale Hilpert	46	42	—	—	—	—	46	42
Brook Land	56	44	—	—	—	—	56	44
Robert Walker ⁽⁵⁾	46	12	—	—	—	—	46	12
Russell Walls	51	43	—	—	—	—	51	43
Malcolm Williamson ⁽⁶⁾	8	—	—	—	—	—	8	—
Total	1,961	1,517	107	73	10	666	2,078	2,256

(1) Benefits incorporate all benefits arising from employment by the Group, which in the main relate to the provision of a company car and private health insurance.

(2) Robert Anderson was appointed as a director on 6 April 2005 with a basic salary of £295,000. In 2004/05 his basic salary was £277,500, benefits were £32,605 and short term bonus was £22,680.

(3) Messrs. Burman and Light have their emoluments specified and paid in US dollars and an average exchange rate of US\$1.80 was used (2004/05:US\$1.86).

(4) Mark Light was appointed as a director on 12 January 2006 with a basic salary of £388,889. Prior to his appointment in 2005/06 his basic salary was £319,444 and his short-term bonus for 2005/06 was £196,140. In 2004/05 his basic salary was £287,000, benefits were £23,000 and short term bonus was £211,944.

(5) From his appointment on 1 November 2004.

(6) From his appointment on 28 November 2005.

The figures above represent emoluments earned as directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonus payments, which are paid in the year following that in which they are earned.

bonuses were calculated using the same formula as above, but based on operating profit of the respective divisions.

Bonus targets for 2006/07 are unchanged.

(c) Share option and long term incentive plans

Share option and long term incentive plan grants to directors are set out on pages 60 to 62. See page 51 for the factors influencing the choice of performance criteria and for the basis of measurement.

(i) Executive share option plans

In July 2003, following consultation with the Association of British Insurers and a significant number of major shareholders, approval was given by shareholders at an extraordinary general meeting to the Signet Group plc International Share Option Plan 2003, the Signet Group plc UK Inland Revenue Approved Share Option Plan 2003 and the Signet Group plc US Share Option Plan 2003 ("2003 Plans").

The 2003 Plans replaced the Signet Group plc 1993 Executive Share Option Scheme (the "1993 Scheme"), under which no further options may be granted.

The 2003 Plans allow the Remuneration Committee discretion to set performance conditions. The performance conditions under the 2003 Plans were set out in the circular to shareholders seeking approval for the 2003 Plans and no significant change in those conditions will be made without prior consultation with major shareholders.

As indicated in the 2005 Director's Remuneration Report, the Remuneration Committee in recognising the continuing development of shareholder sentiments regarding remuneration practices, committed to conduct a full review of all aspects of directors' remuneration when a new LTIP was developed for shareholder approval. After completing this review, which included extensive consultation with major shareholders, the Remuneration Committee concluded that the remuneration principles that were adopted in 2003 and have been published in all subsequent Directors' Remuneration Reports, had served all stakeholders well and should remain unchanged. Based on surveys of comparator companies, the Committee also concluded that the present mix of total remuneration remains appropriate. However, the Committee decided that in addition to the introduction of a new LTIP it was also appropriate to make certain changes in the existing share option plan, including the balance of share option grant level, and LTIP awards.

The changes to share option plan arrangements which have been implemented include:

- the elimination of all retesting in the measurement of performance target achievement. In the future, vesting will be determined by a single test of performance versus target normally three years after any grant is made;
- the elimination of the impact of exchange rate translation movements by the adoption of a constant exchange rate in measuring performance versus target. This will eliminate the possibility of executives being unfairly rewarded or penalised by exchange rate movements over which they obviously have no control; and
- a reduction in the maximum annual grant of share options to the Group Chief Executive Officer from five times base salary plus the possibility of an additional one times base salary grant (i.e. six times) under extraordinary circumstances, to four times base salary. Other executives participating in the share option plan will receive a proportionate reduction in their annual share option grants.

These changes to the existing share option plan arrangements were made after extensive consultation with major shareholders and were explained to shareholders in a circular dated 14 November 2005 prior to their approval of the adoption of the new LTIP.

The Remuneration Committee made the 2006/07 option grants on the same basis as the arrangements described above. Options granted under the executive share option plans that have passed the necessary performance conditions are normally only exercisable between three and ten years from the date of grant, after which the options lapse.

The conditions are set out below:

UK executives

For UK executives the personal performance of participants will be assessed on each occasion that share option grants take place and will be reflected in the level of the individual awards.

In addition, grants are subject to exercise conditions as follows:

Level of grant	Required annual rate of compound growth in earnings per share ⁽¹⁾ above inflation ⁽²⁾
Up to 200% of base salary	+3%
201% to 400% of base salary	+4%

(1) Normalised earnings per share as defined by the Institute of Investment Management and Research.
 (2) Defined as the UK Retail Prices Index.

For all grants beginning with those awarded in 2006/07 performance will only be measured over the three year period from the start of the financial year in which the grant is made, all retesting in the measurement of performance target achievement having been eliminated.

US executives

For US executives there is a pre-grant test based on both personal and corporate performance as described later, as well as a post-grant exercise condition requiring that the annual compound growth in earnings per share be more than 3% above inflation.

Performance will be measured over three years from the start of the financial year 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 grants beginning with those awarded in 2006/07 the post-grant performance condition will be measured over three years from the start of the financial year in which the award is made.

In April 2005 options of five times salary were awarded to the Group Chief Executive. The Group Finance Director was awarded options amounting to one and a half times salary. Awards to the Group Chief Executive are based on principles 2 (iv), 2(v), 2(vi) (set out on pages 50 and 51), a comparative remuneration survey and a review of the performance of both the Group and the executive over the prior three years.

Before any share option grant is made to the Group Chief Executive, the Remuneration Committee has to satisfy itself that the demanding pre-grant conditions, mentioned above, have been achieved. This requires affirmation: (1) that the Group's business performance has been superior to that of its industry sector; and (2) that the Group Chief Executive's personal performance continues to be of the highest standard.

On a divisional basis this business performance review includes a three year comparison of compound like for like as well as total sales growth compared in the US to that of the US quoted jewellery sector and in the UK to the UK quoted general retail sector. Further, there is a similar comparison of operating margin compared to the Group's principal competitors in the US and the UK.

On a Group basis the review includes a comparison of compound three year earnings per share growth, at constant exchange rates, like for like as well as total sales of the UK general retail sector of FTSE 100 companies. Further there is a similar comparison of total shareholder return against that of the FTSE 350 companies (excluding investment trusts) and the FTSE general retailers index.

The Remuneration Committee concluded that the review had confirmed in 2006/07 that the pre-grant conditions had been achieved reflecting performance at the top end of the scale.

On the basis of sustained out-performance and with management achievements acknowledged by industry followers, the Committee concluded that the Group Chief Executive and Group Finance Director continued to merit total remuneration towards the upper end of the range determined by the remuneration principles. Based on the surveys conducted, this indicated a base salary increase as detailed

LTIP performance criteria

	2006/07 award			2005/06 award			2004/05 award			2003/04 award		
	Group %	UK %	US %	Group %	UK %	US %	Group %	UK %	US %	Group %	UK %	US %
Minimum performance for any vesting:												
Profit measure				Profit Growth in excess of threshold inflation level								
ROCE measure	20.1	28.2	19.3	23.2	42.2	19.4	22.2	43.0	17.6	21.0	35.0	18.3
Profit Growth performance measure:												
Profit measure	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ROCE measure	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
ROCE performance measure:												
Specified ROCE required	21.1	29.2	20.3	24.2	43.3	20.4	23.2	44.5	18.6	22.0	36.5	19.3

on page 52 and a share option grant equivalent to four times base salary, for the Group Chief Executive. Similar surveys undertaken in the UK indicated a base salary increase as detailed on page 52 for the Group Finance Director and options amounting to 120% of base salary. Similarly the Chief Executives of the UK and the US divisions were awarded options amounting to 80% and 160% of base salary respectively.

Certain provisions of all the share option plans may be amended by the Board, but certain basic provisions (and in particular most of the limitations on individual participation, the number of shares and the percentage of share capital that can be issued thereunder) cannot be altered to the advantage of the participants except with the approval of shareholders or in accordance with the adjustment provisions in the 2003 Plans.

In 2005 the Remuneration Committee approved an amendment to the 2003 Plans (other than the Inland Revenue Approved Plan) to provide that, on exercise, options may be satisfied by the Company providing to the optionholder shares with a value equal only to the gain on exercise, without the requirement of a payment of the exercise price. This does not provide any financial benefit to either the Company or optionholders, but results in less dilution for shareholders.

(ii) All-employee share plans

In 1998/99 the Group introduced an Inland Revenue approved 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 employees in the Republic of Ireland (the "Irish Sharesave Scheme"), (together, the "All-employee Schemes"). These schemes give those employees with qualifying service the opportunity to participate in the equity of the Company, with the aim of aligning the interests of employees with those of shareholders.

The options granted under the Sharesave Scheme and the Irish Sharesave Scheme are normally exercisable between 36 and 42 months from the date of the relevant savings contract. Options were

granted under these schemes at a price approximately 20% below the middle market price of the shares on the London Stock Exchange on the dealing day prior to the date that employees were invited to participate in them.

The options granted under the Employee Stock Savings Plan, which is for employees in the US, are normally exercisable between 24 and 27 months from the date of grant, such date being the first business day of any period during which savings may be accumulated under a savings contract. The options under this plan were granted at a price approximately 15% below the middle market price of the shares on the London Stock Exchange on the date of grant. The period of exercise and the discount allowed vary from the UK due to different legal regulations in the US.

(iii) Long term incentive plan

Shareholders gave approval, in June 2000, to the Signet Group plc 2000 Long Term Incentive Plan ("LTIP") which expired in June 2005.

A replacement Long Term Incentive Plan, the Signet Group plc 2005 Long Term Incentive Plan ("LTIP 2005"), was given shareholder approval in December 2005 with approximately 96% of the 82% of the entire issued share capital which was voted at the meeting being voted in favour of adoption of the LTIP 2005.

The principal features of the LTIP 2005, include:

- a ten year term, consistent with the approved terms of the existing share option plan; and
- an increase in the target LTIP award to the Group Chief Executive from 70% of base salary to a maximum of 160% of base salary, which amount offsets the reduction in the maximum share option award, such that the total expected value of the Group Chief Executive's remuneration package remains unchanged. Other participating executives would receive an increase in target LTIP award consistent with their reduction in share option grants and maintaining total remuneration at levels that they would have received under the previous plans.

Directors' remuneration report (continued)

All other features of the LTIP 2005 are identical to those of the expired LTIP plan, and are summarised below.

The LTIP 2005 provides for the Remuneration Committee to make awards subject to performance targets which will normally be tested at the end of a fixed period of at least three years. To the extent the performance targets are satisfied it is intended that the participant will receive a combination of the grant of an option over shares in the Company and cash. While the Remuneration Committee has authority to determine the precise mix, in line with past practice the intention is to continue with a mix of 50% cash and 50% share options. No changes in this mix will be made without prior consultation with major shareholders. The share options will normally be exercisable within ten years of the original award date.

The performance conditions, set by the Remuneration Committee for 2006/07 and for the foreseeable future, are based, as in the previous LTIP, on:

- the compound annual growth in profit before tax of the Group or in operating profit of the relevant division as appropriate above a threshold inflation level; and
- ROCE of the Group or relevant division as appropriate.

The performance conditions may relate to the Group or a combination of the Group and each operating division, or each operating division separately, as considered appropriate by the Remuneration Committee according to the role of the particular participant.

In determining the precise conditions that will apply to an award, the Remuneration Committee will specify, at the commencement of each three-year performance period, the compound annual growth in profit that it will be necessary to achieve over the performance period and the required ROCE for the performance period.

Having considered alternative performance measures, the Remuneration Committee believes that, in Signet's case, measures based on growth in profit and ROCE remain the best indicators of the Company's financial performance and will continue to use these measures for the foreseeable future. However, the Remuneration Committee has the flexibility to change the measures if it believes it to be appropriate but it will not make any material changes without first consulting major shareholders.

The LTIP 2005 contains no element to allow retesting of the performance targets and allows only a pro-rated release of an award, whether in the form of the grant of an option over shares or cash, where a participant leaves early for good reasons or there is a change of control. The performance targets must in any event be satisfied before any release is made in all cases.

Awards were made to executive directors and other senior executives in 2003/04, 2004/05 and 2005/06 under the LTIP. All these awards are subject to fulfilment of minimum performance conditions set at the time of the award as to:

- compound annual growth in the profit before tax of the Group using a constant exchange rate or, as in the case of the Chief Executives of the UK and US divisions, the operating profit of the relevant division as appropriate ("Profit Growth"); and
- ROCE of the Group or relevant division as appropriate.

In each case over a fixed period of three successive financial years starting with the one in which the award was made. Nothing is payable under the award unless both minimum performance conditions are achieved. The minimum Profit Growth is set at a threshold level after taking account of inflation. The conditions were selected to ensure that awards would only vest provided that growth in profits exceeded the rate of inflation and that the business's targeted ROCE is achieved.

If the performance conditions are achieved the award will vest and its value will depend on the extent to which the minimum performance conditions are exceeded:

- if Profit Growth exceeds the minimum threshold inflation level, the amount of the award will be calculated on a straight line basis from that level up to a specified inflection point, i.e 10% at which point 37.5% of the award will vest, and then at an accelerated rate on a straight line basis up to the maximum level of award at 15%. This maximum is equal to a specified percentage of base salary at the time at which the award vests. The maximum award for the Group Chief Executive in 2005/06 was equal to 70% of base salary at vesting (as in 2003/04 and 2004/05) and for the Group Finance Director and the Chief Executive of the UK division 50% of base salary at vesting (as in 2003/04 and 2004/05) and for the Chief Executive of the US division 45% of base salary at vesting (as in 2003/04 and 2004/05); and
- if the minimum threshold inflation level of Profit Growth is achieved but the maximum award has not been earned by reference to Profit Growth, then, in addition to the percentage of base salary which has been earned on the above basis, the amount of the award earned on the basis of Profit Growth may be increased on the basis of the ROCE increase. In the case of the Group Chief Executive, in 2005/06 for each 0.5% by which the ROCE exceeds the level specified in the award, the amount of the award would increase by an amount equal to 5% of base salary (at vesting) up to a maximum increase equal to 35% of such base salary (as in 2003/04 and 2004/05). Similarly in the case of the Group Finance Director, for each 0.5% by which the ROCE exceeds the specified level the amount of the award would increase by an amount equal to 3% of base salary (at vesting) up to a maximum increase equal to 25% of such base salary (as in 2003/04 and 2004/05). In the case of the Chief Executive of the UK division the award would increase by 2% of such base salary (at vesting) up to a maximum increase equal to 25% of such base salary (as in 2003/04 and 2004/05) and in the case of the Chief Executive of the US division 3.6% of such base salary (at vesting) up to a maximum increase equal to 22.5% of such base salary (as in 2003/04 and 2004/05) for every 0.5% by which the ROCE exceeds the specified amount. In no event, however, can any such increase result in the applicable maximum award amount stated in the preceding paragraph being exceeded.

The table on page 55 shows the percentages and the inflection points which have been specified for the existing awards and indicates the relevant profits and ROCE to be used for measurement.

When the performance conditions have been satisfied 50% of the amount which vests will be payable in cash and the other 50% will consist of the grant of an option to acquire shares in the Company, the number of shares being determined by using the middle market price on the day preceding the grant of the award. For the 2003/04, 2004/05 and 2005/06 awards, that share price was 83.50p, 112.50p and 112.60p respectively. Due to the deferred equity nature of the share linked element of the award, the exercise price of the total option grant is a nominal amount of £1 or \$1, as appropriate. The participants can normally exercise their option at any time after vesting, until the tenth anniversary of the grant of the award.

In 2006/07 awards under the LTIP 2005 have been made to the Group Chief Executive, the Group Finance Director and the Chief Executives of the UK and US divisions on the following basis:

- if Profit Growth exceeds the minimum threshold inflation level, the amount of the award will be calculated on a straight line basis from that level up to a specified inflection point, i.e. 10%, at which point 37.5% of the maximum award will vest. Beyond the inflection point the award continues to vest on a straight line basis up to the maximum level of award at 15% profit growth at which point 100% of the award will vest. This maximum is equal to a specified percentage of base salary at the time at which the award vests. The maximum award for the Group Chief Executive is equal to 158% of base salary at vesting and for the Group Finance Director 77.0% of base salary at vesting and the Chief Executive of the UK division 68.0% of base salary at vesting and for the Chief Executive of the US division 100% of base salary at vesting; and
- if the minimum level of Profit Growth in operating profit is achieved but the maximum LTIP award has not been earned, then, in addition to the percentage of base salary which has been earned on the above basis, the amount of the award earned may be increased by reference to the achievement of ROCE above a target set by the Remuneration Committee at the beginning of each performance period. For each 0.5% by which ROCE has exceeded the level specified in the award, the amount of the award would increase by an amount equal to a percentage of base salary (at vesting) up to a maximum of 50% of the LTIP award. In the case of the Group Chief Executive, the maximum percentage of base salary that may be earned for each 0.5% has been increased to 11.3% which is in proportion to the increase in his target LTIP award from 70% to 158% of base salary. Similarly in the case of the Group Finance Director, for each 0.5% by which the ROCE exceeds the specified level the amount of the award would increase by an amount equal to 4.6% of such base salary up to a maximum increase equal to 38.5% of such base salary and in the case of the Chief Executive of the UK division 2.7% of such base salary up to a maximum increase equal to 34.0% of such base salary and for the Chief Executive of the US division 8.0% of such base salary up to a maximum equal

to 50% of such base salary. In no event can any such increases result in the maximum LTIP award being exceeded.

The share price for the awards was fixed following the announcement of the preliminary results. The performance criteria of the awards to the Chief Executives of the UK and US divisions are related to each of the respective divisions.

The Remuneration Committee has the flexibility to alter the performance conditions in future years but will not make any material changes without discussing them with major shareholders.

(d) Employee trusts

The share option plans may be operated in conjunction with one or more employee share ownership trusts (the Signet Group plc Employee Share Trust ("ESOT") or the Signet Group plc 2004 Employee Share Trust ("2004 ESOT")) which may acquire shares in the Company for the purposes of satisfying the exercise of options. Application has been made for The Signet Group Qualifying Employee Share Trust ("QUEST") to be removed from the register of companies as it no longer fulfils the purpose for which it was originally set up.

Both the LTIP and the LTIP 2005 (the "LTIPs") operate in conjunction with the ESOT and the 2004 ESOT which may be funded by the Group to acquire shares in the Company for the purposes of meeting the Company's obligation to provide shares on the exercise of options.

The trustees of the QUEST, ESOT and 2004 ESOT have waived their rights to any dividends declared on shares held in the trusts.

(e) Share scheme limits

The executive share option plans are subject to the following limits on the number of shares that may be issued:

- (i) the maximum number of shares that have been or may be issued pursuant to options granted under the executive share option plans and any other discretionary share option scheme adopted by the Company may not exceed 5% of the shares from time to time in issue in any ten year period;
- (ii) the maximum number of shares that have been or may be issued pursuant to options granted under the executive share option plans and any other employees' share scheme adopted by the Company may not exceed 10% of the shares from time to time in issue in any ten year period; and
- (iii) the maximum of 171,376,839 shares (representing 10% of the issued share capital on 8 July 2003) may be issued pursuant to incentive options granted under the US Plan.

In any ten year period not more than 10% of the issued share capital of the Company from time to time may in aggregate be issued or issuable pursuant to options granted under the All-employee Schemes or any other employees' share schemes adopted by the Company.

The number of shares which may be issued or issuable pursuant to the LTIPs (including to the ESOT and the 2004 ESOT), when aggregated with any shares issued or issuable by the Company in the preceding ten years under any employees' share scheme, participation in which is at the discretion of the Board, is limited to 5% of the Company's issued share capital from time to time. The number of shares which may be issued or issuable pursuant to the LTIPs (including to the ESOT and the 2004 ESOT), when aggregated with all shares issued or issuable by the Company in the preceding ten years under any other employees' share scheme, is limited to 10% of the Company's issued share capital from time to time.

No more than 5% of the issued share capital of the Company may be held by the trustee of the ESOT or the 2004 ESOT without prior approval of shareholders.

(f) Shareholding guidelines

When the 2003 Plans were introduced, shareholding guidelines were set for executive directors and senior executives of the Group. The Group Chief Executive is expected to build a holding of shares equal to at least twice salary and the Group Finance Director to at least one times salary. Until these levels have been achieved, half of any post tax option gains under the 2003 Plans should be held in Signet shares. Since December 2004 future non-executive directors will be required to build a minimum holding of 10,000 shares within two years of appointment and maintain that holding whilst they remain a director of the Company. Similarly the existing non-executive directors have agreed to adhere to the same shareholding guidelines within the two year period for compliance running from December 2004 which they have all now done.

(g) Service contracts

The Group Chief Executive has a rolling service contract (dated 20 December 2000 and amended and restated in January 2006) with a US subsidiary with certain covenants given by Signet Group plc, which can be terminated on one year's notice in writing by either party. The Group Finance Director has a rolling service contract (dated 14 June 1995 and amended on 15 May 2000) with the Company, which can be terminated on one year's notice in writing by either party or terminates on his 60th birthday. The service contracts for the Group Chief Executive and the Group Finance Director provide for termination payments in the cases of early termination by the Group or in the event of certain changes of control. In these circumstances the amount of termination payments due to the Group Chief Executive would equal, in summary, the aggregate of (i) 100% of his base salary at the time of termination, (ii) 25% of his base salary in respect of pension and other benefits, (iii) his outstanding entitlement to a cash bonus under the annual bonus plan referred to on page 52 in respect of the proportion of the fiscal year prior to the effective date of termination, and (iv) a sum equal to a variable percentage (currently 72.4%) of the cash bonus to which he would have become entitled under the annual bonus plan during the notice period. If the Company reduces or eliminates the Directors' and Officers' liability insurance, although the Board has no intention of doing so, such that the Group Chief Executive does not have coverage which meets at least

£100 million aggregate coverage limit and £50 million Side A aggregate dedicated coverage limits, then the Group Chief Executive may be permitted upon 90 days written notice to terminate his employment. In the event of such termination the Company will pay the Group Chief Executive his base salary and short term bonus prorated to the date of termination. Entitlement to any share options or LTIP awards is governed by the rules of the relevant scheme. The amount of termination payments due to the Group Finance Director in the event of early termination by the Group in the event of certain changes of control, would equal, in summary, the aggregate of (i) his annual salary at the time of termination, (ii) the market value of the contractual benefits in kind (including any pension contribution) to which he would have become entitled during the following 12 months, and (iii) all payments to which he would have become entitled under the annual bonus plan during the same 12 month period. The Chief Executive of the UK division has a rolling service contract (dated 1 March 2003) with a UK subsidiary which can be terminated on one year's notice in writing by either party or terminates on his 65th birthday. In the case of early termination, the contract provides for salary to be paid in lieu of notice, or where notice has been given, for any balance of the notice period. The Chief Executive of the US division has a rolling service contract (dated 26 April 2002 and amended and restated in August 2004 and January 2006) with a US subsidiary. The Company may terminate the contract at any time by notice in writing. In the case of termination the Company is obligated to continue to pay salary for 12 months from the date of termination. Entitlement to any share options or LTIP awards is governed by the rules of the relevant scheme.

These contracts all contain confidentiality and non-competition clauses.

The Chairman has a letter of appointment (dated 20 June 2001), with no fixed term. The appointment can be terminated in writing by either party on reasonable notice and does not provide for compensation for loss of office. Upon his retirement from the Company, the Chairman will remain a member of the Signet Health Care Scheme and will fully reimburse the Company the premium paid on his behalf.

Each non-executive director has a letter of appointment from the Company which does not have a termination clause and does not provide for compensation for loss of office. The duration of any such appointment is currently subject to the terms of the Articles of Association and normally runs until such director is next required to stand for election or re-election. The Board, however, has agreed in addition, to introduce on a staggered basis a fixed three year period for each non-executive director.

The letters of appointment are dated as set out below:

Robert Blanchard	5 September 2000
Dale Hilpert	15 July 2003
Brook Land	16 October 1995
Robert Walker	21 September 2004
Russell Walls	29 May 2002
Malcolm Williamson	28 November 2005

(h) Company pension

The Chairman does not receive any pension provision. The amount paid in respect of life assurance for him in the period was £20,685[£] (2004/05: £19,100[£]).

The Group Chief Executive and the Chief Executive of the US division are members of the Sterling Jewelers Inc. 401(k) Retirement Savings Plan and an unfunded, unqualified deferred compensation plan. Contributions made by Signet's US division in respect of the Group Chief Executive during the period totalled £1,074[£] (2004/05: £1,653[£]) and £148,472[£] (2004/05: £134,024[£]) respectively and in respect of the new Chief Executive of the US division from his appointment on 12 January 2006 totalled £50[£] and £1,544[£] respectively.

Pension benefits in respect of the UK based directors are set out below.

(i) Aggregate emoluments for the year to 28 January 2006

The total emoluments for directors of the Company and officers of the Group (excluding amounts due under the LTIP), as listed on pages 36 and 37, for services in all capacities was £2,270,000 (2004/05: £2,510,000). The amounts due under the LTIP for directors of the Company and officers of the Group was £532,000 (2004/05: £684,000, restated to reflect the market value at vesting). 50% of the amounts due under the LTIP are payable in cash and the other 50% consists of the grant of an option to acquire shares in the Company. Details of the directors' emoluments are given on page 53.

Except as set out in tables (a), (b) and (c) on pages 60 to 62, or in the notes under these tables, no director nor any member of any director's immediate family had an interest in, or was granted or exercised any right to subscribe for, shares or debentures of the Company or any subsidiary, nor did any such right to subscribe lapse during the financial year, nor was there any change between the end of the financial year and 5 April 2006 in the interests of any director of the Company disclosed to the Company under the provisions of section 324 (duty of directors to disclose shareholdings

in own company) as extended by section 328 (extension of section 324 to spouses and children) of the Companies Act 1985 nor in any right to subscribe for shares in, or debentures of, the Company.

At 29 January 2005, 28 January 2006 and 5 April 2006, according to the register kept by the Company under section 325 of the Companies Act 1985, the directors held interests in the shares of the Company as indicated in tables (a), (b) and (c) on pages 60 to 62. As explained on page 55 the value of the awards that vest under the LTIP depends upon the extent to which the performance conditions are met. The awards are also capped by reference to a percentage of the recipient's base salary.

Where the minimum performance conditions for the 2003/04 award have been exceeded, vesting will occur within 60 days of the preliminary results announcement for the year ended 28 January 2006.

The Group operates the QUEST, which is currently used in connection with the Sharesave Scheme, the ESOT and the 2004 ESOT. Robert Anderson, Walker Boyd, Terry Burman, Mark Light and James McAdam, at 29 January 2005, 28 January 2006 and 5 April 2006, were, in common with all other employees of the Group, deemed to have an interest in the shares held by the QUEST, the ESOT and the 2004 ESOT. The QUEST held nil shares on 29 January 2005 and nil on 28 January 2006 and is in the process of being removed from the register of companies. The ESOT held 4,610,839 on 29 January 2005, 3,745,265 on 28 January 2006 and 3,731,976 on 5 April 2006. The 2004 ESOT held nil shares on 29 January 2005, nil shares on 28 January 2006 and nil shares on 5 April 2006. No director had been granted any specific interest in such shares.

The Company's register of directors' interests, which is open to inspection at the registered office, contains full details of directors' shareholdings and share options.

Pension benefits for the UK based executive directors[£]

	Robert Anderson Chief Executive UK division		Walker Boyd Group Finance Director	
	2005/06	2004/05	2005/06	2004/05
Change in accrued benefits during the year (gross of inflation)	7,995	2,245	5,039	4,564
Change in accrued benefits during the year (net of inflation)	7,752	2,037	3,866	3,371
Accrued benefits at the end of the year	17,005	9,010	48,491	43,452
Transfer value of change in accrued pension (net of inflation)	90,804	7,997	58,987	44,369
Transfer value of accrued benefits at the beginning of the year	58,367	38,707	510,434	408,530
Transfer value of accrued benefits at the end of the year	201,054	58,367	662,639	510,434
Change in transfer value of accrued benefits ⁽¹⁾	141,837	14,585	152,205	101,904
Group payments to the FURBS	37,500	35,200	48,333	45,033
Life assurance contributions	737	858	1,100	2,582

(1) Calculated in accordance with the Actuarial Guidance Note GN 11.

4. Directors' interests in shares [£]

(a) Directors' interest in share options [£]

Director		Number of shares under option				Exercise price	Date from which exercisable ⁽¹⁾	Expiry date ⁽¹⁾
		At 29 January 2005	Granted	Forfeited	Exercised			
Robert Anderson ⁽²⁾	(3)	232,558	–	–	–	232,558	75.25p	2.5.04
	(3)	160,416	–	–	–	160,416	120.00 ^p	11.4.05
	(3)	322,188	–	–	–	322,188	82.25 ^p	25.4.06
	(5)	251,685	–	–	–	251,685	111.25 ^p	5.4.07
	(6)	35,452	–	–	–	35,452	£1 in total	15.4.04
	(4)	10,985	–	–	–	10,985	86.25 ^p	1.1.08
	(5)	–	261,989	–	–	261,989	112.60 ^p	12.4.08
	(6)	–	23,140	–	–	23,140	£1 in total	15.4.05
Total		1,013,284	285,129	–	–	1,298,413	93.73p ⁽⁷⁾	
Walker Boyd ⁽²⁾	(3)	429,648	–	–	–	429,648	49.75p	10.4.02
	(3)	611,842	–	–	–	611,842	57.00 ^p	8.5.03
	(3)	179,401	–	–	–	179,401	75.25 ^p	2.5.04
	(3)	225,000	–	–	–	225,000	120.00 ^p	11.4.05
	(6)	133,484	–	–	–	133,484	£1 in total	15.4.03
	(5)	397,435	–	–	–	397,435	97.50p	14.7.06
	(5)	444,943	–	–	–	444,943	111.25p	5.4.07
	(4)	10,985	–	–	–	10,985	86.25p	1.1.08
	(6)	87,505	–	–	–	87,505	£1 in total	15.4.04
	(5)	–	466,252	–	–	466,252	112.60p	12.4.08
	(6)	–	68,182	–	–	68,182	£1 in total	15.4.05
Total		2,520,243	534,434	–	–	3,054,677	78.06p ⁽⁷⁾	
Terry Burman ⁽²⁾	(3)	496,289	–	–	–	496,289	\$1.08	2.5.04
	(3)	1,242,019	–	–	–	1,242,019	\$1.72	11.4.05
	(5)	3,807,426	–	–	–	3,807,426	\$1.59	14.7.06
	(5)	3,129,267	–	–	–	3,129,267	\$2.05	5.4.07
	(4)	5,850	–	–	–	5,850	\$1.64	1.11.06
	(6)	344,829	–	–	–	344,829	\$1 in total	15.4.04
	(5)	–	3,193,395	–	–	3,193,395	\$2.12	12.4.08
	(6)	–	254,485	–	–	254,485	\$1 in total	15.4.05
Total		9,025,680	3,447,880	–	–	12,473,560	\$1.76 ⁽⁷⁾	

4. Directors' interests in shares ^B

(a) Directors' interest in share options ^B (continued)

Director	Number of shares under option				Exercise price	Date from which exercisable ⁽¹⁾	Expiry date ⁽¹⁾
	At 29 January 2005	Granted	Forfeited	Exercised			
Mark Light ⁽²⁾							
(3)	92,764	—	—	—	92,764	\$1.08	2.5.04 1.5.11
(3)	290,191	—	—	—	290,191	\$1.72	11.4.05 10.4.12
(3)	472,476	—	—	—	472,476	\$1.31	25.4.06 24.4.13
(5)	329,267	—	—	—	329,267	\$2.05	5.4.07 4.4.14
(4)	5,850	—	—	—	5,850	\$1.64	1.11.06 31.1.07
(5)	—	339,032	—	—	339,032	\$2.12	12.4.08 12.4.15
(6)	—	68,856	—	(68,856) ⁽⁸⁾	—	\$1 in total	— —
Total	1,190,548	407,888	—	(68,856)	1,529,580	\$1.71 ⁽⁷⁾	
James McAdam							
(3)	869,347	—	—	(869,347) ⁽⁹⁾	—	49.75p	— —
(4)	10,985	—	—	—	10,985	86.25p	1.1.08 30.6.08
Total	880,332	—	—	(869,347)	10,985	86.25 ⁽⁷⁾ p	

All options were granted to directors while they were directors apart from Messrs. Anderson and Light who were appointed as directors on 6 April 2005 and 12 January 2006 respectively. The performance conditions for grants made under the 2003 Plans are set out on page 55. The conditions set by the Remuneration Committee for exercise of options granted under the 1993 Executive Share Option Scheme ("1993 Scheme") were that for vesting to take place, a post inflation minimum growth in earnings per share of 10% over any consecutive three year period had to be achieved. This performance condition was chosen as the Remuneration Committee believed it to be in line with market practice. This condition has been met in respect of the options granted between October 1997 and April 2002; the performance criteria having been satisfied in each case over the first three year period following the grant of the options. The Black-Scholes option-pricing model fair value is given on page 108 for options granted in the last three years.

(1) The dates from which options are exercisable and the expiry dates are the dates that normally apply. Other dates apply in certain circumstances, such as an option holder ceasing to be employed. Options that have not already vested will only vest and become exercisable on the dates detailed subject to satisfaction of the specified performance criteria.

(2) See page 55 regarding awards that will be made in 2006/07.

(3), (4), (5) and (6) The options marked (3) were granted under the 1993 Scheme, those marked (4) were granted under the terms of the Sharesave Scheme or, in the case of Terry Burman and Mark Light, the Employee Stock Savings Plan, those marked (5) were granted under the 2003 Plans, and those marked (6) were awarded under the LTIP.

(7) Weighted averages of the exercise prices per share for the options held at the year end.

(8) Exercised on 14 September 2005, when the market price was 105.75p.

(9) Exercised on 8 April 2005, when the market price was 112p.

The aggregate amount of gains made by directors on the exercise of options during the year amounted to £613,983 (2004/05: £4,051,882).

b) Directors' interests in LTIPs ⁸

		Awards subject to performance conditions		Awards where the performance conditions have been satisfied ⁽¹⁾					
Director	Date of award	Cash portion ⁽²⁾ (grant value) £	Option ⁽²⁾ portion (number)	Cash portion ⁽³⁾ (grant value) £	Option ⁽³⁾ portion (number)	Option portion ⁽⁴⁾ (current value) £	Cash and options total ⁽⁴⁾⁽⁵⁾ (current value) £	Cash and options total ⁽⁶⁾ vested £	Expiry of award or vested option
Robert Anderson ⁽⁷⁾									
2002/03 award ⁽⁸⁾	26.4.02	—	—	—	—	—	—	53,975	25.4.12
2003/04 award ⁽⁸⁾	30.4.03	—	—	—	—	—	—	—	—
2004/05 award ⁽⁸⁾	5.4.04	73,750	65,556	—	—	—	142,092	—	— ⁽⁹⁾
2005/06 award	12.4.05	73,750	65,497	—	—	—	142,031	—	— ⁽⁹⁾
Awards at end of year		147,500	131,053	—	—	—	284,123	53,975	
Walker Boyd ⁽⁷⁾									
2002/03 award ⁽⁸⁾	26.4.02	—	—	—	—	—	—	159,034	25.4.12
2003/04 award ⁽⁸⁾	30.4.03	—	—	51,193	61,309	63,915	115,108	—	29.4.13
2004/05 award ⁽⁸⁾	5.4.04	87,500	77,778	—	—	—	168,583	—	— ⁽⁹⁾
2005/06 award	12.4.05	87,500	77,709	—	—	—	168,511	—	— ⁽⁹⁾
Awards at end of year		175,000	155,487	51,193	61,309	63,915	452,202	159,034	
Terry Burman ⁽⁷⁾									
2002/03 award ⁽⁸⁾	26.4.02	—	—	—	—	—	—	523,252	25.4.12
2003/04 award ⁽⁸⁾	30.4.03	—	—	171,945	227,317	236,978	408,923	—	29.4.13
2004/05 award ⁽⁸⁾	5.4.04	267,740	229,962	—	—	—	507,475	—	— ⁽⁹⁾
2005/06 award	12.4.05	267,740	222,459	—	—	—	499,654	—	— ⁽⁹⁾
Awards at end of year		535,480	452,421	171,945	227,317	236,978	1,416,052	523,252	
Mark Light ⁽⁷⁾									
2002/03 award ⁽⁸⁾	26.4.02	—	—	—	—	—	—	141,577	25.4.12
2003/04 award ⁽⁸⁾	30.4.03	—	—	73,093	96,632	100,739	173,832	—	29.4.13
2004/05 award ⁽⁸⁾	5.4.04	88,983	76,428	—	—	—	168,659	—	— ⁽⁹⁾
2005/06 award	12.4.05	88,983	73,934	—	—	—	166,059	—	— ⁽⁹⁾
Awards at end of year		177,966	150,362	73,093	96,632	100,739	508,550	141,577	

All grants were made to directors while they were directors, apart from Messrs. Anderson and Light who were appointed on 6 April 2005 and 12 January 2006 respectively, and the performance conditions relating to the awards are set out on page 55.

- (1) In respect of the 2003/04 awards the Group performance achieved was a three year compound annual growth in profit before tax of 8.3% per annum and a three year average ROCE of 24.8%. The US division performance achieved was a three year compound annual growth in operating profit of 13.0% and a three year average ROCE of 21.9%. This resulted in 64.2% of the award vesting for the Group Chief Executive, 58.6% for the Group Finance Director and 100% for the Chief Executive of the US division. The UK division experienced a fall in three year annual profit and therefore no award is payable to the Chief Executive of the UK division.
- (2) Assumes maximum performance conditions are satisfied and is calculated using salary at 27 February 2006 a share price at the time of grant in 2004 of 112.5p in 2005 of 112.6p and in the case of Terry Burman and Mark Light an exchange rate of \$1.77.
- (3) Calculated using a salary for Messrs. Boyd and Burman at 27 February 2006 and Mark Light at 11 January 2006 prior to his appointment to the Board and a share price at the time of grant in 2003 of 83.5p. The LTIP payment is made in the year following the last year in respect of which the performance condition was set.
- (4) Calculated using a share price as at 28 January 2006 of 104.25p.
- (5) Cash portion plus option portion value at 28 January 2006. For awards where the level of performance is currently unknown, no payment, or a reduced payment may be made. In respect of awards where the performance is known the base salary may be different at the date of vesting.
- (6) Vesting took place on 12 April 2005 and the cash portion was worth £28,000, £82,500, £237,593 and £64,286 respectively for Robert Anderson, Walker Boyd, Terry Burman and Mark Light. The option interest was over 23,140 shares for Robert Anderson, 68,182 shares for Walker Boyd, 254,485 shares for Terry Burman and 68,856 shares for Mark Light and are included in the table of directors' interests in share options on page 60. The share price on the day of vesting was 112.25p. For Terry Burman and Mark Light an exchange rate of \$1.89 was used.
- (7) The Remuneration Committee approved grants of LTIP awards to Terry Burman (maximum of 158% of salary at vesting), Mark Light (maximum of 100% of salary at vesting), Walker Boyd (maximum of 77.0% of salary at vesting) and Robert Anderson (maximum of 68.0% of salary at vesting) on 3 April 2006.
- (8) Awards at start of year.
- (9) Expiry dates of awards will be known within 60 days after the announcement of the preliminary results for the last financial year in the performance period.

c) Directors' interests in shares [£]

Director	Number of shares		
	At start of year	At end of year	At 5 April 2006
Robert Anderson ⁽¹⁾	19,000	19,000	19,000
Robert Blanchard	6,360	10,010	10,010
Walker Boyd	452,495	452,495	452,495
Terry Burman	710,601	710,601	710,601
Dale Hilpert	20,000	20,000	20,000
Brook Land	25,000	25,000	25,000
Mark Light ⁽²⁾	—	—	—
James McAdam ⁽³⁾	261,088	261,088	261,088
Robert Walker	—	19,308	19,308
Russell Walls	4,000	10,000	10,000
Malcolm Williamson ⁽⁴⁾	—	28,605	28,605

(1) Appointed as a director on 6 April 2005.

(2) Appointed as a director on 12 January 2006.

(3) 22,000 of those shares held were, at each date, held by Mr. McAdam's wife in trust for their grandchildren and, while Mr. McAdam is taken to have an interest in them for Companies Act purposes, neither he nor his wife has a beneficial interest in them.

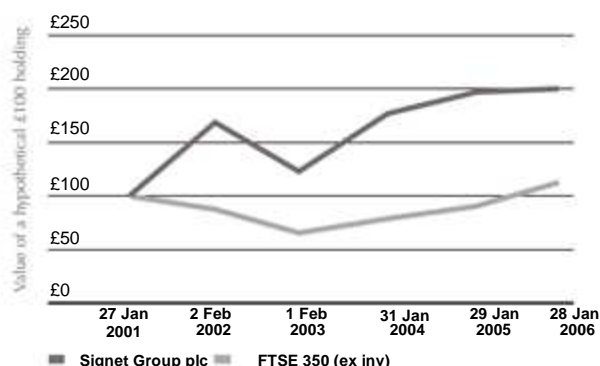
(4) Appointed as a director on 28 November 2005.

5. Share price

The middle market price of a Signet share on the London Stock Exchange was 104.25p on 28 January 2006 and 109.75p on 29 January 2005. During the 52 weeks ended 28 January 2006, the middle market prices on the London Stock Exchange ranged between a low of 93.25p and a high of 117.75p. On 5 April 2006 the middle market price was 110.5p.

Five year historical TSR performance

Growth in the value of a hypothetical £100 holding over five years FTSE 350 (ex inv) comparison based on 30 trading day average values

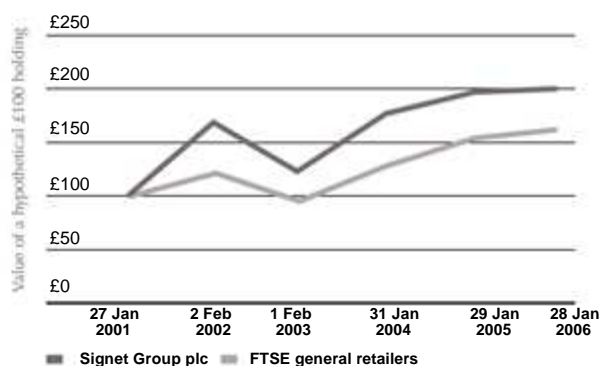


6. Total shareholder return ("TSR")

The graph below (left) shows the cumulative annual total return (share price movement and dividends) to shareholders of the Group since 27 January 2001 based on the 30 day average of value of the share price compared to the FTSE 350 index. This index was chosen as a suitable comparator as it is a major market index of which the Group is a member. Also shown on a similar basis on the graph below (right), is the Group's performance compared to the FTSE general retail sector.

Five year historical TSR performance

Growth in the value of a hypothetical £100 holding over five years FTSE general retailers index comparison based on 30 trading day average values



The directors' remuneration report was approved by the Board on 5 April 2006, and signed on its behalf by:

Robert Blanchard, Chairman, Remuneration Committee

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report & Accounts and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

The Group financial statements are required by law and IFRS defined on page 1 as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Duty of care

The directors owe their duties to shareholders of Signet as a whole and undertake no duty of care to individual shareholders, other stakeholders or potential investors.

Report of Independent Registered Public Accounting Firm

The Board of Directors and shareholders of Signet Group plc

We have audited the accompanying consolidated balance sheets of Signet Group plc and subsidiaries as at 28 January 2006 and 29 January 2005, and the related consolidated income statements, consolidated cash flow statements and consolidated statements of recognised income and expense for each of the 52 week periods ended 28 January 2006 and 29 January 2005, presented on pages 66 to 111. These consolidated financial statements are the responsibility of Signet Group plc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Signet Group plc and subsidiaries as at 28 January 2006 and 29 January 2005, and the results of their operations and their cash flows for each of the 52 week periods ended 28 January 2006 and 29 January 2005, in conformity with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

As referred to in note 30 to the consolidated financial statements, Signet Group plc changed its method of accounting for certain financial instruments with effect from 30 January 2005, upon the adoption of International Accounting Standards 32 and 39.

IFRS as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 31 to the consolidated financial statements.

KPMG Audit Plc

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
5 April 2006

Consolidated income statement
for the 52 weeks ended 28 January 2006

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m	Notes
Sales	1,752.3	1,615.5	2
Cost of sales	(1,516.3)	(1,371.8)	
Gross profit	236.0	243.7	
Administrative expenses	(74.1)	(69.8)	
Other operating income	46.3	38.6	4
Operating profit	208.2	212.5	2,3
Finance income	9.3	8.4	5
Finance expense	(17.1)	(17.0)	5
Profit before tax	200.4	203.9	
Taxation – UK	(12.9)	(20.5)	8
– US	(56.7)	(48.6)	8
Profit for the financial period	130.8	134.8	
Earnings per share – basic	7.5p	7.8p	10
Earnings per share – diluted	7.5p	7.8p	10

All of the above relate to continuing activities during the current and previous period.

Consolidated balance sheet
at 28 January 2006

	28 January 2006 £m	29 January 2005 £m	Notes
Assets:			
Non-current assets			
Intangible assets	22.9	17.4	11
Property, plant and equipment	253.8	225.7	12
Other receivables	14.3	11.6	14
Deferred tax assets	17.4	15.9	19
	308.4	270.6	
Current assets			
Inventories	679.7	577.9	13
Trade and other receivables	430.4	359.4	14
Cash and cash equivalents	52.5	102.4	15
	1,162.6	1,039.7	
Total assets	1,471.0	1,310.3	
Liabilities:			
Current liabilities			
Short-term borrowings	(151.1)	(53.1)	18
Trade and other payables	(217.1)	(163.3)	16
Deferred income	(50.4)	(53.5)	17
Current tax	(50.2)	(43.8)	
	(468.8)	(313.7)	
Non-current liabilities			
Bank loans	–	(132.8)	18
Trade and other payables	(36.0)	(28.2)	16
Deferred income	(65.6)	(56.2)	17
Provisions	(6.2)	(5.8)	20
Retirement benefit obligation	(15.5)	(1.9)	21
	(123.3)	(224.9)	
Total liabilities	(592.1)	(538.6)	
Net assets	878.9	771.7	
Equity:			
Capital and reserves attributable to equity shareholders			
Called up share capital	8.7	8.7	22
Share premium	71.7	68.0	23
Other reserves	138.2	138.6	23
Retained earnings	660.3	556.4	23
Total equity	878.9	771.7	

These accounts were approved by the Board of Directors on 5 April 2006, and were signed on its behalf by:

James McAdam Director

Walker Boyd Director

Consolidated cash flow statement
for the 52 weeks ended 28 January 2006

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Cash flows from operating activities:		
Profit before tax	200.4	203.9
Depreciation and amortisation charges	46.2	41.7
Financing costs	7.8	8.6
Increase in inventories	(72.8)	(52.3)
Increase in trade and other receivables	(51.4)	(44.5)
Increase in payables and deferred income	53.0	10.7
Other non-cash movements	4.9	4.5
Cash generated from operations:	188.1	172.6
Interest paid	(11.4)	(11.6)
Taxation paid	(64.7)	(56.5)
Net cash from operating activities	112.0	104.5
Investing activities:		
Interest received	2.4	1.8
Proceeds from sale of property, plant and equipment	7.5	0.2
Purchase of property, plant and equipment	(70.4)	(70.5)
Purchase of intangible assets	(5.5)	–
Cash flows from investing activities	(66.0)	(68.5)
Financing activities:		
Proceeds from issue of share capital	3.9	7.3
Purchase of own shares	(2.0)	(9.5)
Repayment of borrowings	(46.6)	(14.5)
Dividends paid	(52.7)	(43.8)
Cash flows from financing activities	(97.4)	(60.5)
Reconciliation of movement in cash and cash equivalents:		
Net decrease in cash and cash equivalents	(51.4)	(24.5)
Opening cash and cash equivalents	102.4	128.0
Translation difference	1.5	(1.1)
Closing cash and cash equivalents	52.5	102.4

Consolidated statement of recognised income and expense
for the 52 weeks ended 28 January 2006

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Profit for the financial period	130.8	134.8
Translation differences (net of £2.6 million deferred tax charge (2005: £0.3 million))	33.1	(18.9)
Effective portion of changes in fair value of cash flow hedges net of recycling (net of £0.6 million deferred tax charge)	1.4	–
Actuarial loss arising on pension liability (net of £4.9 million deferred tax credit (2005: £1.7 million credit))	(11.4)	(3.9)
Total recognised income and expense for the period	153.9	112.0
	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Effect of change in accounting policy		
Effect of adoption of IAS 32 and 39, net of deferred tax, on 30 January 2005 (with 2004/05 not restated), on: Hedging reserve	(0.6)	–
Effect of change in total equity	(0.6)	–

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 (see note 30) as adopted by the European Union ("IFRS"). Any differences between these standards and those issued and adopted by the International Accounting Standards Board are not material to the Group for the accounting periods presented in these financial statements. IFRS is subject to review and possible amendment or interpretive guidance and therefore subject to change. 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' funds and results of operations at and for the 52 weeks ended 28 January 2006 and the 52 weeks ended 29 January 2005 to the extent summarised on pages 106 and 107.

Judgements made by the directors in the application of these accounting policies, that 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 28 and 29 and in Risk and other factors on pages 30 to 35.

(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 IFRS and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated accounts have been prepared under the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, freehold and long leasehold properties.

The preparation of consolidated accounts in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The information set out in these financial statements does not constitute the Company's statutory accounts for the 52 weeks ended 28 January 2006 or for the 52 weeks ended 29 January 2005. These statutory accounts have been reported on by the Company's auditor; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the 52 weeks ended 29 January 2005 have been delivered to the Register of Companies and those for the 52 weeks ended 28 January 2006 will be delivered in due course.

(b) Consolidation

The Group accounts include the accounts of the Company and its subsidiary undertakings made up for the 52 week period ended 28 January 2006 (the comparatives are for the 52 week period ended 29 January 2005). The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Subsidiaries 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 subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In accordance with section 230 of the Companies Act 1985, the Company is exempt from the requirement to present its own Income statement.

(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. Other exchange differences arising from foreign currency transactions are included in profit before tax.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date.

(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.

Revenue from the sale of extended service agreements in the US 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 US 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.

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 and is recognised as these vouchers are redeemed over the period of redemption in proportion to the expected pattern of voucher redemption in line with historic experience and policy.

(e) Cost of sales

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. This includes inbound freight charges, purchasing and receiving costs, inspection and internal transfer costs.

(f) Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 February 1998 is capitalised.

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 amortisation or impairment write downs identified are charged to the income statement. An impairment loss in respect of goodwill is not reversed.

(g) 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 depreciation. Depreciation is charged on a straight line basis over periods from three to five years.

(h) 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.

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.

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%, 33 1/3 %,
Shopfronts, fixtures and fittings – rates up to 33 1/3 %.

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 lower economic value 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.

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.

(i) Inventories

Inventories represent 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. Provision is made for obsolete, slow moving or defective items.

(j) 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.

(k) Trade receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

(l) 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.

Assets held under finance leases, which are leases where substantially all the risks and rewards of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their estimated useful lives. Future instalments under such leases, net of finance charges, are included within creditors. Rental payments are apportioned between the finance element, which is charged to the income statement, and the capital element which reduces the outstanding obligation for future instalments.

(m) 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.

(n) Employee benefits

The Group has adopted the amendment to IAS 19 'Employee benefits' early, allowing actuarial gains or losses to be accounted for in the consolidated statement of recognised income and expense in the period in which they arise.

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 was closed to new members in April 2004.

The Group Scheme, covering two of the executive directors and all 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.

The full service cost of pension provisions relating to the period is charged to 'administrative expenses' in the income statement. The expected return on the Group Scheme's assets is credited to 'finance income' and the interest element of the increase in the present value of the Group Scheme's liabilities is charged to 'finance expense' 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 are provided through the Signet Group Funded Unapproved Retirement Benefits Scheme and are charged to the income statement as incurred.

(o) Financing costs

Purchased interest rate protection agreements are amortised to financing costs over the term of the relevant agreement. All such interest rate protection agreements must be related to an asset or liability and must change the character of the interest rate by converting a variable rate to a fixed rate, or vice versa, to qualify for accrual accounting. In addition, the term and notional amount of the swap, cap or floor must not exceed the term and principal amount of the debt or asset. Amounts payable or receivable under such agreements are accrued within financing costs in the income statement and recorded as current assets or liabilities on the balance sheet.

(p) Financial instruments

The Group has taken the exemption not to restate 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 the 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 have been made as at the beginning of the period ended 28 January 2006 with the net adjustment to net assets, after tax, taken through the current period statement of recognised income and expense. Corresponding amounts for the prior period ended 29 January 2005 have been accounted for in accordance with the requirements of the Companies Act 1985, SSAP 20 and FRS 4 (as applicable in the prior period). The main difference between the prior period and current period bases of accounting are shown and described below:

	£m
Effect on the opening balance sheet at 30 January 2005:	
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 current period income statement, statements of recognised income and expenses and cash flow statements are as follows:

- In the current 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). In the previous period 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. The cash flow statement is unaffected by this change in accounting policy.

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

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 statement of changes in equity. 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 reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. 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 to the extent practically and economically appropriate in order to minimise future volatility arising from its implementation.

(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.

(r) Share schemes

In accordance with IFRS 2 'Share-based payment', a charge to income is recognised in respect of the fair values of outstanding employee share options. The fair values have been calculated using the Black-Scholes option pricing model up to 29 January 2005 and a binomial valuation model from 30 January 2005 and are charged to the income statement, from the grant date, over the relevant option vesting period. 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, net of tax, to total equity.

The cost of the cash and share award elements of the Long Term Incentive Plans 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.

(s) 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.

(t) Share capital and share premium

There is only one class of shares. 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.

Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) or the process to return capital to shareholders, are recorded in equity as a deduction, net of tax, to the share premium reserve. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

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.

(u) Dividends

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

(v) IFRS not yet adopted

IFRS 7 'Financial instruments: disclosure' applicable for years commencing on or after 1 January 2007, was available for early adoption but has not been adopted by the Group in these financial statements. The application of IFRS 7 in the current period would not have affected the balance sheet or income statement as the statement is only concerned with disclosure.

2. Segment information

The Group's results derive from one business segment – the retailing of jewellery, watches and gifts. The Group is managed as two 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.

	2006 £m	2005 £m
Sales by origin and destination:		
UK	469.6	507.7
US	1,282.7	1,107.8
	1,752.3	1,615.5
Operating profit:		
UK – Trading	49.1	76.9
– Group central costs ⁽¹⁾	(8.0)	(6.8)
	41.1	70.1
US	167.1	142.4
	208.2	212.5
Depreciation and amortisation:		
UK	17.7	17.4
US	28.5	24.3
	46.2	41.7
Other non-cash items:		
UK	2.1	2.2
US	2.8	2.3
	4.9	4.5
Additions to intangible assets and property, plant and equipment:		
UK	26.8	28.8
US	49.1	41.7
	75.9	70.5
Intangible assets and property, plant and equipment:		
UK	86.6	84.9
US	190.1	158.2
	276.7	243.1
Total assets ⁽²⁾ :		
UK	410.5	456.3
US	1,060.5	854.0
	1,471.0	1,310.3
Total liabilities:		
UK	(81.6)	(187.7)
US	(411.9)	(267.4)
Net debt	(98.6)	(83.5)
	(592.1)	(538.6)
Net assets:		
UK	328.9	268.6
US	648.6	586.6
Net debt	(98.6)	(83.5)
	878.9	771.7

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

(2) Total assets includes fixed and current assets but excludes current liabilities and debt.

3. Operating profit

	2006 £m	2005 £m
Operating profit is stated after charging:		
Staff costs (see note 7)	345.0	314.2
Depreciation – owned assets	45.0	41.5
Amortisation of intangible assets	1.2	0.2
Fees payable to KPMG Audit Plc and their associates:		
Audit services ⁽¹⁾	0.4	0.4
Further assurance services ⁽²⁾	0.5	0.3
Tax services	–	–
Other services	–	–
Advertising	88.1	78.0
UK restructuring cost	–	1.7
Operating lease rentals – plant, machinery and vehicles	2.1	2.1
– property	153.8	133.9

(1) Audit services include the fee for the statutory audit of the Company and of its subsidiaries.

(2) Further assurance services were for work carried out in respect of the quarterly reviews, Christmas trading review, Section 404 of the Sarbanes-Oxley Act of 2002 and the implementation of IFRS.

4. Other operating income

	2006 £m	2005 £m
Other operating income	46.3	38.6

Other operating income comprises interest receivable from the US in-house credit programme of £45.5 million (2005: £38.6 million) and foreign exchange gains of £0.8 million (2005: £nil).

5. Financing costs

	2006 £m	2005 £m
Interest payable on loans and overdrafts	2.0	2.1
Interest expense of US securitisation facility	7.6	7.4
Interest payable on loan notes	0.3	0.9
Facilities fees and related costs	1.5	1.2
Interest payable and similar charges	11.4	11.6
Interest income	(2.4)	(1.8)
	9.0	9.8
Defined benefit pension scheme:		
Expected return on scheme assets	(6.9)	(6.6)
Interest on pension liabilities	5.7	5.4
	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:

	2006	2005
Income statement (average rate)	1.80	1.86
Balance sheet (year end rate)	1.77	1.89

The effect of translation on foreign currency borrowings less deposits in the period was to increase the Group's net borrowings by £10.3 million (2005: £6.4 million decrease). The net effect of exchange rate movements on foreign currency net assets (excluding goodwill) and foreign currency borrowings was a gain of £33.1 million (2005: £18.9 million loss). This amount has been taken to reserves in accordance with IAS 21 'The Effects of changes in foreign exchange rates'.

7. Directors and employees

	2006 £m	2005 £m
Directors' emoluments	2.1	2.3
Directors' LTIP – cash	0.2	0.3
Directors' LTIP ⁽¹⁾ – share options (at fair value)	0.3	0.4
Contributions to pension schemes in respect of directors	0.2	0.2

(1) The fair value of those options has been calculated using the share price as at 28 January 2006. The amount included for 2005 has been restated to reflect the market value of the option vesting on 12 April 2005 rather than the market value as at 6 April 2005.

Details of directors' emoluments are shown in the Board report on remuneration on page 53.

The aggregate emoluments (excluding amounts due under the LTIP) of the highest paid director, Terry Burman, as US Chief Executive and as Group Chief Executive were £772,000 (2005: £1,199,000). The amounts due to him under the LTIP were £409,000 (2005: £523,000 restated). For 2006, 50% of the amount due under the LTIP, £172,000, is payable in cash (2005: £239,000) and the other 50% consists of the grant of an option to acquire shares in the Company (market value at 28 January 2006: £237,000). Additionally, pension contributions of £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 £nil (2005: £2,090,959).

	2006 Number of persons	2005 Number of persons
Retirement benefits are accruing to the following numbers of directors under:		
Money purchase schemes	2	1
Defined benefit schemes	2	1
The average number of full-time equivalent persons employed (including directors) during the period, analysed by category and division, was–		
Total Group:		
Management	238	235
Administration	1,764	1,599
Distribution and sales staff	13,650	13,311
	15,652	15,145
UK:		
Management	85	91
Administration	410	418
Distribution and sales staff	3,791	3,968
	4,286	4,477
US:		
Management	153	144
Administration	1,354	1,181
Distribution and sales staff	9,859	9,343
	11,366	10,668
	£m	£m
The aggregate Group staff costs were as follows:		
Wages and salaries	309.9	281.4
Social security costs	25.4	23.2
Pension costs	5.2	4.7
Share-based payment expense – equity-settled transactions	4.5	4.9
	345.0	314.2

8. Taxation

	2006 £m	2005 £m
Profit before tax:		
UK	51.1	75.7
US	149.3	128.2
	200.4	203.9
	2006 £m	2005 £m
Current taxation:		
UK	11.5	20.1
US	60.0	27.1
Deferred taxation:		
UK	1.4	0.4
US	(3.3)	21.5
	69.6	69.1
	2006 £m	2005 £m
Sources of deferred taxation are as follows:		
UK fixed assets (capital allowances)	1.3	0.4
US fixed assets	(1.0)	4.1
Stock valuation	4.8	2.5
Allowances for doubtful debts	(1.1)	(1.0)
Revenue deferral (extended service agreements)	(2.1)	13.3
Straight line lease payments	(1.1)	(1.2)
Other temporary differences	(2.7)	3.8
	(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:

	2006 %	2005 %
UK statutory tax rates	30.0	30.0
Expenditure permanently disallowable for tax purposes, net of permanent undercharges	1.5	1.1
Differences between UK and US (including state) standard tax rates	5.5	5.0
Over provision in respect of previous periods	(2.3)	(2.2)
UK fixed assets (capital allowances)	(0.6)	(0.2)
US fixed assets	0.5	(2.0)
Stock valuation	(2.4)	(1.2)
Allowances for doubtful debts	0.5	0.5
Revenue deferral (extended service agreements)	1.0	(6.5)
Straight line lease payments	0.5	0.6
Other temporary differences	1.4	(1.9)
Current tax rate	35.6	23.2
Deferred tax rate	(0.9)	10.7
	34.7	33.9

The effective tax rate for the Group 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 also dependent on changes in the geographical mix of profit and the movement in foreign exchange translation rates. It is anticipated that the effective tax rate for the Group in 2006/07 will be approximately 36%.

9. Dividends

In accordance with IAS10 'Events after the balance sheet date' proposed dividends are not provided for until they are formally approved.

	2006 £m	2005 £m
Final dividend paid of 2.625p per share (2005: 2.160p)	45.5	37.3
Interim dividend paid of 0.4125p per share (2005: 0.3750p)	7.2	6.5
	52.7	43.8

During 2005/06, a dividend of 2.625p per share was paid on 8 July 2005 in respect of the final dividend declared for the year ended 29 January 2005. Also, an interim dividend for the year ended 28 January 2006 was paid on 4 November 2005.

Subject to shareholder approval, a proposed final dividend of 2.8875p per share will be paid on 7 July 2006 to those shareholders on the register of members at close of business on 2 June 2006. The accounts for the year ended 28 January 2006 do not reflect this proposed dividend, which will be treated as an appropriation of retained earnings in the year ending 3 February 2007.

The trustees of the QUEST, ESOT and 2004 ESOT have waived their rights to any dividends declared on shares held in the trusts.

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 tax 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 or ADSs are urged to consult their tax advisers regarding the application of this US tax legislation to their particular circumstances.

10. Earnings per share

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

11. Intangible assets

	Computer software £m	Purchased goodwill £m	Total £m
Cost:			
At 31 January 2004	3.3	16.8	20.1
Translation differences	–	(0.6)	(0.6)
At 29 January 2005	3.3	16.2	19.5
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
Amortisation:			
At 31 January 2004	1.9	–	1.9
Charged in period	0.2	–	0.2
At 29 January 2005	2.1	–	2.1
At 29 January 2005	2.1	–	2.1
Charged in period	1.2	–	1.2
At 28 January 2006	3.3	–	3.3
Net book value:			
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 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 has applied IFRS 3 'Business combinations' from the transition date of 31 January 2004. Consequently, all prior purchased goodwill is frozen at £16.8m at this date, subject to exchange rate movements. An impairment review was performed at 28 January 2006, concluding that the carrying value of £17.3 million does not require an impairment adjustment.

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 depreciation.

12. Property, plant and equipment

	Land and buildings			Plant, machinery and vehicles £m	Shopfronts, fixtures and fittings £m	Total £m
	Freehold £m	Long leasehold £m	Short leasehold £m			
Cost:						
At 31 January 2004	17.4	1.9	124.1	57.0	253.9	454.3
Additions	—	—	14.2	11.7	44.6	70.5
Disposals	—	—	(1.2)	(0.4)	(3.2)	(4.8)
Translation differences	—	—	(4.5)	(1.6)	(5.7)	(11.8)
At 29 January 2005	17.4	1.9	132.6	66.7	289.6	508.2
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
Depreciation:						
At 31 January 2004	1.7	0.1	66.6	41.6	142.4	252.4
Charged in period	0.2	—	9.2	6.2	25.9	41.5
Disposals	—	—	(1.2)	(0.3)	(3.1)	(4.6)
Translation differences	—	—	(2.4)	(1.3)	(3.1)	(6.8)
At 29 January 2005	1.9	0.1	72.2	46.2	162.1	282.5
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
Net book value:						
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

At deemed cost All property, plant and equipment are stated at cost with the exception of freehold and long leasehold properties which are stated on conversion to 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 Manual. 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 in the consolidated balance sheet include £4.3 million of depreciable assets (2005: £7.4 million). The net book value of shopfronts, fixtures and fittings held under finance leases is £nil (2005: £nil).

13. Inventories

Inventories constitute finished goods held for resale.

Subsidiary undertakings held £99.2 million of consignment stocks at 28 January 2006 (2005: £87.2 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 stock prices.

Inventory provisions

	Balance at beginning of period £m	Charged to profit £m	Utilised £m	Balance at end of period £m
52 weeks ended				
29 January 2005	4.5	18.4	(18.0)	4.9
28 January 2006	4.9	21.5	(21.5)	4.9

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

14. Trade and other receivables

	2006 £m	2005 £m
Amounts falling due within one year		
Trade receivables:		
– US receivables programme	407.5	339.9
– Other	12.6	11.5
	420.1	351.4
Less: Provision for impairment of receivables	(26.5)	(21.6)
Trade receivables – net	393.6	329.8
Corporation tax recoverable	–	1.1
Other receivables	36.8	28.5
	430.4	359.4

Other receivables includes £2.0 million in respect of the unrealised gains arising on commodity contracts held as cash flow hedges at the period end.

Provision for impairment of receivables

	Balance at beginning of period £m	Charged to profit £m	(1) Utilised £m	Balance at end of period £m
52 weeks ended				
29 January 2005	19.8	37.4	(35.6)	21.6
28 January 2006	21.6	45.1	(40.2)	26.5

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

Non-current assets include £14.3 million (2005: £11.6 million) of other receivables.

15. Cash and cash equivalents

	2006 £m	2005 £m
Bank deposits	51.9	101.8
Cash	0.6	0.6
	52.5	102.4

16. Trade and other payables

	2006 £m	2005 £m
Current		
Trade payables	63.3	41.4
Social security and PAYE	3.8	2.8
Other taxes	22.3	22.1
Other creditors	8.6	4.1
Accruals	119.1	92.9
	217.1	163.3
Non-current		
Other creditors	17.3	13.8
Accruals	18.7	14.4
	36.0	28.2

17. Deferred income

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

18. Financial liabilities – Borrowings

Current	2006 £m	2005 £m
Borrowings due within one year or on demand:		
Bank overdrafts	9.3	42.8
Bank loans	141.8	2.4
Loan notes	–	7.9
Short-term borrowings	151.1	53.1

The weighted average interest rate on short-term borrowings during the year was 4.3% (29 January 2005: 2.4%).

Non-current	2006 £m	2005 £m
Bank loans:		
Falling due within one and two years	–	132.8

In September 2004 the Group entered into an unsecured \$390 million multi-currency revolving credit facility with a syndicate of banks for a period of five years at a variable interest rate at a maximum margin of 0.55% above LIBOR. From commencement, the applicable margin has been 0.40% above LIBOR. At 28 January 2006 the amount outstanding under this facility was \$nil.

Commitment fees are paid on the undrawn portion of this credit facility at a rate of 40.0% of the applicable margin.

The principal financial covenants on this facility are as follows:

- the ratio of Consolidated Net Debt to Consolidated EBITDA (Earnings Before Interest, Tax, Depreciation 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.

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 have a weighted average interest rate of 5.42% and interest is paid monthly in arrears from the finance charges collections generated by the receivables portfolio. The revolving period of the securitisation ended in March 2006, with a final expected principal payment date in November 2006. The aggregate outstanding principal amount of the certificates amounted to \$251 million at 28 January 2006 (29 January 2005: \$251 million).

In March 2006 the Group entered into a US Private Placement Note Term Series which will be used to replace the securitisation and for general corporate purposes, see page 25 for full details. The principal financial covenants are in line with the syndicated bank credit facility described above. Funding and completion is expected on 23 May 2006.

Analysis of net debt

	At 29 January				At 28 January 2006 £m
	2005 £m	Cash flow £m	Reclassification £m	Exchange movement £m	
Cash in hand	0.6	–	–	–	0.6
Short-term bank deposits	101.8	(51.4)	–	1.5	51.9
Cash and cash equivalents	102.4	(51.4)	–	1.5	52.5
Borrowings falling due within one year	(10.3)	10.3	(132.8)	(9.0)	(141.8)
Borrowings falling due after more than one year	(132.8)	–	132.8	–	–
Bank overdrafts	(42.8)	36.3	–	(2.8)	(9.3)
	(185.9)	46.6	–	(11.8)	(151.1)
Total	(83.5)	(4.8)	–	(10.3)	(98.6)

Undrawn committed borrowing facilities

	2006 £m	2005 £m
Expiring after two years	220.3	206.4

19. Deferred taxation

	28 January 2006			29 January 2005		
	Assets £m	(Liabilities) £m	Total £m	Assets £m	(Liabilities) £m	Total £m
UK property, plant and equipment (capital allowances)	–	(0.5)	(0.5)	0.8	–	0.8
US property, plant and equipment	–	(12.1)	(12.1)	–	(12.4)	(12.4)
Inventory valuation	–	(22.3)	(22.3)	–	(16.3)	(16.3)
Allowances for doubtful debts	9.4	–	9.4	7.7	–	7.7
Revenue deferral (extended service agreements)	20.6	–	20.6	17.3	–	17.3
Straight line lease payments	7.2	–	7.2	6.2	–	6.2
Retirement benefit obligations	4.6	–	4.6	0.6	–	0.6
Other temporary differences	11.2	(0.7)	10.5	12.0	–	12.0
UK property related, net	0.1	–	0.1	1.6	–	1.6
Value of UK capital losses carried forward	15.2	–	15.2	15.8	–	15.8
Total deferred tax asset/(liability)	68.3	(35.6)	32.7	62.0	(28.7)	33.3
Valuation allowance	(15.3)	–	(15.3)	(17.4)	–	(17.4)
Deferred tax asset/(liability)	53.0	(35.6)	17.4	44.6	(28.7)	15.9
UK			3.4			4.6
US			14.0			11.3
Deferred tax asset			17.4			15.9

The difference on translation in respect of deferred tax posted directly to reserves in the period ended 28 January 2006 was £0.8 million credit (2005: £0.5 million charge).

Movement in deferred tax asset:

	Total £m
At 29 January 2005	15.9
Amounts recognised in equity:	
– Retirement benefit obligations	4.0
– Other temporary differences	(5.2)
Credit in the period to the income statement	1.9
Difference on translation	0.8
At 28 January 2006	17.4

20. Provisions – Non-current

	Total £m
At 29 January 2005	5.8
Charge in the period to the income statement	0.9
Utilisation	(0.5)
At 28 January 2006	6.2

The provision is for onerous leases and includes 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 current rent.

21. Employee benefit costs - Pension schemes

The Group operates one closed defined benefit pension scheme in the UK (the “Group Scheme”), which is not admitting new entrants. The assets of the closed Group Scheme, which is a funded scheme, are held in a separate trustee administered fund which is independently managed. The trustees of the closed Group Scheme during the year were Walker Boyd, John Gillum, Noel Lyons (from 25 May 2005) and The Law Debenture Pension Trust Corporation p.l.c. (independent trustee). Contributions to the closed Group Scheme were assessed as at 5 April 2003 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 is provided through the Signet Group Funded Unapproved Retirement Benefits Scheme.

An actuarial valuation of the Group Scheme was carried out as at 5 April 2003. Results of that valuation have been updated to 28 January 2006 by an independent qualified actuary. The next full actuarial valuation will be carried out as at 5 April 2006.

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 closed Group Scheme for new UK employees.

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 a guaranteed interest rate 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:

	2006	2005
Rate of increase in salaries	4.3%	4.3%
Rate of increase in deferred pensions during deferment	2.8%	2.8%
Rate of increase in pensions in payment ⁽¹⁾	2.8%	2.8%
Discount rate	4.75%	5.3%
Inflation assumption	2.8%	2.8%
Expected return on plan assets	6.17%	6.5%
Longevity at age 65 for current pensioners:		
– Male	21.3 years	16.9 years
– Female	24.2 years	19.9 years
Longevity at age 65 for future pensioners:		
– Male	23.1 years	19.4 years
– Female	25.9 years	22.4 years

(1) For the majority of members.

The liabilities as at 28 January 2006 include an allowance for improved life expectancy. The mortality tables used to value the Group Scheme's liabilities as at 28 January 2006 are PA92(B=1935)mc for current pensioners and PA92(B=1965)mc for future retirees. These tables give a life expectancy as set out in the table on page 86. The effect of this has been to increase the year end liabilities for IAS19 reporting by £15 million (an 11% increase in the liabilities). 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. If future life expectancy for all members were to decrease by one year then this would decrease the Group Scheme liabilities for IAS19 purposes by about 2.5%. This change in life expectancy assumption at the year end balance sheet date would also lead to a decrease in the following year's pension cost pensions charge to the income statement of approximately £0.2 million.

The Group expects to contribute a minimum of £3.5 million to the Group Scheme in 2006/07 based on funding rates agreed in the 5 April 2003 actuarial valuation. This is subject to the results of the actuarial valuation to be carried out as at 5 April 2006. Following this valuation, it is currently expected that additional contributions will be agreed towards the end of 2006 to target the removal of any shortfall in the Group Scheme.

	2006 £m	2005 £m
The Group pension cost for the period comprises:		
Charge to operating profit –		
UK net service cost	(2.8)	(2.9)
US retirement savings plan	(2.4)	(1.8)
	(5.2)	(4.7)
Credit to financing costs –		
Expected return on Group Scheme assets	6.9	6.6
Interest on Group Scheme liabilities	(5.7)	(5.4)
	(4.0)	(3.5)

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

	Long-term rate of return expected 2006 %	Value at 2006 £m	Long-term rate of return expected 2005 %	Value at 2005 £m
Equities and property	7.0%	89.7	7.3%	74.8
Bonds	4.2%	31.6	4.7%	28.4
Cash	4.2%	5.0	4.5%	3.3
Total market value of assets		126.3		106.5
Present value of Group Scheme liabilities		(141.8)		(108.4)
Deficit in the Group Scheme		(15.5)		(1.9)
Related deferred tax asset		4.6		0.6
Net pension liability		(10.9)		(1.3)

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")

	2006 £m	2005 £m
Actual return less expected return on Group Scheme assets	12.2	(0.3)
Experience loss on liabilities including change in assumptions	(28.5)	(5.3)
Actuarial loss	(16.3)	(5.6)
Deferred tax	4.9	1.7
Recognised in SORIE	(11.4)	(3.9)

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

	2006 £m	2005 £m
Benefit obligation at beginning of year	108.4	97.9
Current service cost	2.8	2.9
Benefits paid	(4.1)	(3.7)
Member contributions	0.5	0.6
Interest cost	5.7	5.4
Actuarial loss	28.5	5.3
Benefit obligation at end of year	141.8	108.4

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

	2006 £m	2005 £m
Fair value of Group Scheme assets at beginning of year	106.5	99.7
Expected return on Group Scheme assets	6.9	6.6
Benefits paid	(4.1)	(3.7)
Member contributions	0.5	0.6
Employer contributions	4.3	3.6
Actuarial gain/(loss)	12.2	(0.3)
Fair value of Group Scheme assets at end of year	126.3	106.5

The actual return on Group Scheme assets was £19.1 million (2005: £6.3 million).

History of experience gains and losses

	2006	2005
Difference between expected and actual return on Group Scheme assets (£ million)	12.2	(0.3)
Percentage of Group Scheme assets	10%	0%
Experience losses on Group Scheme liabilities (£ million)	(28.5)	(5.3)
Percentage of Group Scheme liabilities	(20)%	(5)%
Total amount recognised in SORIE – gross (£ million)	(16.3)	(5.6)
Percentage of Group Scheme liabilities	(11)%	(5)%

The cumulative actuarial losses reported in the consolidated statement of recognised income and expense since the IFRS transition date are £15.3 million.

22. Share capital

	2006 £m	2005 £m
Authorised:		
5,929,874,019 shares of 0.5p each (2005: 5,929,874,019)	29.6	29.6
	Number of shares	£m
Allotted, called up and fully paid:		
Shares of 0.5p each		
At 29 January 2005	1,735,615,152	8.7
Shares issued to QUEST	31,767	—
Shares issued to 2004 ESOT	516,820	—
Other share options exercised	2,679,643	—
At 28 January 2006 total allotted, called up and fully paid	1,738,843,382	8.7

The consideration received in respect of the 3.2 million shares issued during the year was £2.2 million (2005: £4.8 million).

The trustee of the QUEST, Signet Group QUEST Limited (a subsidiary of the Company), held nil shares at 29 January 2005. In the year ended 28 January 2006 the trustee subscribed in cash for 31,767 shares at 112.25p per share on 13 April 2005. This subscription price was the market price on 12 April 2005, the last business day before the dates on which the respective terms of issue were fixed. These shares were all subscribed for in order to provide shares to satisfy the exercise of options under the Group's savings-related share option scheme for UK employees. In aggregate the subscription monies amounted to £33,738. In the year ended 28 January 2006 the trustee transferred 31,767 shares to holders of savings-related options pursuant to the exercise of such options. The trustee held nil shares at 28 January 2006 and nil shares at 5 April 2006.

In the year ended 28 January 2006 the trustee of the 2004 ESOT subscribed in cash for a total of 516,820 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 £399,639 at option prices between \$0.80 and \$1.72. 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 97.00p and 116.50p per share.

On various dates during the year ended 28 January 2006 a total of 2,679,643 shares were subscribed for in cash by holders of options. In aggregate the subscription monies amounted to £1,736,354 at option prices between 49.75p and 90.00p 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 98.50p and 115.75p per share. Details of options in respect of shares are shown in note 27 on page 94.

The trustee of the ESOTs, Mourant & Co. Trustees Limited, held 4,610,839 shares at 29 January 2005. In the year ended 28 January 2006 the trustee subscribed in cash for a total of 2,000,000 shares at an average price of 99.90p per share. These shares were all purchased in the market in order to provide shares to satisfy the exercise of executive share options granted to UK employees. In the year ended 28 January 2006 the trustee transferred 2,865,574 shares to holders of such options. The trustee held 3,745,265 shares at 28 January 2006 and 3,731,976 shares at 5 April 2006.

23. Share premium and reserves

	Share premium account £m	Other reserves			Retained earnings			Total £m
		Revaluation reserve £m	Special reserves £m	Purchase of own shares £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	
At 31 January 2004	60.7	3.1	142.2	–	–	(99.1)	584.7	691.6
Recognised income and expense:								
– Profit for the financial period	–	–	–	–	–	–	134.8	134.8
– Translation differences	–	–	–	–	–	(18.9)	–	(18.9)
– Actuarial loss recognised	–	–	–	–	–	–	(3.9)	(3.9)
Equity-settled transactions – net of current tax	–	–	–	–	–	–	5.1	5.1
Dividends	–	–	–	–	–	–	(43.8)	(43.8)
Transfer on property disposals	–	1.2	–	–	–	–	–	1.2
Share options exercised	4.8	–	–	1.6	–	–	–	6.4
Purchase of own shares by ESOT	–	–	–	(9.5)	–	–	–	(9.5)
Shares issued to QUEST/ESOTs	2.5	–	–	–	–	–	(2.5)	–
At 29 January 2005	68.0	4.3	142.2	(7.9)	–	(118.0)	674.4	763.0
Recognised income and expense:								
– Profit for the financial period	–	–	–	–	–	–	130.8	130.8
– Effective portion of changes in fair value of cash flow hedges net of recycling	–	–	–	–	1.4	–	–	1.4
– Translation differences	–	–	–	–	–	33.1	–	33.1
– Actuarial loss recognised	–	–	–	–	–	–	(11.4)	(11.4)
Equity-settled transactions – net of current tax	–	–	–	–	–	–	4.1	4.1
Dividends	–	–	–	–	–	–	(52.7)	(52.7)
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	4.3	142.2	(8.3)	1.4	(84.9)	743.8	870.2

The revaluation reserve represents the unrealised surplus arising from revaluing freehold and long leasehold properties.

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 profits 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 from profits earned prior to that date. The new 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).

At 28 January 2006, after taking into account the recommended final dividend of 2.8875p per share, the holding company had distributable reserves of £110.3 million (29 January 2005: £116.0 million). There are additional potentially distributable reserves held in subsidiary companies.

The Group's recognised income and expense differ from the net profit for the period (as set out in the Group income statement) in respect of foreign currency translation adjustments amounting to an aggregate profit of £33.1 million for the period ended 28 January 2006 (2005: £18.9 million loss). The foreign currency translation adjustments are set out in the statement of recognised income and expense.

24. Commitments

Operating lease commitments – minimum lease payments

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

The minimum payments in respect of operating leases for the 53 weeks to 3 February 2007 to which the Group was committed as at 28 January 2006 were as follows:

	Plant, machinery & vehicles £m	Leasehold premises £m	Total £m
Operating leases which expire:			
Within one year	0.2	5.9	6.1
Later than one year and less than five years	1.7	39.1	40.8
After five years	–	100.8	100.8
At 28 January 2006	1.9	145.8	147.7
At 29 January 2005	2.0	125.9	127.9

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

	£m
Period ending on or about 31 January:	
2007	147.7
2008	141.8
2009	135.9
2010	126.7
2011	115.1
Thereafter	632.5
	1,299.7

Capital and other financial commitments

Capital commitments at 28 January 2006 for which no provision has been made in these consolidated accounts were as follows:

	2006 £m	2005 £m
Contracted	11.2	16.1

25. Contingent liabilities

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

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 obligations 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 costs of repair, subject to certain terms and conditions.

26. Financial instruments

The Group may enter into various interest rate protection agreements, particularly interest rate caps and floors, in order to limit the impact of movements in interest rates on its borrowings. It is the policy of the Group to enter into interest rate protection agreements on at least 75% of its forecast US dollar 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 84.

The weighted average interest rate of the fixed rate financial liabilities is 5.4%. The weighted average period for which interest rates on the fixed rate financial liabilities are fixed is nine months. There are no interest-free financial liabilities.

The Group also enters into the forward purchase of foreign currencies, principally the US dollar and the Euro, 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 that identified foreign currency exposures are hedged to at least the following levels:

- 100% – for exposures of less than three months;
- 75% – for exposures of between three and six months; and
- 50% – for exposures of between six and 12 months.

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

The overall amount and duration of such forward commodity contracts are dependent on the underlying buying needs of the operating companies and prevailing commodity prices.

Fair value of financial instruments

These financial instruments involve varying degrees of off-balance sheet market risk whereby changes in interest rates, foreign currency exchange rates or market values of the underlying financial instruments may result in changes in the value of the financial instrument. The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. It is the policy of the Group only to transact such financial instruments with financial institutions rated 'A' or higher, to ensure that the potential for credit-related losses is minimised. Concentrations of credit risk exist due to the Group operating customer receivables programmes in the US as part of its trading strategy. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined precisely. Changes in assumptions could significantly affect the estimates. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Forward purchases of foreign currencies and commodities

The fair value of outstanding forward purchases of foreign currencies was estimated to be an asset of £0.5 million at 28 January 2006 (29 January 2005: £0.8 million liability). The net carrying amount of these forward purchases at 28 January 2006 was £0.5 million (29 January 2005: £nil). The fair value of outstanding forward purchases of commodities was estimated to be an asset of £1.5 million on 28 January 2006 (29 January 2005: £nil). The net carrying amount of these forward purchases at 28 January 2006 was £1.5 million (29 January 2005: £nil). Fair values are calculated with reference to the contracted commodity prices or foreign currency exchange rates and those prevailing at the balance sheet date.

Cash and cash equivalents and trade accounts payable

The carrying amount is considered to approximate to fair value because of the short maturity of these instruments.

Accounts receivable

Accounts receivable primarily represent credit card receivables. The carrying value of credit card receivables is considered to approximate to fair value because of their short-term nature and the interest rates being used approximating current market origination rates. Other accounts receivables' carrying amounts are considered to approximate to fair value because of their short maturity.

Debt

The fair value of the Group's debt is considered to approximate to carrying value at 28 January 2006 since the rates associated with the debt at that time are consistent with the facilities agreements entered into in November 2001 and September 2004. The rates in the facilities agreements are deemed to be current market rates.

Currency profile

The Group's net debt includes the following balances denominated in foreign currency:

	2006 £m	2005 £m
US dollars – cash	19.4	62.8
US dollars – debt	(151.1)	(180.4)

Interest rate protection agreements

In accordance with Group policy, no interest rate protection agreements were in place at 28 January 2006 because the majority of the Group's forecast US dollar borrowings were covered by fixed rate borrowings.

27. Share options

At 28 January 2006 options in respect of 47,537,373 shares were outstanding (including 18,730,911 for directors and officers of the Group) under the Company's executive share option schemes and sharesave schemes as follows:

Date granted	Number of shares	Exercise price
October 1997	222,221	33.75p
October 1997	80,734	\$0.55
April 1998	80,925	43.25p
April 1998	77,616	\$0.72
April 1999	1,110,252	49.75p
April 1999	262,994	\$0.80
May 2000	1,208,232	57.00p
May 2000	335,261	\$0.87
May 2001	1,133,198	75.25p
May 2001	1,277,363	\$1.08
April 2002	1,451,436	120.00p
April 2002	4,032,469	\$1.72
November 2002	347,486	67.00p
November 2002	4,135	67.00p
April 2003	2,108,879	82.25p
April 2003	4,448,716	\$1.30
July 2003	397,435	97.50p
July 2003	4,059,156	\$1.59
November 2003	218,940	\$1.60
November 2003	834,432	90.00p
November 2003	2,246	90.00p
April 2004	6,417,719	\$2.05
April 2004	2,376,094	111.25p
September 2004	108,489	106.00p
November 2004	787,850	\$1.64
November 2004	1,425,229	86.25p
November 2004	6,144	86.25p
April 2005	2,826,416	112.6p
April 2005	6,657,294	\$2.06
October 2005	144,508	\$1.73
November 2005	1,942,810	79.6p
November 2005	1,143,370	\$1.48
November 2005	7,324	79.6p
	47,537,373	

The Company's share option schemes comprise four executive share option schemes (the "1993 Scheme", the "2003 Approved Plan", the "2003 International Plan" and the "2003 US Plan", together the "Executive Schemes") and three all-employee share option schemes (a savings related share option scheme for the UK employees (the "Sharesave Scheme"), a US Section 423 Plan (the "Employee Stock Savings Plan") and a savings related share option scheme for employees in the Republic of Ireland (the "Irish Sharesave Scheme"), together the "Sharesave Schemes").

Options granted under the Executive Schemes are generally only exercisable between three and ten years from the date of grant. Performance conditions are attached to all the executive options granted under the Executive Schemes. No further options may be granted under the 1993 Scheme.

Options granted under the Sharesave Scheme and the Irish Sharesave Scheme are generally only exercisable between 36 and 42 months of the commencement of the relevant savings contract. Options granted under the Employee Stock Savings Plan are generally only exercisable between 24 and 27 months of the grant date.

The Executive Schemes and Sharesave Schemes may be operated in conjunction with one or more employee share ownership trusts (the "ESOT", "2004 ESOT" or "QUEST") which may acquire shares in the Company for the purposes of satisfying the exercise of options.

Executive directors and some senior executives have also been granted awards under the Signet Group plc 2000 Long Term Incentive Plan and/or the Signet Group plc 2005 Long Term Incentive Plan (together the "LTIP"). The vesting of these awards and the extent of vesting depends on the achievement of specified performance conditions. On vesting, 50% of an award is to be made in cash and the other 50% by the grant of an option to acquire shares for a nominal amount. In the event of an award vesting the number of shares to be placed under option would be calculated by dividing 50% of the value of the vested award by the middle market share price on the London Stock Exchange on the dealing day prior to the grant of the award. As the final value of an award cannot be calculated until it vests, the total number of shares over which options might eventually be granted is at present not known and therefore not shown in the previous table. The LTIP operates in conjunction with an employee share ownership trust which may be funded by the Group to acquire shares in the Company for the purposes of meeting the Company's obligation to provide shares on the exercise of options.

Certain provisions of all the share option schemes may be amended by the Board, but certain basic provisions (and in particular most of the limitations on individual participation, the numbers of shares and the percentage of share capital that may be issued thereunder) cannot be altered to the advantage of the participants except with the approval of the shareholders of the Company or in accordance with the adjustment provisions in the schemes.

The following table summarises the status of rights granted under the Company's share option schemes at 28 January 2006 and 29 January 2005 and changes during the years ended on those dates. For the reason explained above the total number of shares which might be placed under option under the LTIP is not known.

	Number of shares (million)	
	2006	2005
Outstanding at beginning of period (at prices from 33.75p to 120.00p)	42.6	44.7
Granted at 79.60p, 112.60p, \$1.48, \$1.73p and \$2.12 (2005: 86.25p, 106.00p, 111.25p)	12.8	12.1
Exercised (including through QUEST, ESOT and 2004 ESOT)	(5.8)	(12.9)
Lapsed or forfeited	(2.1)	(1.3)
	47.5	42.6

Share scheme limits

The Executive Schemes are subject to the following limits on the number of shares that may be issued:

- the maximum number of shares that have been or may be issued pursuant to options granted under the Executive Schemes and any other discretionary share option scheme adopted by the Company may not exceed 5% of the shares from time to time in issue in any ten year period;
- the maximum number of shares that have been or may be issued pursuant to options granted under the Executive Schemes and any other employees' share scheme adopted by the Company may not exceed 10% of the shares from time to time in issue in any ten year period; and
- a maximum of 171,376,839 shares (representing 10% of the issued share capital on 8 July 2003) may be issued pursuant to incentive options granted under the US Plan (the equivalent 10% limit for incentive stock options under the US section of the 1993 Scheme as at 8 June 2000 was 167,996,844 shares).

In any ten year period not more than 10% of the issued share capital of the Company from time to time may in aggregate be issued or issuable pursuant to options granted under the Sharesave Schemes or any other employees' share schemes adopted by the Company.

2000 and 2005 LTIP limits

The number of shares which may be issued or issuable pursuant to the LTIP (including to the ESOT and 2004 ESOT), when aggregated with any shares issued or issuable by the Company in the preceding ten years under any employees' share scheme, participation in which is at the discretion of the Board, is limited to 5% of the Company's issued share capital from time to time. The number of shares which may be issued or issuable pursuant to the LTIP (including to the ESOT and 2004 ESOT), when aggregated with all shares issued or issuable by the Company in the preceding ten years under any other employees' share scheme, is limited to 10% of the Company's issued share capital from time to time.

Outstanding options

The following table summarises certain information concerning options outstanding under the Company's share option schemes as at 28 January 2006:

	Number of shares issuable upon exercise	Range of exercise prices per share	Weighted average exercise prices per share	Range of expiration dates
1993 Scheme	17,841,055	33.75p – 120.00p	77.65p	10/2007 – 4/2013
		\$0.55 – \$1.72	\$1.40	10/2007 – 4/2013
2003 Approved Plan	854,972	106.00p – 112.60p	111.74p	4/2014 – 9/2014
2003 International Plan	4,853,462	97.50p – 112.60p	110.71p	7/2013 – 9/2014
2003 US Plan	17,278,677	\$1.59 – \$2.12	\$1.97	7/2013 – 4/2014
Sharesave Scheme	4,549,957	50.00p – 90.00p	82.63p	6/2005 – 6/2008
Employee Stock Savings Plan	2,150,160	\$1.10 – \$1.64	\$1.55	1/2004 – 1/2007
Irish Sharesave Scheme	22,878	50.00p – 90.00p	76.21p	6/2005 – 6/2008

Performance criteria**(i) Executive share option schemes****– UK executives**

For UK executives the personal performance of participants will be assessed on each occasion that share option grants take place. Grants will be subject to a minimum required annual rate of compound growth in earnings per share above inflation of 3%.

Performance will be measured over three years from the start of the financial year 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 the performance will only be measured over the three years from the start of the financial year in which the award is made.

– US executives

For US executives there is a pre-grant test based on both personal and corporate performance. In addition, there is a post-grant exercise condition that annual compound growth in earnings per share will be more than 3% above inflation. The post-grant performance condition will be measured over three years from the start of the financial year 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 and fifth years, if not previously satisfied. For all grants beginning with those awarded in 2006/07 the performance will only be measured over the three years from the start of the financial year in which the award is made.

(ii) Long term incentive plans

Awards under the plans are subject to the fulfilment of minimum performance conditions set at the time of the award as to:

- compound annual profit growth in the profit before tax of the Group using a constant exchange rate or, as in the case of the Chief Executives of the US and UK divisions, the operating profit of the relevant divisions as appropriate ("Profit Growth"); and
- the ROCE of the Group or relevant division as appropriate.

in each case, over a fixed period of three successive financial years starting with the one in which the award was made. Nothing is payable under the award unless both minimum performance conditions are achieved. The minimum Profit Growth is set at threshold level after taking account of inflation. The conditions were selected to ensure that awards would only vest provided that growth in profits exceeded the rate of inflation and that the business's targeted ROCE is achieved.

Fixed share option schemes

The Company has three fixed option schemes, which are the Sharesave Schemes.

A summary of the status of the Company's fixed share option schemes at 28 January 2006 and 29 January 2005 and changes during the years ended on those dates is presented below:

Fixed options	28 January 2006		29 January 2005	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	million	pence	million	pence
Outstanding at beginning of period	7.1	78	7.8	67
Granted	3.1	81	2.7	88
Exercised	(2.6)	68	(2.6)	51
Lapsed	—	—	—	—
Forfeited	(0.9)	82	(0.8)	73
Outstanding at end of period	6.7	84	7.1	78
Options exercisable at end of period	0.6	76	0.4	51

The following table summarises the information about fixed share options outstanding at 28 January 2006:

Rang of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
	million	years	pence
50p – 80p	2.3	2.3	78
81p – 90p	4.4	4.4	88
50p – 90p	6.7	3.7	84

	2006	2005
Weighted average price of fixed options granted in the period whose exercise price is less than the market price on the grant date	81p	86p
Weighted average assumptions:		
Risk free interest rate	4.00%	4.75%
Expected life of options	2.7 years	3.0 years
Expected volatility	38%	14%
Dividend yield	2.2%	2.7%
Weighted average grant date fair value of option over one share	33p	31p

Performance-based share option schemes

In addition to the LTIPs, the Company has four performance-based share option schemes (the Executive Schemes).

A summary of the status of the Company's performance-based shares options at 28 January 2006 and 29 January 2005 and changes during the years ended on those dates is presented below:

	28 January 2006		29 January 2005	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Performance-based options	million	pence	million	pence
Outstanding at beginning of period	35.5	85	36.9	69
Granted	9.7	112	9.4	111
Exercised	(3.3)	61	(10.3)	47
Lapsed	—	—	—	—
Forfeited	(1.1)	103	(0.5)	87
Outstanding at end of period	40.8	97	35.5	85
Options exercisable at end of period	11.3	80	8.4	55

The following table summarises the information about performance-based share options outstanding at 28 January 2006:

Range of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
	million	years	pence
1p to 60p	4.6	4.0	53
61p to 120p	36.2	7.8	102
1p to 120p	40.8	7.4	97

	2006	2005
Weighted average price of performance options granted in the period whose exercise price equals the average of the market price on the three days preceding the grant date	112p	111p
Weighted average assumptions:		
Risk free interest rate	4.15%	4.75%
Expected life of options	4.3 years	4.0 years
Expected volatility	38%	14%
Dividend yield	2.3%	2.7%
Weighted average grant date fair value of option over one share	35p	23p

28. Principal subsidiary undertakings

	Share capital issued and fully paid £m
Retail jewellers	
Ernest Jones Limited	70.8
H.Samuel Limited	23.3
Leslie Davis Limited	14.5
Signet Trading Limited	162.1
Sterling Inc. (US)	—
Sterling Jewelers Inc. (US)	—
Sterling Jewelers LLC (US)	—
Intermediate holding companies	
Signet Holdings Limited	656.5
Signet US Holdings, Inc. (US)	0.5
Property holding company	
Checkbury Limited ⁽¹⁾	16.4

(1) Holds only UK freehold and long leasehold retail and warehouse premises.

All these companies are wholly owned subsidiary undertakings and are included in the consolidation.

The information given in this note is only with respect to such undertakings as are described in section 231(5) of the Companies Act 1985. Unless otherwise stated, all companies are domiciled in the UK.

29. Related party transactions

The Company has entered into contractual arrangements with each of its directors to provide indemnities to the extent permitted under UK law. Certain US subsidiaries of the Company have constitutions and by-laws which provide indemnities to directors which conform to local laws and practices. In some respects these indemnities exceed what would be permitted under English law if they were UK companies. In discussion with the UK Listing Authority the Company is seeking to amend 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.

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

30. Adoption of IFRS

For financial years commencing on or after 1 January 2005 UK listed companies are required to report in accordance with IFRS as adopted by the European Union. The Group therefore now prepares its results under IFRS. Any differences between these standards and those issued and adopted by the International Accounting Standards Board are not material to the Group. These financial statements contain comparative information that has been prepared under IFRS. IFRS is subject to review and possible amendment or interpretative guidance and therefore subject to change. Revised accounting policies adopted as a result of the application of IFRS are given on page 100.

Based on current standards that the Group has adopted, a summary of the principal changes from UK GAAP to IFRS in the accounts for the year ended 28 January 2006 is set out in (a) below. The analysis in (b) and (c) shows a reconciliation of net assets and profit as reported under UK GAAP as at 29 January 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS as at the transition date of 31 January 2004.

These changes have no impact on the Group's historical or future net cash flow, the timing of cash received or the timing of payments.

The rules for the first time adoption of IFRS are set out in IFRS 1 'First-time adoption of international financial reporting standards'. In general, a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. A number of exceptions from retrospective application are allowed to assist companies in their transition to reporting under IFRS. For details of where Signet has taken advantage of the exemptions see notes below.

(a) Revised accounting policies adopted

(i) IFRS 2 Share-based payments

In accordance with IFRS 2, the Group has recognised a charge to income in respect of the fair value of outstanding employee share options. The fair value has been calculated using the Black-Scholes and binomial option valuation models and is charged to income from the grant date over the relevant option vesting period. 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. The operating profit impact in 2004/05 was a charge of £3.9 million.

(ii) IFRS 3 Business combinations

IFRS 3 requires goodwill to be stated at cost with impairment reviews carried out annually, or more frequently when there are indications that the carrying value may not be recoverable. Under the transitional arrangements the Group has applied IFRS 3 from the transition date. As a result, all prior business combination accounting was frozen at the transition date of 31 January 2004. The value of goodwill was frozen, subject to exchange rate movements, at £16.8 million, with amortisation previously reported under UK GAAP for 2004/05 of £1.0 million not charged under the IFRS presentation.

(iii) IAS 10 Events after the balance sheet date

Under IAS 10 dividends are not provided for until formally approved. As a result net assets at 29 January 2005 were increased by the amount of the final proposed dividend of £45.5 million.

(iv) IAS 12 Income taxes

The application of IAS 12 results in the separate disclosure of deferred tax assets and liabilities on the Group's balance sheet. Opening balance sheet adjustments have been made to reclassify these assets and liabilities.

(v) IAS 17 Leases

IAS 17 requires that 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. Such lease clauses are commonly found in the US and result in an acceleration of lease charges for accounting purposes from the later to the earlier years of the lease term. In addition, Standard Interpretations Committee ("SIC") 15 requires inducements to enter into a lease to be recognised over the lease term rather than over the period to the next rent review.

For 2004/05, this resulted in an additional charge to the income statement of £3.5 million and a decrease in net assets of £17.9 million before deferred tax.

Where quantifiable, the discounted cost of decommissioning the assets installed in leasehold premises is included in the cost of the asset and appropriate decommissioning provisions are recognised. There was no impact on profit before tax for 2004/05 although net assets are reduced by £1.0 million before deferred tax.

(vi) IAS 18 Revenue recognition

IAS 18 requires that revenue is only recognised when all significant risks and rewards of ownership have been transferred to the buyer.

Provisions for returned goods are recognised in net assets with movements in these provisions recognised in the income statement. There are a number of other presentational changes that do not have an impact on the profit or net assets of the Group. Interest receivable from the US in-house credit programme is classified as other operating income.

(vii) IAS 32 and IAS 39 Financial instruments

The Group has taken the exemption not to restate comparatives for IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. As a result, the comparative information in the 2005/06 accounts is presented on the previously existing UK GAAP basis. The Group applies the hedge accounting provisions of IAS 39 as they relate to forward currency and commodity contracts to the extent practically and economically appropriate in order to minimise future volatility arising from its implementation.

(viii) IAS 38 Intangible assets

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

(b) Reconciliation of IFRS to UK GAAP**Cumulative effect on total equity of differences between IFRS and UK GAAP**

	29 January 2005 £m	31 January 2004 £m
Total equity in accordance with UK GAAP	739.1	674.9
IFRS adjustments:		
Goodwill amortisation	1.0	—
Leases	(18.9)	(15.8)
Revenue recognition	(6.0)	(6.0)
Deferred taxation	11.0	9.8
Dividend recognition	45.5	37.3
Total equity as reported in accordance with IFRS	771.7	700.2

Effect on profit before tax of differences between IFRS and UK GAAP

	52 weeks ended 29 January 2005 £m
Profit before tax in accordance with UK GAAP	210.3
IFRS adjustments:	
Share-based payments	(3.9)
Goodwill amortisation	1.0
Leases	(3.5)
Profit before tax	203.9
Taxation:	
Taxation in accordance with IFRS	(69.1)
Profit for the financial period as reported under IFRS	134.8

(c) Effect of IFRS adoption on the balance sheet

	As at 29 January 2005				As at 31 January 2004				Notes
	Previous GAAP £m	Effect of transition to IFRS £m	Re- classification £m	IFRS £m	Previous GAAP £m	Effect of transition to IFRS £m	Re- classification £m	IFRS £m	
Assets:									
Non-current assets									
Intangible assets	15.2	1.0	1.2	17.4	16.8	–	1.4	18.2	30(a) (ii)
Property, plant and equipment	226.8	0.1	(1.2)	225.7	202.8	0.5	(1.4)	201.9	30(a) (v)
Other receivables	–	–	11.6	11.6	–	–	11.6	11.6	
Retirement benefit asset	–	–	–	–	1.2	–	0.5	1.7	
Deferred tax assets	4.3	11.0	0.6	15.9	26.9	9.9	(0.5)	36.3	30(a) (iv)
	246.3	12.1	12.2	270.6	247.7	10.4	11.6	269.7	
Current assets									
Inventories	578.3	(0.4)	–	577.9	541.5	(0.4)	–	541.1	30(a) (vi)
Trade and other receivables	371.0	–	(11.6)	359.4	338.3	–	(11.6)	326.7	
Cash and cash equivalents	102.4	–	–	102.4	128.0	–	–	128.0	
	1,051.7	(0.4)	(11.6)	1,039.7	1,007.8	(0.4)	(11.6)	995.8	
Total assets	1,298.0	11.7	0.6	1,310.3	1,255.5	10.0	–	1,265.5	
Liabilities:									
Current liabilities									
Short-term borrowings	(53.1)	–	–	(53.1)	(59.3)	–	–	(59.3)	
Trade and other payables	(167.1)	3.8	–	(163.3)	(176.0)	4.1	–	(171.9)	30(a) (vi)
Deferred income	(42.1)	(11.4)	–	(53.5)	(38.8)	(9.7)	–	(48.5)	30(a) (vi)
Dividend payable	(45.5)	45.5	–	–	(37.3)	37.3	–	–	30(a) (iii)
Current tax	(43.8)	–	–	(43.8)	(54.2)	–	–	(54.2)	
	(351.6)	37.9	–	(313.7)	(365.6)	31.7	–	(333.9)	
Non-current liabilities									
Bank loans	(132.8)	–	–	(132.8)	(146.2)	–	–	(146.2)	
Trade and other payables	(12.3)	(15.9)	–	(28.2)	(11.0)	(15.2)	–	(26.2)	30(a) (v)
Deferred income	(55.1)	(1.1)	–	(56.2)	(51.4)	(1.2)	–	(52.6)	30(a) (iv)
Provisions	(5.8)	–	–	(5.8)	(6.4)	–	–	(6.4)	
Retirement benefit obligation	(1.3)	–	(0.6)	(1.9)	–	–	–	–	
	(207.3)	(17.0)	(0.6)	(224.9)	(215.0)	(16.4)	–	(231.4)	
Total liabilities	(558.9)	20.9	(0.6)	(538.6)	(580.6)	15.3	–	(565.3)	
Net assets	739.1	32.6	–	771.7	674.9	25.3	–	700.2	
Equity:									
Capital and reserves attributable to equity shareholders									
Called up share capital	8.7	–	–	8.7	8.6	–	–	8.6	
Share premium	68.0	–	–	68.0	60.7	–	–	60.7	
Other reserves	160.2	(7.9)	(13.7)	138.6	145.3	–	–	145.3	
Retained earnings	502.2	40.5	13.7	556.4	460.3	25.3	–	485.6	
Total equity	739.1	32.6	–	771.7	674.9	25.3	–	700.2	

(d) Effect of IFRS adoption on the income statement for the period ended 29 January 2005

	Previous GAAP £m	Effect of transition to IFRS £m	Re- classification £m	IFRS £m	Notes
Sales	1,614.4	(0.4)	1.5	1,615.5	
Cost of sales	(1,329.6)	(2.1)	(40.1)	(1,371.8)	30(a) (ii)
Gross profit	284.8	(2.5)	(38.6)	243.7	
Administrative expenses	(65.9)	(3.9)	—	(69.8)	30(a) (i)
Other operating income	—	—	38.6	38.6	
Operating profit	218.9	(6.4)	—	212.5	
Financing costs	(8.6)	—	—	(8.6)	
Profit before tax	210.3	(6.4)	—	203.9	
Taxation	(69.1)	—	—	(69.1)	
Profit for the financial period	141.2	(6.4)	—	134.8	
Earnings per share – basic	8.2p			7.8p	
Earnings per share – diluted	8.1p			7.8p	

(e) Effect of IFRS adoption on the cash flow statement for the period ended 29 January 2005

Under UK GAAP, short term deposits with a maturity of less than three months were excluded from the definition of cash in the cash flow statement. Such deposits are re-classified as cash and cash equivalents under IFRS. Bank overdrafts are excluded from cash and cash equivalents under IFRS where there is no legal right of set-off against bank deposits.

31. Summary of differences between IFRS and US generally accepted accounting principles

The Group's consolidated accounts are prepared in accordance with IFRS, which differ 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 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 IFRS, selling costs have been included in cost of sales. Under US GAAP, gross profit is determined before deducting selling costs, as they are not included in cost of sales. Selling costs which have been included under IFRS for the 52 weeks ended 28 January 2006 were £416.7 million (52 weeks ended 29 January 2005: £360.3 million).

Goodwill

Prior to the adoption of 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 IFRS goodwill is required to be carried at cost with impairment reviews carried out annually. Under the transitional rules IFRS 3 'Business combinations' applies prospectively from the transition date at which date all prior business combination accounting and the value of goodwill is frozen, subject to exchange rate movements.

Under US GAAP, prior to the issue of Statement of Financial Accounting 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 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.

Consistent with IFRS, impairment reviews are carried out annually at the cash generating unit and reporting unit level 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.

At 28 January 2006 the Group had goodwill on its balance sheet of £17.3 million under IFRS and £305.6 million under US GAAP.

Sale and leaseback transactions

In the Group's consolidated accounts prepared under IFRS, sale and leaseback transactions of freehold and long leasehold properties, which results in an operating lease established at fair value, are accounted for by including in profit before taxation the full gain arising in the financial year in which the transaction took place. Under US GAAP the gain arising is credited to the consolidated income statement in equal instalments over the life of the lease. Adjustments to the amortisation are reflected in periods when the leases are disposed of.

Pensions

Under IAS 19 'Employee benefits' for the UK Group Scheme, a defined benefit scheme, the current service cost is charged to operating profit and the interest on Group Scheme liabilities and the expected return on Group Scheme assets are included within the interest cost in the income statement.

Movements in the Group Scheme's funding position arising from changes in actuarial assumptions, in the expected Scheme liabilities and between the actual and expected return on the Scheme's assets are recognised in the statement of total recognised income and expense. The Scheme surplus or deficit is carried on the Group's consolidated balance sheet.

Under US GAAP, the pension cost for the period is determined based on an actuarial valuation at the start of the financial period. The current service cost, the interest cost and the expected return on assets (based on market value of assets) are all included within operating profit. The cumulative amounts arising from changes in actuarial assumptions and those arising between the actual and expected return on Group Scheme assets are amortised through operating profit over the average service lives of the employees. If the Group Scheme is in surplus, consolidated net assets will include the difference between the cumulative income statement charges and cumulative cash contributions made to the Group Scheme. The Group recognises a pension liability in the financial statements when the accumulated benefit obligation exceeds the fair value of the plan assets to the extent this liability has not already been recognised. The Group Scheme has such a liability under US GAAP at 28 January 2006. Therefore, the difference between the accumulated benefit obligation of the Group Scheme and the fair value of assets is disclosed as an accrued benefit liability and, along with the balance sheet prepayment as defined under US GAAP, is recognised through Other Comprehensive Income in the Accumulated Other Comprehensive Income account. This Accumulated Other Comprehensive Loss is offset by an intangible asset reflecting the unrecognised prior service cost element of the prepaid pension cost, which is recognised on the balance sheet under US GAAP.

An unrecognised prior service cost arises from the 15% and 5% benefit increases granted in November 1996 and November 1999 respectively. The cost is being amortised on a straight line basis over the average remaining employee service life which was 8.76 years at 28 January 2006.

Additional disclosures required under FAS 132(R) 'Employees' disclosures about pensions and other post-retirement benefits – amendment of FASB statements 87, 88 and 106' are included on pages 107 to 110.

As set out in note 21 on page 86, the Group has established, in the US, an unfunded, unqualified deferred compensation plan. Under US GAAP the plan is accounted for as a defined contribution plan in accordance with SFAS 87, 'Employers' accounting for pensions'. The accounting for the deferred compensation plan is consistent under both IFRS and US GAAP.

Stock compensation

In accordance with IFRS 2 'Share-based payment', a charge to income is recognised in respect of the fair values of outstanding employee share options. The fair values have been calculated using the Black-Scholes option pricing model up to 29 January 2005 and a binomial valuation model from 30 January 2005 and are charged to the income statement from the grant date over the relevant option vesting period. 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.

Under US GAAP, the Group can account for employee stock options in accordance with Accounting Principles Board Opinion No. 25 ("APB 25") 'Accounting for stock issued to employees' and make disclosures of amounts arising under FAS 123 'Accounting for stock-based compensation' as amended by FAS 148 'Accounting for stock-based compensation – transition and disclosure'. Under APB 25, there are two types of stock option schemes, fixed plans or variable plans. Fixed plans have terms which fix and provide means for determining, at the date of grant, both the number of shares that may be acquired by or awarded to an employee and the cash, if any, to be paid by the employee. Variable plans have characteristics which prevent the determination of either the number of shares that may be acquired by or awarded to an employee and the cash, if any, to be paid by the employee, or both. For fixed plans, compensation cost must be recognised over the service period to the extent that, at the grant date, the fair value is greater than the exercise price. For variable plan awards, compensation expense represents the amount by which the fair value exceeds the exercise price and shall be measured with consideration to the number of awards that the employee is most likely to receive based upon the facts available for each reporting period over the vesting period. All executive share option plans receive variable plan accounting treatment under APB 25.

The Group's share option plans are described in note 27 on page 94. The Group recognises compensation cost for US GAAP purposes in accordance with the requirements of APB 25 and makes appropriate disclosures under FAS 123.

Revaluation of properties

Under IFRS, properties may be restated on the basis of appraised values in consolidated accounts prepared in all other respects in accordance with the historical cost convention. Increases in value are credited directly to the revaluation reserve. When revalued properties are sold the gain or loss on sale is calculated based on revalued carrying amounts. Under US GAAP, properties are only revalued if a permanent 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, such property is depreciated, consistent with the requirements of US GAAP. The net asset difference arising between IFRS and US GAAP therefore represents depreciation charges applied under US GAAP prior to the adoption of FRS 15.

Securitised customer receivables

Under IFRS securitised US customer receivables of £141.8 million (2005: £132.8 million) are included within trade debtors and bank loans, as the related financing is of a revolving nature and therefore not considered to be an outright sale of such accounts receivable.

Under US GAAP these amounts qualify for off-balance sheet treatment. This is 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 has been legally isolated from the Group; the majority of the interests 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 does not maintain control over the receivables portfolio transferred to the trust.

As defined in the Transfer and Servicing Agreement, the Group may, through the exercise by the Transferor of a Return on Accounts Provision, remove random accounts from the trust on a restricted basis. This ability is limited to one removal per month and the amount of accounts that can be removed is restricted to the principal amount of the total Transferor's Interest that is in excess of the Required Transferor Interest.

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

The main commercial terms of the securitisation are disclosed in summary within the Financial review and in note 18 on page 84.

Earnings per share (“EPS”)/ADS

Under IAS 33 ‘Earnings per share’ and FAS 128 ‘Earnings per share’ in the US, 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 year ended 28 January 2006 excludes options to purchase 26,826,235 shares (2005: 16,263,700 excluded), under share options on the basis that their effect on basic EPS was anti-dilutive.

Returns provision

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

For the purposes of US GAAP reporting, the impact on net assets of this change in policy 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 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 is £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.

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

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Profit for the financial period in accordance with IFRS	130.8	134.8
Pensions	(1.8)	(0.9)
Sale and leaseback transactions	0.8	1.0
Returns provisions	(6.0)	–
Stock compensation	4.4	–
Asset retirement obligations	(1.0)	–
US GAAP adjustments before taxation	(3.6)	0.1
Taxation	5.0	2.6
US GAAP adjustments after taxation	1.4	2.7
Retained profit attributable to shareholders in accordance with US GAAP	132.2	137.5
Earnings per ADS in accordance with US GAAP – basic	76.1p	79.4p
Earnings per ADS in accordance with US GAAP – diluted	76.0p	79.1p
Weighted average number of ADSs outstanding (million) – basic	173.7	173.2
Weighted average number of ADSs outstanding (million) – diluted	174.0	173.8

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

	28 January 2006 £m	29 January 2005 £m
Shareholders' funds in accordance with IFRS	878.9	771.7
Goodwill in respect of acquisitions (gross)	501.0	476.8
Adjustment to goodwill	(59.7)	(56.1)
Accumulated goodwill amortisation	(153.0)	(146.0)
Sale and leaseback transactions	(7.1)	(7.9)
Pensions	14.4	28.2
Depreciation of properties	(2.5)	(2.5)
Revaluation of properties	(4.3)	(4.3)
Returns provisions	–	6.0
Other	–	0.5
US GAAP adjustments before taxation	288.8	294.7
Taxation	(2.2)	(10.4)
US GAAP adjustments after taxation	286.6	284.3
Shareholders' funds in accordance with US GAAP	1,165.5	1,056.0
Shareholders' funds in accordance with US GAAP at beginning of period	1,056.0	988.5
Net income in accordance with US GAAP	132.2	137.5
Issue/(purchase) of shares, net	1.9	(3.1)
(Decrease)/increase in additional paid-in capital	(0.3)	2.5
Dividends paid	(52.7)	(44.3)
Other comprehensive (expense)/income ⁽¹⁾	(18.1)	1.4
Translation differences	46.5	(26.5)
Shareholders' funds in accordance with US GAAP at end of period	1,165.5	1,056.0

(1) Other comprehensive (expense)/income relates principally to the Group's defined benefit pension scheme.

Employee share schemes

A description of the terms of the Group's employee share schemes is set out in note 27 on pages 94 to 98.

For the year ended 28 January 2006, in compliance with the disclosure requirements of FAS 123 'Accounting for stock-based compensation' as amended by FAS 148 'Accounting for stock based compensation-transition and disclosure', the fair value of options granted during the year has been computed. FAS 123 as amended by FAS 148 sets out an alternative methodology for recognising the compensation expense based on the fair value at grant date. Had the Group adopted this methodology, earnings per ADS and earnings per share under US GAAP would have decreased/increased to the pro forma amounts indicated below for the financial periods ended 28 January 2006 and 29 January 2005:

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

	2006 pence	2005 pence
Earnings per ADS in accordance with US GAAP:		
As reported – basic	76.1	79.4
As reported – diluted	76.0	79.1
Pro forma – basic	74.9	79.8
Pro forma – diluted	74.8	79.5

These pro forma amounts may not be representative of future results as they are subjective in nature and involve uncertainties and matters of judgement, and therefore cannot be determined precisely. Changes in assumptions could affect the estimates.

The fair value of options granted which, in determining the pro forma impact, is assumed to be amortised in the profit and loss account over the option vesting period, is estimated on the date of grant using the Black-Scholes option-pricing model up to 29 January 2005 and a binomial model from January 2005, using the following weighted average assumptions for the financial periods ended 28 January 2006 and 29 January 2005.

	2006	2005
Weighted average price of options granted in the period whose exercise price equals the average of the market price on the three days preceding grant date	112p	111p
Weighted average assumptions:		
Risk free interest rate	4.15%	4.75%
Expected life of options	4.3 years	4.0 years
Expected volatility	38%	14%
Dividend yield	2.3%	2.7%
Weighted average grant date fair value of option over one share	35p	23p

	2006	2005
Weighted average price of options granted in the period whose exercise price is less than the market price on the grant date	81p	86p
Weighted average assumptions:		
Risk free interest rate	4.00%	4.75%
Expected life of options	2.7 years	3.0 years
Expected volatility	38%	14%
Dividend yield	2.2%	2.7%
Weighted average grant date fair value of option over one share	33p	31p

Post employment benefits

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

	2006 £m	2005 £m
At beginning of period	108.4	97.9
Service cost	3.6	3.1
Interest cost	5.6	5.3
Members' contributions	0.5	0.6
Actuarial gain	28.1	5.5
Benefits paid	(4.4)	(4.0)
At end of period	141.8	108.4

The following tables show the change in Group Scheme assets:

	2006 £m	2005 £m
At beginning of period	106.5	99.6
Actual return on assets	19.4	6.6
Employer contributions	4.3	3.7
Members' contributions	0.5	0.6
Benefits paid	(4.4)	(4.0)
At end of period	126.3	106.5

	2006 £m	2005 £m
Funded status	(15.5)	(1.9)
Unrecognised prior service cost	5.3	5.9
Unrecognised net actuarial loss	37.3	22.3
Net amount recognised	27.1	26.3

The amounts recognised in the statement of financial position consist of:

	2006 £m	2005 £m
Prepaid pension cost	—	26.3
Accrued pension liability	(6.4)	—
Intangible asset	5.3	—
Accumulated other comprehensive income	28.2	—
Net amount recognised	27.1	26.3

The accumulated benefit obligation of the Group Scheme at 28 January 2006 was £132.7 million (2005: £102.3 million).

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

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

	2006 £m	2005 £m
Additional minimum liability included in other comprehensive income	28.2	—

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

	2006	2005
Discount rate	4.75%	5.30%
Long term rate of return on assets	6.5%	6.8%
Salary increases	4.3%	4.3%

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

	2006	2005
Discount rate	5.30%	5.60%
Long-term rate of return on assets	6.8%	7.0%
Salary increases	4.3%	4.3%

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

	2006	2005
Equities	71%	70%
Bonds	25%	27%
Cash	4%	3%
Total	100%	100%

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

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

- To make sure that obligations to the beneficiaries of the Group Scheme can be met;
- To maintain funds above the level required to meet the Minimum Funding Requirement of the Pensions Act 1995; and
- To acknowledge the Group's interest on the size and incidence of its contribution payments.

To develop the long term rate of return on assets assumption, the Trustees considered the historical returns and the future expected returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 6.8% per annum long term rate of return on assets assumption from 30 January 2005, and 6.5% per annum from 29 January 2006.

Projected benefit payments are as follows:

	£m
2006/07	4.6
2007/08	4.8
2008/09	4.9
2009/10	5.0
2010/11	5.2
2011/12 to 2015/16	27.7

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

New US accounting standards not yet adopted

FAS 123 (revised 2004), 'Share-based payment' requires that the compensation cost relating to share-based payment transactions be recognised in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The impact on the Group's US GAAP financial statements is not expected to be material. This statement is effective for fiscal years beginning after 15 June 2005.

FAS 151 'Inventory costs – an amendment to ARB No. 43' was issued in November 2004 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. This statement requires that those items be recognised as current period charges and that the allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. This statement is effective for fiscal years beginning after 15 June 2005. The Group believes that the adoption of FAS 151 will not have a significant impact on its consolidated accounts.

FAS 152 'Accounting for real estate time-sharing transactions' amends FAS 66 'Accounting for sale of real estate' to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. This statement is effective for fiscal years beginning after 15 June 2005. The Group believes that the adoption of FAS 152 will not have a significant effect on its consolidated accounts.

FAS 153 'Exchanges of non-monetary assets – an amendment of APB Opinion No. 29'. This statement eliminates the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. This statement is effective for fiscal years beginning after 15 June 2005. The Group believes that the adoption of FAS 153 will not have a significant effect on its consolidated accounts.

FAS 154 'Accounting changes and error corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3'. This statement requires the retrospective application to prior periods' financial statements for effects caused by changes in accounting policies or for the correction of an error in previously issued financial statements. This statement is effective for fiscal years beginning after 15 December 2005. The Group has complied with FAS 154 with the transition from UK GAAP to IFRS in 2005/06.

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 fiscal 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 extinguishments 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.

History

Signet Group plc, an English public limited company, has operations in the US and the UK. The Company was incorporated in England and Wales on 27 January 1950 under the name Ratners (Jewellers) Limited. The name of the Company was changed on 10 December 1981 to Ratners (Jewellers) Public Limited Company, on 9 February 1987 to Ratners Group plc and on 10 September 1993 to Signet

Group plc and is governed by the Companies Act 1985 (as amended). The Company's Memorandum and Articles of Association, which were adopted on 13 June 2002 and amended on 10 June 2005, are available on the Group's website and were filed with the SEC on a Form 20-F on 4 May 2006. The Company's registered number is 477692. The Company's registered office is 15 Golden Square, London W1F 9JG.

Significant events that have occurred in the last five years are detailed below:

30 Aug 2001	The Group entered into a \$410 million unsecured multi-currency five year revolving credit facility agreement. This replaced the \$250 million and the \$100 million facilities that were due to expire in July 2003. The terms of this agreement were broadly similar to those of the facilities being replaced.
2 Nov 2001	The Group put in place a five year facility of \$251 million secured on its US credit card receivables at a fixed rate of 5.42%. The terms were similar to the previous facility of \$191.5 million which amortised during the year and had a fixed rate of 7.26% (see note 18 on page 84).
13 Jun 2002	David Wellings retired as a non-executive director.
1 Aug 2002	Russell Walls was appointed to the Board as a non-executive director.
30 Sep 2002	Ian Dahl resigned from the Board and as Chief Executive Officer of the UK division.
9 Jan 2003	Robert Anderson was appointed as Chief Executive Officer of the UK division.
1 Sept 2003	Dale Hilpert was appointed to the Board as a non-executive director.
8 Jan 2004	Lee Abraham retired from the Board as a non-executive director.
28 Sept 2004	The Group entered into a \$390 million unsecured multi-currency five year revolving credit facility agreement. This replaced the \$410 million facility that was due to expire in August 2006. The terms of this agreement were broadly similar to those of the facility being replaced.
8 Oct 2004	Announcement of change in American Depositary Share Ratio from 30:1 to 10:1 to become effective from 18 October 2004.
18 Oct 2004	The Group announced its intention to list its ADSs on the NYSE from 16 November 2004, under the ticker symbol SIG. It was confirmed that the ADS ratio change had become effective on 18 October and that Deutsche Bank had recently been appointed as the depositary bank for Signet's ADSs.
1 Nov 2004	Robert Walker was appointed to the Board as a non-executive director.
6 Apr 2005	James McAdam announced his intention to retire from the Board no later than at the conclusion of the annual general meeting on 9 June 2006. Robert Anderson was appointed to the Board.
28 Nov 2005	Malcolm Williamson was appointed to the Board as a non-executive director.
12 Jan 2006	Mark Light was appointed Chief Executive of the US Division and to the Board.
30 March 2006	The Group entered into a \$380 million US Private Placement Note Term Series Purchase Agreement, funding date 23 May 2006, to refinance the maturing securitisation programme and for general corporate purposes (see note 18 on page 84).
5 April 2006	The Group announced the appointment of Malcolm Williamson as Chairman with effect from the annual general meeting on 9 June 2006 subject to his election as a director at that annual general meeting.

Nature of trading market

The shares of the Company are traded on the London Stock Exchange (symbol: SIG) and the American Depositary Shares (“ADSs”) representing the shares are quoted on the NYSE (symbol: SIG). Prior to 16 November 2004 the ADSs were traded on the Nasdaq (symbol: SIGY). The ADSs are evidenced by ADRs issued pursuant to an Amended and Restated Deposit Agreement, dated 23 September 2004, and made between the Company, Deutsche Bank Trust Company Americas, as depositary (the “Depositary”) and the holders from time to time of the ADRs. Each ADS represents ten shares. Prior to 18 October 2004 the ratio of shares per ADS had been 30:1.

The table below sets out, for the calendar years and quarters indicated, (i) the reported high and low middle market quotations for the shares of the Company based on the Daily Official List of the

London Stock Exchange and (ii) the reported high and low closing sales prices of the ADSs on the Nasdaq or the NYSE, as applicable, as reported by Datastream.

At 5 April 2006, 29,518 shares and 5,927,105 ADSs (representing 59,271,050 shares) were held of record in the US. These shares and ADSs were held by 31 record holders and 792 record holders, respectively and collectively represented approximately 3.4% of the total numbers of shares outstanding. Since certain of the shares and ADSs are held by brokers or other nominees, the number of record holders in the US is not representative of the number of beneficial holders or of where the beneficial holders are resident.

		London Stock Exchange pence per share		Nasdaq/NYSE US dollars per ADS	
		High	Low	High	Low
		1 /			1 /
Calendar 2001		95 ₂	51	13 ¹ / ₂	7 ₄
		1 /			1 /
Calendar 2002		132 ₄	65	19 ¹ / ₄	10 ₄
		1 /			3 /
Calendar 2003		114 ₂	66	19 ⁷ / ₈	10 ₄
Calendar 2004					
			3 /		1 /
First quarter		110 ₃	93 ₄	20 ³ / ₈	17 ₄ ¹ / ₁
Second quarter		119 ₄ ¹ / ₁	107 ¹ / ₁	22 ¹ / ₄	19 ₄ ⁵ / ₁
Third quarter		115 ₂ ¹ / ₁	102 ₄ ¹ / ₁	21 ¹ / ₄	18 ₈ ¹ / ₁
Fourth quarter		119 ₂	103 ₄	21 ³ / ₄	19 ₂
Calendar 2005					
		3 /	1 /		1 /
First quarter		115 ₄ ³ / ₁	106 ₄	22	20 ₂ ¹ / ₁
Second quarter		114 ₄	95	21 ⁷ / ₈	18 ₄ ¹ / ₁
Third quarter	– July	117 ₃	108	20 ⁵ / ₈	19 ₈ ³ / ₁
	– Aug	117 ₄	109	21 ¹ / ₈	19 ₄ ¹ / ₁
	– Sept	108	101 ¹ / ₁	20 ¹ / ₈	18 ₄ ⁷ / ₁
Fourth quarter	– Oct	103 ₁	93 ₄ ³ / ₁	18 ¹ / ₈	16 ₈
	– Nov	103 ₄	96 ₄ ¹ / ₁	18 ¹ / ₈	17 ₃ ³ / ₁
	– Dec	109	101 ₄	19 ¹ / ₄	17 ₄
Calendar 2006					
		1 /	3 /		7 /
First quarter	– Jan	106 ₂ ³ / ₁	99 ₄ ¹ / ₁	20	17 ₈ ¹ / ₁
	– Feb	103 ₄ ¹ / ₁	100 ₄	18 ¹ / ₄	17 ₂ ⁵ / ₁
	– Mar	110 ₄ ¹ / ₁	101	19 ¹ / ₄	17 ₈
	– (up to 5 April)	111 ₂	108	19 ³ / ₈	19

(1) Following the change in the ADS ratio from thirty ordinary shares per ADS to ten ordinary shares per ADS on 18 October 2004, prior figures have been restated.

Dividends

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 unrealised losses) and not out of share capital or share premiums (generally equivalent in US terms to paid-in surplus). At 28 January 2006, after taking into account the subsequently recommended final dividend of 2.8875p per share, the holding company had a distributable reserves balance of £110.3 million (29 January 2005: £116.0 million).

In order to make further distributions in excess of this figure, the holding company would first need to receive dividends from its subsidiaries. In addition to restrictions imposed at the time of the 1997 capital reduction on the distribution of dividends received from subsidiaries, the payments of dividends from other tax jurisdictions, such as the US, may not be tax efficient. Furthermore, there may be other reasons why dividends may not be paid by subsidiaries to the holding company.

If declared by the Board (and, in the case of a final dividend, if approved by shareholders in general meeting) dividends are paid to holders of shares as at record dates that are decided by the Board.

Substantial shareholdings and control of the Company

So far as the Company is aware, it is neither directly nor indirectly owned by or controlled by one or more corporations or by any government.

As at 5 April 2006 the interests in the issued shares set out in the table on page 115 had been notified to the Company in accordance with sections 198 to 208 of the Companies Act 1985 (including interests represented by the ADSs). Shareholders are obliged to notify the Company of their interests in such shares if they hold 3.0% or more beneficially or 10.0% or more in the case of certain shareholders, such as investment managers.

The Company's major shareholders as listed in the table on page 115 do not have different voting rights per share than other holders of the Company's shares.

The following shareholders had significant changes in their percentage ownership of the Company's issued share capital since 1 February 2003. This is based on disclosure made in the accounts for each of the three years since 1 February 2003 and notification received by the Company.

- AMVESCAP PLC had a non-beneficial holding of 12.0% on 26 March 2003, and fell below 10.0% on 14 August 2003. These figures include the interest of its subsidiary, INVESCO Perpetual High Income Fund, which had a non-beneficial holding of 5.8% on 26 March 2003 and fell below 3.0% on 14 August 2003.
- The Capital Group Companies, Inc. had a beneficial holding of 14.0% on 26 March 2003, 12.2% on 24 March 2004, 12.97% on 6 April 2005 and, as stated in the table on page 115, 11.98% on 5 April 2006.
- FMR Corp. and Fidelity International Limited had a non-beneficial holding of 3.3% on 24 March 2004, 5.98% on 6 April 2005 and fell below 3.0% on 12 January 2006.
- Government of Singapore Investment Corporation Pte had a beneficial holding of 4.1% on 26 March 2003 and fell below 3.0% on 29 May 2003.
- Legal & General Investment Management Limited had a beneficial holding of 3.1% on 26 March 2003, 3.1% on 24 March 2004, 3.05% on 6 April 2005 and, as stated in the table on page 115, 3.05% on 5 April 2006.
- Harris Associates L.P. had a beneficial holding of 3.0% on 14 April 2003, 4.0% on 24 March 2004, 6.03% on 6 April 2005 and, as stated in the table on page 115, 10.02% on 5 April 2006.
- Schroder Investment Management Limited had a non-beneficial holding of 10.16% on 3 December 2004, and fell below 10.0% on 10 March 2005.
- Aviva plc and Morley Fund Management Limited had a beneficial holding of 3.12% on 8 November 2004, 3.12% on 6 April 2005 and fell below 3.0% on 24 May 2005.
- Lloyds TSB Group Plc had a beneficial holding of 3.11% on 14 March 2005, 3.11% on 6 April 2005 and, as stated in the table on page 115, 3.94% on 5 April 2006.
- Sprucegrove Investment Management Ltd had a non-beneficial holding of 3.1% on 5 December 2005 and, as stated in the table on page 115, 3.1% on 5 April 2006.

At 5 April 2006, the total amount of the Company's voting securities owned by directors of the Company as a group was 1,556,107 all of which securities were shares.

The Company does not know of any arrangements, the operation of which, might result in a change of control of the Company.

Substantial shareholdings notified to the Company at 5 April 2006

	Number of shares	Percentage of issued shares
The Capital Group Companies, Inc. ⁽¹⁾	208,012,849	11.96
Harris Associates L.P.	174,278,400	10.02
Lloyds TSB Group Plc	68,498,046	3.94
Sprucegrove Investment Management Ltd	53,930,237	3.10
Legal & General Investment Management Limited	53,017,838	3.05

(1) Includes interest of Capital International Limited in 171,146,104 of such shares, notified on their behalf by the Capital Group Companies, Inc.

Exchange controls and other limitations affecting security holders

There are currently no UK laws, decrees or regulations restricting the import or export of capital or (save as to taxation) affecting the remittance of dividends or other payments to holders of shares or ADSs who are non residents of the UK, subject to a few limited exceptions. Such exceptions apply where there are sanctions or similar orders issued by the United Nations, the European Union or the UK Government.

Subject to those exceptions, under English law and the Company's Memorandum and Articles of Association, persons who are neither residents nor nationals of the UK may freely hold, vote and transfer shares (or other securities) in the same manner as UK residents or nationals. The Articles of Association provide that a shareholder with a registered address outside the UK is not entitled to receive notice of any general meeting of the Company unless the shareholder has provided the Company with a UK address, or (in the case of any notice issued electronically) an appropriate electronic address, at which notices may be delivered.

Taxation

Taxation for US residents

The following summary sets out the principal US federal and UK tax consequences of the purchase, ownership and disposition of the Company's shares or ADSs in respect of such shares by a "US holder" (as defined below) and is not intended to be a complete analysis or listing of all the possible tax consequences of such purchase, ownership or disposition.

As used herein, a US holder means a beneficial owner of the Company's shares or ADSs that is: a citizen or resident of the US; a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organised in or under the laws of the US, or any state thereof; an estate whose income is includible in gross income for US federal income tax purposes regardless of its source; or a trust, if a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

This summary deals only with shares and ADSs held as capital assets and does not address any special tax consequences that may be applicable to US holders who are subject to special treatment under the US Internal Revenue Code of 1986, as amended, such as dealers

in securities or foreign currency, traders who elect mark-to-market accounting, financial institutions or financial services entities, insurance companies, persons subject to the alternative minimum tax, tax-exempt entities or private foundations, persons that hold the shares or ADSs as part of a straddle, hedge, conversion or constructive sale transaction or other integrated financial transaction, persons whose functional currency is other than the US dollar, certain expatriates or former long-term residents of the US, persons who alone, or together with one or more associated persons, control or controlled (directly, indirectly or constructively) 10% or more of the voting shares of the Company or persons who acquire shares or ADSs as compensation for services.

Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership and disposition of shares or ADSs, including specifically the consequences under state and local tax laws. The statements regarding US and UK tax laws set out below are based on US federal and UK tax laws and UK HM Revenue & Customs practice in force on the date of this Annual Report and are subject to change after that date. This summary does not address the tax consequences to partnerships, other pass-through entities or persons who hold shares or ADSs through a partnership or other pass-through entity.

US holders of ADSs will be treated as the owners of the underlying shares for purposes of the double taxation conventions relating to income and estate and gift taxes between the US and the UK and for the purposes of the US Internal Revenue Code of 1986, as amended.

In addition, the following summary assumes that US holders are residents of the US for purposes of the current convention relating to income taxes between the US and the UK ("the Convention") and are entitled to the benefits of the Convention.

Taxation of dividends

Any dividend paid by the Company will generally be included in the gross income of a US holder as dividend income for US federal income tax purposes to the extent made from the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Distributions in excess of such current and accumulated earnings and profits will be applied against and will reduce the US holder's tax basis in the shares or ADSs and to the extent in excess of such tax basis will be treated as a gain from the sale or exchange of the shares or ADSs.

The amount of any dividend paid in pounds sterling will equal the US dollar value of the pounds sterling received calculated by reference to the exchange rate in effect on the day that the dividend is received by the US holder, in the case of shares, or by the Depositary (or its Custodian), in the case of ADSs, regardless of whether the dividend payment is converted into US dollars. Foreign currency exchange gain or loss, if any, realised on a subsequent sale or other disposition of pounds generally will be treated as US source ordinary income or loss to the US holder.

Dividends received on the shares or ADSs generally will be foreign source passive income for US foreign tax credit purposes and generally will not be eligible for the dividends received deduction allowed to US corporations under Section 243 of the US Internal Revenue Code.

A non-corporate US holder's "qualified dividend income" is subject to tax at a reduced rate of tax of 15%. For this purpose, qualified dividend income includes dividends from foreign corporations paid prior to 1 January 2009 if (a) the shares of such corporation with respect to which such dividend is paid are readily tradeable on an established securities market in the US, or (b) such corporation is eligible for the benefits of a comprehensive tax treaty with the US that includes an information exchange programme and is determined to be satisfactory to the US Secretary of the Treasury. The US Secretary of the Treasury has indicated that the Convention is satisfactory for this purpose. Dividends will not however qualify for the reduced rate if such corporation is treated for the tax year in which dividends are paid (or in the prior year) as a "passive foreign investment company" for US federal income tax purposes. The Company does not believe it is a passive foreign investment company. Accordingly, dividend distributions with respect to the Company's shares or ADSs should be treated as qualified dividend income and, subject to the US holder's satisfaction of the requirements described below, should be eligible for the reduced 15% US federal income tax rate. A US holder will not be entitled to the reduced rate: (a) if the US holder has not held the shares or ADSs for at least 61 days of the 121-day period beginning on the date which is 60 days before the ex-dividend date; (b) to the extent the US holder is under an obligation to make related payments on substantially similar or related property; or (c) if the US holder elects to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the US Internal Revenue Code. Any days during which a US holder has diminished its risk of loss on the shares or ADSs are not counted towards meeting the 61-day holding period required by the statute.

The UK does not currently apply a withholding tax on dividends under its internal laws. If the UK were to impose a withholding tax, as permitted under the Convention, the rate of such withholding tax will not exceed 15% of the dividend paid to a US holder. In such circumstances, subject to applicable limitations, a US holder who was subject to any withholding should be entitled to claim a deduction for withheld tax or, subject to the holding period requirements mentioned below, a credit for such withholding tax, against the US holder's federal income tax liability. The US foreign tax credit limitation may be reduced to the extent that dividends are

eligible for the reduced rate described above. Special rules apply to foreign tax credits relating to qualified dividend income. US holders should consult their tax advisers as to the method of claiming such foreign tax credit or deduction and compliance with special tax return disclosure requirements that apply to US holders who claim the benefit of the foreign tax credit on such US holders' US federal income tax returns.

A US holder will be denied a foreign tax credit (and instead allowed a deduction) for foreign taxes imposed on a dividend if the US holder has not held the shares or ADSs for at least 16 days in the 31-day holding period beginning 15 days before the ex-dividend date. Any days during which a US holder has substantially diminished its risk of loss on the shares or ADSs are not counted towards meeting the 16-day holding period required by statute. A US holder that is under an obligation to make related payments with respect to the shares or ADSs (or substantially similar or related property) also is not entitled to claim a foreign tax credit with respect to a foreign tax imposed on a dividend.

Taxation of capital gains

Upon a sale, exchange or other disposition of shares or ADSs, a US holder will recognise a gain or loss for US federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realised and the US holder's tax basis (determined in US dollars) in such shares or ADSs. Generally, such gain or loss will be a capital gain or loss and will be a long-term capital gain or loss if the US holder's holding period for such shares or ADSs exceeds one year. Any such gain or loss generally will be income or loss from sources within the US for foreign tax credit limitation purposes. Long-term capital gains of a non-corporate US holder are generally subject to a maximum tax rate of 15%. The deductibility of a capital loss recognised on the sale or exchange of shares or ADSs is subject to limitations.

If the shares or ADSs are publicly traded, a disposition of such shares or ADSs will be considered to occur on the "trade date", regardless of the US holder's method of accounting. A US holder that uses the cash method of accounting calculates the US dollar value of the proceeds received on the sale on the date that the sale settles. However, a US holder that uses the accrual method of accounting is required to calculate the value of the proceeds of the sale on the "trade date" and, therefore, may realise a foreign currency gain or loss, unless such US holder has elected to use the settlement date to determine its proceeds of sale for purposes of calculating such foreign currency gain or loss. In addition, a US holder that receives foreign currency upon the sale or exchange of the shares or ADSs and converts the foreign currency into US dollars subsequent to receipt will have a foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the US dollar. A foreign exchange gain or loss will generally be US source ordinary income or loss.

Generally a US holder who is neither resident nor ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital

gains realised on the sale or other disposal of shares or ADSs unless, in the year of assessment in which the gain accrues to such holder, that US holder has a permanent establishment in the UK and the shares or ADSs are or have been used by, held by, or acquired for use by, or for the purpose of, such permanent establishment. However, a US holder who has been resident in the UK for at least four years and held shares or ADSs at that time may, in certain circumstances, become liable to UK capital gains tax on his return to the UK following a disposal of such shares or ADSs. Any US holders whose circumstances are such that they may fall within such provisions are advised to consult their tax adviser.

Under the Convention, a US holder who is resident or ordinarily resident for tax purposes in the UK, a US corporation which is resident in the UK by reason of being managed and controlled in the UK, or a US holder who, or a US corporation which, has a permanent establishment, where shares or ADSs are or have been acquired, used or held for the purposes of such permanent establishment, may be liable for both UK tax and US federal income tax on a gain on the disposal of the shares or ADSs. Such US holders are advised to consult their tax adviser.

US information reporting and US backup withholding tax

Under US Treasury regulations, dividends paid on shares or ADSs may be subject to US information reporting requirements and backup withholding tax (currently 28%). In addition, under US Treasury regulations, the payment of the proceeds of a sale, exchange or redemption of shares or ADSs to a US holder or non-US holder in the US, or through US or US-related persons, may be subject to US information reporting requirements and backup withholding tax (currently 28%).

US holders can avoid the imposition of backup withholding tax by reporting their taxpayer identification number to their broker or paying agent on US Internal Revenue Service Form W-9. Non-US holders can avoid the imposition of backup withholding tax by providing a duly completed US Internal Revenue Service Form W-8BEN, W-8ECI or W-8IMY, as appropriate, to their broker or paying agent. Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a refund or a credit against such holder's US federal income tax liability, provided that the required returns are filed with US Internal Revenue Service on a timely basis.

Inheritance tax

Shares or ADSs held by an individual who is domiciled in the US for the purposes of the double taxation convention relating to estate and gift taxes between the US and the UK, and for the purposes of the convention is not a national of the UK, will not be subject to UK inheritance tax on the individual's death or on a lifetime transfer of shares or ADSs, except in certain cases where the shares or ADSs are placed in trust (other than by a settlor domiciled in the US who is not a national of the UK) and, in the exceptional case, where the shares or ADSs are part of the business property of a UK permanent establishment of an enterprise or pertains to a UK fixed base of an individual used for the performance of independent personal services.

The convention generally provides a credit for the amount of any tax paid in the UK against the US federal tax liability in a case where the shares or ADSs are subject both to UK inheritance tax and to US federal gift or estate tax.

UK stamp duty and stamp duty reserve tax

Stamp duty is (subject to certain exceptions including for charities) currently payable on any instrument transferring shares to the Custodian of the Depositary at the rate of 1.5% on the value of such shares. In accordance with the terms of the Deposit Agreement relating to the shares, any tax or duty payable by the Depositary or the Custodian of the Depositary on future deposits of shares will be charged by the Depositary to the party to whom ADSs are delivered against such deposits.

No UK stamp duty will be payable on transfer of an ADS, provided that the ADS (and any separate instrument of transfer) is executed and retained at all times outside the UK. A transfer of an ADS in the US will not give rise to UK stamp duty provided the instrument of transfer is not brought into the UK. A transfer of an ADS in the UK may attract stamp duty at a rate of 0.5% (rounded up to the nearest multiple of £5) of the consideration. Any transfer (which will include a transfer from the Depositary to an ADS holder) of the shares, including shares underlying an ADS, may result in a stamp duty liability at the rate of 0.5% (rounded up to the nearest multiple of £5) of the consideration. There is no charge to ad valorem stamp duty on gifts. On a transfer of shares from a nominee to the beneficial owner (the nominee

Selected financial data

	2005/06 £m	2005/06 ⁽¹⁾ \$m	2004/05 £m
Amounts under IFRS:			
Profit and loss account			
Sales	1,752.3	3,101.6	1,615.5
Cost of sales ⁽²⁾	(1,516.3)	(2,683.9)	(1,371.8)
Gross profit	236.0	417.7	243.7
Administrative expenses	(74.1)	(131.2)	(69.8)
Other operating income	46.3	82.0	38.6
Operating profit	208.2	368.5	212.5
Financing costs	(7.8)	(13.8)	(8.6)
Profit before tax	200.4	354.7	203.9
Taxation	(69.6)	(123.2)	(69.1)
Profit for the period	130.8	231.5	134.8
Earnings per share – basic	7.5p	\$0.13	7.8p
Earnings per share – diluted	7.5p	\$0.13	7.8p
Earnings per ADS – basic	75.3p	\$1.33	77.8p
Earnings per share – diluted	75.1p	\$1.33	77.6pp
Balance sheet data (at period end)			
Working capital ⁽³⁾	693.8	1,228.0	726.0
Total assets	1,471.0	2,603.7	1,310.3
Total debt	151.1	267.4	185.9
Long-term debt	–	–	132.8
Cash and cash equivalents	52.5	92.9	102.4
Shareholders' funds	878.9	1,555.7	771.7
Store data:			
Store numbers (at end of period):			
US	1,221		1,156
UK	593		602
Percentage increase/(decrease) in like for like sales:			
US	7%		6%
UK	(8)%		3%
Group	2%		5%
Average sales per store (£'000s) ⁽⁴⁾ :			
US	1,072		976
UK	813		866

Explanatory notes referred to in the above table are on page 119.

	2005/06 £m	2005/06 ⁽¹⁾ \$m	2004/05 £m	2003/04 £m	2002/03 £m	2001/02 ⁽⁵⁾ £m
Amounts under US GAAP:						
Profit and loss account data						
Operating income	203.8	360.7	211.5	206.6	198.7	163.3
Net income	132.2	234.0	137.5	127.4	119.5	90.9
Income per share – basic	7.6p	\$0.13	7.9p	7.4p	7.0p	5.4p
Earnings per share – diluted	7.6p	\$0.13	7.9p	7.4p	6.9p	5.3p
Income per ADS – basic	76.1p	\$1.35	79.4p	74.1p	69.9p	53.8p
Earnings per share – diluted	76.0p	\$1.35	79.1p	73.6p	69.2p	53.4p
Balance sheet data (at period end)						
Total assets	1,642.5	2,907.2	1,477.0	1,417.8	1,353.8	1,417.0
Total debt	151.1	267.4	53.1	70.0	76.3	91.4
Long-term debt	–	–	–	8.3	24.2	38.7
Cash at bank and in hand	52.5	92.9	102.4	128.0	89.2	66.5
Shareholders' funds	1,165.5	2,062.9	1,056.0	988.5	947.5	977.5

The selected consolidated financial data set out on the preceding page for 2004/05 and 2005/06 has been derived, in part, from the audited consolidated accounts for such periods included elsewhere in this Annual Report & Accounts. The selected consolidated financial data should be read in conjunction with the accounts, including the notes thereto, and the Financial review included on pages 22 to 29 of this Annual Report & Accounts.

The accounts of the Group have been prepared in accordance with IFRS which differ in certain respects from US GAAP.

See pages 103 to 111 for information on the material differences between IFRS and US GAAP that affect the Group's profit and shareholders' funds.

Results of operations

The following table sets out certain consolidated financial data as a percentage of reported sales:

	Percentage of sales	
	2005/06 %	2004/05 %
Sales	100.0	100.0
Cost of sales ⁽²⁾	(86.5)	(84.9)
Gross profit	13.5	15.1
Administrative expenses	(4.2)	(4.3)
Other operating income	2.6	2.4
Operating profit	11.9	13.2
Net financing costs	(0.4)	(0.5)
Profit before taxation	11.5	12.7
Taxation	(4.0)	(4.4)
Profit for the period	7.5	8.3

- (1) Amounts in pounds sterling are translated into US dollars solely for the convenience of the reader, at a rate of £1.00 to \$1.77, the Noon Buying Rate on 28 January 2006.
- (2) Cost of sales includes all costs incurred in the purchase, processing and distribution of the merchandise and all costs directly in the operation and support of the retail outlets.
- (3) Working capital represents current assets (excluding amounts recoverable after more than one year) less current liabilities.
- (4) Includes only stores operated for the full financial year.
- (5) 53 week year.

Quarterly results (unaudited)

for the 52 week period ended 28 January 2006

	13 weeks ended 30 April 2005 £m	13 weeks ended 30 July 2005 £m	13 weeks ended 29 October 2005 £m	13 weeks ended 28 January 2006 £m	52 weeks ended 28 January 2006 £m
Sales	369.2	353.7	310.5	718.9	1,752.3
Operating profit	29.5	26.0	5.5	147.2	208.2
Net financing costs	(1.6)	(1.8)	(2.5)	(1.9)	(7.8)
Profit before taxation	27.9	24.2	3.0	145.3	200.4
Taxation	(9.6)	(8.4)	(1.0)	(50.6)	(69.6)
Profit for the financial period	18.3	15.8	2.0	94.7	130.8

for the 52 week period ended 29 January 2005

	13 weeks ended 1 May 2004 £m	13 weeks ended 31 July 2004 £m	13 weeks ended 30 October 2004 £m	13 weeks ended 29 January 2005 £m	52 weeks ended 29 January 2005 £m
Sales	351.6	332.7	293.7	637.5	1,615.5
Operating profit	27.9	26.8	9.9	147.9	212.5
Net financing costs	(2.1)	(2.6)	(2.9)	(1.0)	(8.6)
Profit before taxation	25.8	24.2	7.0	146.9	203.9
Taxation	(9.4)	(8.8)	(2.9)	(48.0)	(69.1)
Profit for the financial period	16.4	15.4	4.1	98.9	134.8

Definitions

In this document the following words and expressions shall, unless the context otherwise requires, have the following meanings:

ADR	American Depositary Receipt evidencing title to an ADS
ADS	American Depositary Share representing 10 Signet Group plc shares
APB	Accounting Principles Bulletin (US)
Annual Report	Annual Report and Accounts
c.a.g.r.	Compound annual growth rate
Company	Signet Group plc
Depositary	Deutsche Bank Trust Company Americas, depositary under the amended and restated deposit agreement for the issue of ADRs
Directors	The directors of the Company
Earnings per share (EPS)	Profit attributable to shareholders divided by the weighted average number of shares in issue
ESOT	Signet Group Employee Share Trust
FAS	Statement of Financial Accounting Standards (US)
FRS	Financial Reporting Standard (UK)
FURBS	Signet Group Funded Unapproved Retirement Benefit Scheme
GAAP (UK or US)	Generally Accepted Accounting Principles
Gearing	Net debt as a percentage of shareholders' funds
Group	Signet Group plc and its subsidiary undertakings
Historic UK GAAP	UK GAAP as at 29 January 2005
Holding Company	Signet Group plc
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
Independent (directors)	Considered to be independent under the Combined Code
LIBOR	London Inter-Bank Offered Rate
LTIP	Long Term Incentive Plan
NASD	National Association of Securities Dealers
Nasdaq	National Association of Securities Dealers Automated Quotations
NYSE	New York Stock Exchange
Pounds, £, pound sterling, pence or p	Units of UK currency
QUEST	Signet Group Qualifying Employee Share Trust
Return on capital employed (ROCE)	Operating profit divided by monthly average capital employed
SEC	Securities and Exchange Commission
Shares	Ordinary shares of 0.5 pence each in Signet Group plc
SIC	Standard Interpretation Committee
Signet	Signet Group plc and its subsidiary undertakings
SORIE	Statement of Recognised Income and Expense
SSAP	Statement of Standard Accounting Practice (UK)
UK or United Kingdom	United Kingdom, Channel Islands, Isle of Man and the Republic of Ireland
US or United States	United States of America
US dollar, \$ or cents	Units of US currency

Glossary of terms

Terms used in Annual Report & Accounts

Accounts
Allotted
Bank loans/loan notes
Called up share capital
Capital allowances
Cash at bank and in hand
Creditors
Debtors
Finance expense
Finance income
Finance lease
Freehold
Like for like sales
Profit
Profit and loss account
Profit and loss account reserve
Profit attributable to shareholders
Property, plant and equipment
Share capital
Share option
Shareholders' funds
Share premium account
Shares in issue
Stocks
Tangible fixed assets
Value Added Tax (VAT)

US equivalent or brief description

Financial statements
Issued
Long-term debt
Shares, issued and fully paid
Tax term equivalent to US tax depreciation allowances
Cash and cash equivalents
Payables
Receivables
Interest expense
Interest income
Capital lease
Ownership with absolute rights in perpetuity
Same store sales at constant exchange rates
Income
Income statements
Retained earnings
Net income
Property and equipment
Capital stock or common stock
Stock option
Shareholders' equity/net assets
Additional paid-up capital or paid-in surplus (not distributable)
Shares outstanding
Inventories
Property and equipment
UK sales tax

Shareholder contacts

UK shareholders

Enquiries concerning the following matters should be addressed to:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0870 162 3100
Telephone (overseas): +44 208 639 2157
e-mail: ssd@capitaregistrars.com
website: www.capitaregistrars.com

- Dividend payments;
- Dividend mandate instructions;
- Dividend reinvestment plan;
- Loss of share certificates;
- Notification of change of address or name;
- Transfer of shares to another person; and
- Amalgamation of shareholdings: if you receive more than one copy of the full Annual Report & Accounts, you may wish to amalgamate your accounts on the share register.

ADS information

The ADS programme is administered on behalf of the Company by Deutsche Bank Trust Company Americas. Any enquiries, including those to do with change of address or dividend payments, should be addressed to:

Deutsche Bank Trust Company Americas
85 Challenger Road
Ridgefield Park
New Jersey
NJ 07660
USA
Telephone toll-free from US: +1 866 249 2593
website: www.adr.db.com

The Company is subject to the regulations of the SEC as they apply to foreign private issuers and files with the SEC its Annual Report on Form 20-F and other information as required.

Registered office

15 Golden Square
London W1F 9JG
Telephone: 0870 909 0301

Group Company Secretary

Mark Jenkins
Telephone: 0870 909 0301
e-mail: mark.jenkins@signet.co.uk

Investor Relations Director

Timothy Jackson
Telephone: 0870 909 0301
e-mail: tim.jackson@signet.co.uk

Corporate website

Further information about the Group including the Annual and interim reports, public announcements and share price data are available in electronic format from the Group's corporate website at www.signetgroupplc.com.

Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To limit the amount of unsolicited mail you receive, write to:

Mailing Preference Service
FREEPOST 22
London W1E 7EZ

Documents on display

Documents referred to in this Annual Report are available for inspection at the registered office of the Company.

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“Printed on Revive Special Silk which comprises 30% de-inked post-consumer waste, 10% mill broke and 60% virgin fibre from sustainable, well-managed forests. All pulps used are Elemental Chlorine Free (ECF).”

Designed and produced by corporate **prm**
Printed by royle corporate print



www.signetgroupplc.com

Item 19 Exhibits

Exhibit Number	Description of Exhibit
1.1	Articles of Association of Signet Group plc, adopted on June 13, 2002 and amended on June 10, 2005.
4.1*	\$60 million Senior Unsecured Loan Notes Agency Agreement, dated as of July 27, 1998, between Signet Group plc; H.Samuel Limited; Ratners US Holdings, Inc.; Sterling Inc.; Sterling Jewelers Inc.; James Walker, Goldsmith and Silversmith, Limited; Checkbury Limited; Sterling Jewelers LLC; and De Nationale Investeringsbank N.V. (incorporated herein by reference to Exhibit 4.5 to the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission on May 31, 2001 (File No. 033-22663)).
4.2*	Deed of Guarantee, dated as of August 12, 1999, with respect to Signet Group plc U.S. \$60,000,000 Senior Unsecured Loan Notes due 2005 (incorporated herein by reference to Exhibit 4.6 to the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission on May 31, 2001 (File No. 033-22663)).
4.3*	Letter of NIB Capital Bank to Signet Group plc, dated as of November 24, 2000, with respect to U.S. \$60,000,000 Senior Unsecured Loan Notes due 2005 (incorporated herein by reference to Exhibit 4.7 to the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission on May 31, 2001 (File No. 033-22663)).
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4.7*	Signet Group plc 2000 Long-Term Incentive Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, as filed with the Securities and Exchange Commission on July 24, 2000 (File No. 333-12304)).

* Incorporated by reference.

Exhibit Number	Description of Exhibit
4.8*	Signet Group plc Employee Stock Savings Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, as filed with the Securities and Exchange Commission on November 19, 1998 (File No. 333-09634)).
4.9*	Signet Group plc 1993 Executive Share Option Scheme (incorporated herein by reference to the Company's Registration Statement on Form S-8, as filed with the Securities and Exchange Commission on June 22, 1998 (File No. 333-08964)).
4.10*	\$390 million Multicurrency Revolving Facilities Agreement, dated as of September 28, 2004, among Signet Group plc, Barclays Capital, HSBC Bank plc, The Royal Bank of Scotland plc and Wachovia Bank, N.A. (incorporated herein by reference to the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission on May 3, 2005 (File No. 001-32349)).
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4.14	Amended and Restated Employment Agreement, dated as of August 6, 2004, between Sterling Jewelers Inc. and Mark S. Light.
4.15	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of January 12, 2006, by and among Sterling Jewelers Inc. and Mark S. Light.
4.16	Signet Group plc 2005 Long-Term Incentive Plan
8.1*	List of Significant Subsidiaries of Signet Group plc (incorporated herein by reference to the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission on April 22, 2004) (File No. 033-22663)).
12.1	Section 302 Certification of Walker Boyd
12.2	Section 302 Certification of Terry Burman
13.1	Certification of Walker Boyd pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
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15.1	Consent of KPMG Audit plc

* Incorporated by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SIGNET GROUP PLC

By: /s/ Walker Boyd

Name: Walker Boyd

Title: Group Finance Director

Date: May 4, 2006

Exhibit Index

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Cross reference to Form 20-F

The information in this document that is referenced in the following table shall be deemed to be part of the Annual Report on Form 20-F for the financial year ended 28 January 2006 and to be filed with the Securities and Exchange Commission.

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Company number: 477692

THE COMPANIES ACT 1985
PUBLIC COMPANY LIMITED BY SHARES

NEW

ARTICLES OF ASSOCIATION

of

SIGNET GROUP PLC

(Adopted by Special Resolution passed on 13 June 2002)

(Amended by Special Resolution passed on 10 June 2005)

**THEODORE
GODDARD**

SIGNET GROUP PLC

Articles of Association

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THE COMPANIES ACT 1985
PUBLIC COMPANY LIMITED BY SHARES
NEW
ARTICLES OF ASSOCIATION

of

SIGNET GROUP PLC

(Adopted by Special Resolution passed on 13 June 2002)

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PRELIMINARY

1. Definitions

(A) In these Articles (unless the context requires otherwise) the following words have the following meanings:

Act	The Companies Act 1985;
Articles	These articles of association including any changes made to them;
Auditors	The auditors of the Company;
Board	The board of Directors or the Directors present or deemed to be present at a duly convened meeting at which a quorum is present;
certificated	In relation to a share, a share which is recorded in the Register of Members as being held in certificated form;
clear days	In relation to the period of a notice, that period excluding the day when the notice is given or deemed given and the day for which it is given or on which it is to take effect;

Company	Signet Group plc, registered in England with number 477692;
director	A director of the Company;
electronic address	Any number or address provided for the purposes of electronic communication;
electronic communication	Has the meaning given in the Electronic Communications Act 2000;
Group	The group comprising the Company and its subsidiary undertakings (not including any parent undertaking of the Company);
Group Undertaking	Any undertaking in the Group, including the Company;
holder	In relation to a share, the member whose name is entered in the Register of Members as the holder of that share;
Issuer-Instruction	An issuer-instruction, as defined in the Uncertificated Securities Regulations;
Listing Rules	The listing rules of the UKLA made pursuant to Part VI of the Financial Services and Markets Act 2000;
London Stock Exchange	London Stock Exchange plc;
member	A member of the Company or, if the context so requires, a member of the Board or of any committee;
Official List	The Official List of the UKLA;
Operator	The Operator (as defined in the Uncertificated Securities Regulations) of the Uncertificated System;
Ordinary Shares	Ordinary shares of one half of one penny each in the Company;
paid or paid up	Paid up or credited as paid up;
Participating Security	A share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of an Uncertificated System in accordance with the Uncertificated Securities Regulations;

Registered Office	The registered office of the Company;
Register of Members	(i) the register of members kept pursuant to the Act; or (ii) at any time whilst the Company has Participating Securities, the Company's issuer register of members (as defined in the Uncertificated Securities Regulations) or, in relation to any uncertificated shares, the Company's Operator register of members (as defined in the Uncertificated Securities Regulations), both such registers being kept pursuant to the Uncertificated Securities Regulations; or (iii) as the case may be, any overseas branch register kept pursuant to these Articles and in accordance with the Act and the Uncertificated Securities Regulations;
Seal	The common seal of the Company or any official or securities seal that the Company has or may have as permitted by the Act;
Secretary	The secretary of the Company or any other person appointed to perform any of the duties of the secretary of the Company including a joint, temporary, assistant or deputy secretary;
share	A share in the capital of the Company;
System-Participant	A system-participant, as defined in the Uncertificated Securities Regulations;
UKLA	The Financial Services Authority in its capacity as the United Kingdom Listing Authority;
uncertificated	In relation to a share, a share to which title is recorded in the Register of Members as being held in uncertificated form and title to which may be transferred by means of an Uncertificated System in accordance with the Uncertificated Securities Regulations;
Uncertificated Securities Regulations	The Uncertificated Securities Regulations 2001; and
Uncertificated System	The CREST system or any other applicable system which is a "relevant system" for the purpose of the Uncertificated Securities Regulations.

(B) In these Articles:

- (i) words or expressions which are not defined in paragraph (A) of this Article have the same meanings (where applicable) as in the Act as in force on the date of the adoption of these Articles;
- (ii) a reference to any statute or any statutory instrument or any provision of a statute or of a statutory instrument includes a reference to any modification or re-enactment of it for the time being in force and any order, regulation, instrument or other subordinate legislation made under such statute or statutory provision or under the statute under which such statutory instrument was made;
- (iii) words in the singular include the plural and vice versa, words importing any gender include all genders and a reference to a “**person**” includes any individual, firm, partnership, unincorporated association, company, corporation or other body corporate;
- (iv) references to “**writing**” or “**written**” include printing, typewriting, lithography, photography and any other modes of representing or reproducing words in a legible and non-transitory form;
- (v) a reference to an Uncertificated System is a reference to the Uncertificated System in respect of which the particular share or class of shares or renounceable right of allotment of a share is a Participating Security;
- (vi) where an ordinary resolution is expressed to be required for any purpose, a special or extraordinary resolution is also effective for such purpose and where an extraordinary resolution is required for any purpose, a special resolution is also effective for such purpose; and
- (vii) headings do not affect the interpretation of any Article.

2. Exclusion of Table A

The regulations contained in Table A as prescribed under the Act, or in any equivalent table prescribed under any former enactment, do not apply to the Company.

CAPITAL

3. Capital

The authorised share capital of the Company at the date of the adoption of these Articles is £29,649,370.095 which is divided into 5,929,874,019 Ordinary Shares of one half of one penny each.

4. Allotment

- (A) Subject to the Act and these Articles, any unissued shares shall be at the disposal of the Board, who may offer, allot, grant options over or otherwise dispose of them to such

persons and on such terms as it may decide (including, without limitation, terms relating to the renunciation of any allotment).

- (B) Subject to the Act and without prejudice to any rights attached to any shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, if the Company has not so determined, as the Board may determine).
- (C) Subject to the Act, any share may be issued which is, or is to be liable, to be redeemed at the option of one or both of the Company or the holder, on such terms and in such manner as may be provided by these Articles.
- (D) The Company shall not be bound to register more than four persons as the joint holders of any share or shares.

5. Share warrants to bearer

- (A) Subject to the Act, the Company may, with respect to any shares which are fully paid (as to the nominal value and any premium), issue a warrant (a “**share warrant**”) stating that the bearer of the warrant is entitled to the shares specified in it. The Company may provide (by coupons or otherwise) for the payment of future dividends or other moneys on or in respect of the shares included in a share warrant. The shares specified in the share warrant may be transferred by the delivery of the share warrant. The provisions of these Articles as to transfer and transmission of shares shall not apply to share warrants.
- (B) The powers referred to in paragraph (A) of this Article may be exercised by the Board, which may determine and vary the terms on which a share warrant is to be issued, including (without limitation) terms on which:
 - (i) a new share warrant or coupon may be issued in the place of one damaged, defaced, worn out or lost (provided that no new share warrant shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original has been destroyed);
 - (ii) the bearer of the share warrant may be entitled to receive notice of and to attend, vote and demand a poll at general meetings and adjourned meetings;
 - (iii) dividends may be paid; and
 - (iv) any share warrant may be surrendered and the name of the holder entered in the Register of Members in respect of the shares specified in it.
- (C) The bearer of a share warrant shall be subject to the terms in force and applicable to such share warrant, whether made before or after its issue. Subject to any conditions for the time being in force relating to share warrants and as otherwise expressly provided in these Articles, the bearer of a share warrant may at any time deposit the share warrant at the Registered Office (or at such other place as the Board may from time to time

appoint) and so long as the share warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, of giving notice of intention to submit a resolution to a meeting and of attending and voting, appointing a proxy and exercising the other privileges of a member at any meeting held after the expiration of forty-eight hours from the time of deposit and be entitled to be given any notices by the Company which are to be given, after the expiration of forty-eight hours from the time of such deposit, to holders of shares of that class, as if his name were inserted in the Register of Members as the holder of the shares included in the deposited share warrant, provided that in the case of a share warrant deposited elsewhere than at the Registered Office (or such other place as aforesaid), the depositor shall have obtained from the person with whom the same is deposited a certificate of such deposit in such form as the Board may require specifying (inter alia) the share warrant and the number of shares included therein, and shall have lodged the same at the Registered Office (or such other place as aforesaid) not less than forty-eight hours before the time appointed for the holding of the meeting at which the depositor desires to attend or to be represented. Not more than one person shall be recognised as a depositor of any share warrant. Every share warrant which shall have been so deposited as aforesaid shall remain so deposited until after the closing of the meeting at which the depositor desires to attend or to be represented.

- (D) Subject as otherwise expressly provided in these Articles or by the terms of issue of any shares or in any conditions for the time being in force relating to share warrants, no person shall, as bearer of a share warrant, be entitled to sign a requisition for calling a meeting of the Company or give notice of intention to submit a resolution to a meeting or attend or vote or give a proxy or exercise any other privilege of a member at a meeting of the Company, or be entitled to receive any notices from the Company, but the bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the share warrant, and he shall be deemed to be a member of the Company.

6. Commissions and brokerage

The Company may exercise all powers conferred by the Act of paying commissions in relation to a subscription for shares or other allotment. Subject to the Act, such commissions may be satisfied in cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also pay such brokerage in relation to a subscription for shares as may be lawful.

7. Trusts not recognised

Except as required by law, no person shall be recognised by the Company as holding any share on any trust and (except as otherwise provided by these Articles or by law) the Company shall not be bound by or recognise any interest in any share except an absolute right of the holder to share in its entirety (even if the Company has notice of such interest).

8. Purchase of own shares

Subject to the Act and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares) in any way. Any shares to be so purchased may be selected for purchase on any basis and in any manner whatsoever.

VARIATION OF CLASS RIGHTS

9. Sanction

- (A) If the share capital of the Company is divided into shares of different classes, any of the rights attached to any class of shares (notwithstanding that the Company may be or be about to be in liquidation) may (unless the rights attached to the shares of the class otherwise provide) be varied or abrogated in any manner, either with the consent:

- (i) in writing; or
- (ii) given by electronic communication from an electronic address notified to the Company by the holder, of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of shares of the class duly convened and held in accordance with these Articles.

- (B) Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by:

- (i) the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued;
- (ii) the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of any of its own shares in accordance with the Act and these Articles; or
- (iii) the Board resolving that a class of shares is to become or is to cease to be, or the Operator permitting such class of shares to become or to cease to be, a Participating Security.

10. Class meetings

- (A) The Board may call a separate general meeting of the holders of the shares of any class at any time and for any purpose as it thinks fit, regardless of whether section 125(6) of the Act applies to such meeting. Section 125(6) of the Act shall be deemed to apply (so far as applicable) to each such meeting for the purpose of these Articles. The provisions of these Articles as to general meetings shall also apply (so far as applicable) to each such meeting.

- (B) A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as an extraordinary general meeting, except that:
- (i) no member, other than a Director, shall be entitled to notice of it or to attend it unless he is a holder of shares of that class;
 - (ii) no vote may be given except in respect of a share of that class;
 - (iii) the quorum at the meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and at an adjourned meeting the quorum shall be one person holding shares of that class or his proxy; and
 - (iv) a poll may be demanded by any member present in person or by proxy and entitled to vote at the meeting and on a poll each member shall have one vote for every share of that class of which he is the holder.
- (C) For the purpose of these Articles, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

ALTERATION OF SHARE CAPITAL

11. Increase, consolidation, sub-division and cancellation

The Company may by ordinary resolution:

- (i) increase its share capital by a sum to be divided into shares of amounts prescribed by the resolution;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (iii) subject to the Act, sub-divide all or any of its shares into shares of a smaller amount; and
- (iv) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by a person and diminish the amount of its share capital by the amount of the shares so cancelled,

and may by the resolution decide that one or more of the shares resulting from any such division or sub-division may have any preference or other advantage as compared with the others or may be made subject to any restriction as compared with the others.

12. Fractions

- (A) If, as the result of a consolidation and division or a sub-division of shares, fractions of shares become attributable to members, the Board may on behalf of the members deal with the fractions as it thinks fit, including (without limitation) in either of the ways prescribed in this Article below.
- (B) The Board may sell shares representing the fractions to any person (including, subject to the Act, the Company) for the best price reasonably obtainable and distribute the net proceeds of sale in due proportion amongst the persons to whom such fractions are attributable (except that if the amount due to a person is less than £3.00, or such other sum as the Board may decide, the Company may retain such sum for its own benefit). To give effect to such sale the Board may:
 - (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares to the purchaser or as the purchaser may direct; and
 - (ii) in the case of uncertificated shares, exercise any power conferred on it by Article 16(I) (**uncertificated shares**) to effect a transfer of the shares.
- (C) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (B) of this Article shall be effective as if it had been executed or exercised by the holder of the shares to which it relates.
- (D) In relation to the fractions the Board may issue, subject to the Act, to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following a consolidation and division or a sub-division, leaves a whole number of shares (such issue being deemed to have been effected immediately before the consolidation or the sub-division, as the case may be). The amount required to pay up those shares may be capitalised as the Board thinks fit out of amounts standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and applied in paying up in full the appropriate number of shares. A resolution of the Board capitalising part of any such reserve or fund will have the same effect as if the capitalisation had been made with the sanction of an ordinary resolution of the Company pursuant to Article 132 (**capitalisation of profits and reserves**). In relation to the capitalisation the Board may, without the sanction of an ordinary resolution of the Company, exercise all the powers conferred on it by Article 132.

13. Reduction of share capital

Subject to the Act and to any rights attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

CERTIFICATED SHARES

14. Right to certificates

- (A) Subject to the Act and these Articles and, if applicable, the requirements of the Listing Rules and the London Stock Exchange, every person (except any person in respect of whom the Company is not required by the Act to complete and have ready for delivery a share certificate), upon becoming the holder of a certificated share is entitled, without charge, to one certificate for all the certificated shares of a class registered in his name or, in the case of certificated shares of more than one class being registered in his name, to a separate certificate for each class of shares, unless the terms of issue of the shares provide otherwise.
- (B) Where a member (other than a person in respect of whom the Company is not required by the Act to complete and have ready for delivery a share certificate) transfers part of his shares comprised in a certificate he shall be entitled, without charge, to one certificate for the balance of certificated shares retained by him.
- (C) The Company is not bound to issue more than one certificate for certificated shares held jointly by two or more persons. Delivery of a certificate to one joint holder shall be sufficient delivery to all joint holders.
- (D) Any certificate to which a person is entitled shall be delivered (i) in the case of issue within one month after allotment (or such longer period as the terms of issue shall provide) or (ii) in the case of a transfer of shares which are fully paid (as to nominal value and any premium) within five business days, or, where applicable, such other period as is from time to time permitted by the Listing Rules or the rules of the London Stock Exchange, after the lodgement with the Company of the relevant instrument of transfer of the shares, and (iii) in the case of a transfer of partly paid shares, within two months after the lodgement with the Company of the relevant instrument of transfer.
- (E) A certificate shall specify the number and class and the distinguishing numbers (if any) of the shares in respect of which it is issued and the amount paid up on the shares. It shall be issued under the Seal, which may be affixed to or printed on it, or in such other manner as the Board may approve, having regard to the terms of issue and, where applicable, the requirements of the Listing Rules and the rules of the London Stock Exchange.

15. Replacement certificates

If any certificate is worn-out, defaced, lost or destroyed, the Company may cancel it and issue a replacement certificate, subject to such terms as the Board may decide as to evidence and indemnity (with or without security) and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity or such security, but otherwise free of charge, and (if the certificate is worn-out or defaced) on delivery up of the old certificate.

UNCERTIFICATED SHARES

16. Uncertificated shares

- (A) The Board may resolve that a class of shares is to become, or is to cease to be, a Participating Security.
- (B) Shares of a class shall not be treated as forming a separate class from other shares of the same class as a consequence of such shares being held in certificated or uncertificated form or of any provision in these Articles or the Uncertificated Securities Regulations applying only to certificated shares or to uncertificated shares.
- (C) Any share of a class which is a Participating Security may be changed from an uncertificated share to a certificated share and from a certificated share to an uncertificated share in accordance with the Uncertificated Securities Regulations.
- (D) These Articles apply to uncertificated shares of a class which is a Participating Security only to the extent that these Articles are consistent with the holding of such shares in uncertificated form, with the transfer of title to such shares by means of the Uncertificated System and with the Uncertificated Securities Regulations.
- (E) Any instruction given by means of an Uncertificated System as referred to in these Articles shall be a dematerialised instruction given in accordance with the Uncertificated Securities Regulations, the facilities and requirements of the Uncertificated System and the Operator's rules and practices.
- (F) For any purpose under these Articles, the Company may treat a member's holding of uncertificated shares and of certificated shares of the same class as if they were separate holdings, unless the Board otherwise decides.
- (G) Where the Company is entitled under the Act, the Operator's rules and practices, these Articles or otherwise to dispose of, forfeit, enforce a lien over or sell or otherwise procure the sale of any shares of a class which is a Participating Security which are held in uncertificated form, the Board may take such steps (subject to the Uncertificated Securities Regulations and to such rules and practices) as may be required or appropriate, by instruction by means of the Uncertificated System or otherwise, to effect such disposal, forfeiture, enforcement or sale including by (without limitation):
 - (i) requesting or requiring the deletion of any computer-based entries in the Uncertificated System relating to the holding of such shares in uncertificated form;
 - (ii) altering such computer-based entries so as to divest the holder of such shares of the power to transfer such shares other than to a person selected or approved by the Company for the purpose of such transfer;
 - (iii) requiring any holder of such shares, by notice in writing to him, to change his holding of such uncertificated shares into certificated form within any specified period;

- (iv) requiring any holder of such shares to take such steps as may be necessary to sell or transfer such shares as directed by the Company;
- (v) otherwise rectify or change the Register of Members in respect of any such shares in such manner as the Board considers appropriate (including, without limitation, by entering the name of a transferee into the Register of Members as the next holder of such shares); and/or
- (vi) appointing any person to take any steps in the name of any holder of such shares as may be required to change such shares from uncertificated form to certificated form and/or to effect the transfer of such shares (and such steps shall be effective as if they had been taken by such holder).

LIEN ON SHARES

17. Company's lien on shares not fully paid

- (A) The Company has a first and paramount lien on each issued share (not being a share which is fully paid up as to nominal value and any premium) for all amounts payable to the Company (whether actually or contingently and whether presently payable or not) in respect of such share.
- (B) The lien applies to all dividends on any such share and to all amounts payable by the Company in respect of such share. It also applies notwithstanding that:
 - (i) the Company may have notice of any equitable or other interest of any person in any such share; or
 - (ii) any such amounts payable may be the joint debts and liabilities of both the holder of the share and one or more other persons.
- (C) The Board may resolve that any share be exempt wholly or in part from this Article.

18. Enforcement of lien by sale

- (A) For the purpose of enforcing the Company's lien on any shares, the Board may sell them in such manner as it decides if an amount in respect of which the lien exists is presently payable and is not paid within fourteen clear days following the giving of a notice to the holder (or any person entitled by transmission to the shares) demanding payment of the amount due within such fourteen clear day period and stating that if the notice is not complied with the shares may be sold.
- (B) To give effect to such sale the Board may:
 - (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of the holder of, or the person entitled by transmission to, them to the purchaser or as the purchaser may direct; and

- (ii) in the case of uncertificated shares, exercise any power conferred on it by Article 16(I) (**uncertificated shares**) to effect a transfer of the shares.
- (C) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (B) of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

19. Application of sale proceeds

The net proceeds of any sale of shares subject to the Company's lien under these Articles (after payment of the costs and expenses of sale) shall be applied in or towards satisfaction of the amount then due to the Company in respect of the shares. Any balance shall be paid to the original holder of, or the person entitled (but for such sale) by transmission to, the shares on (in the case of certificated shares) surrender to the Company for cancellation of the certificate for such shares and (in all cases) subject to the Company having a lien on such balance on the same basis as applied to such shares for any amount not presently payable as existed on such shares before the sale.

CALLS

20. Calls

- (A) Subject to the terms on which shares are allotted, the Board may make calls on the members (and any persons entitled by transmission) in respect of any amounts unpaid on their shares (whether in respect of nominal value or premium) and not payable on a date fixed by or in accordance with the allotment terms. Each such member or other person shall pay to the Company the amount called, subject to receiving at least fourteen clear days' notice specifying when and where the payment is to be made, as required by such notice.
- (B) A call may be made payable by instalments. A call shall be deemed to have been made when the resolution of the Board authorising it is passed. A call may, before the Company's receipt of any amount due under it, be revoked or postponed in whole or in part as the Board may decide. A person upon whom a call is made will remain liable for calls made on him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

21. Liability of joint holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect of it.

22. Interest

If the whole of the sum payable in respect of any call is not paid by the day it becomes due and payable, the person from whom it is due shall pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment, together with interest on the unpaid amount, from the day it became due and payable until it is paid, at the rate fixed by the terms of the allotment of the share or in the notice of the call or, if no rate is fixed, at such rate, not exceeding ten per cent. per annum (compounded on a six monthly basis), as the Board shall determine. The Board may waive payment of such costs, charges, expenses or interest in whole or in part.

23. Differentiation

Subject to the allotment terms, the Board may make arrangements on or before the issue of shares to differentiate between the holders of shares in the amounts and times of payment of calls on their shares.

24. Payment in advance of calls

- (A) The Board may receive from any member (or any person entitled by transmission) all or any part of the amount uncalled and unpaid (whether as to nominal value or any premium) on the shares held by him (or to which he is entitled). The liability of each such member or other person on the shares to which such payment relates shall be reduced by such amount. The Company may pay interest on such amount from the time of receipt until the time when such amount would, but for such advance, have become due and payable at such rate not exceeding ten per cent. per annum (compounded on a six monthly basis) as the Board may decide.
- (B) No sum paid up on a share in advance of a call shall entitle the holder to any portion of a dividend subsequently declared or paid in respect of any period prior to the date on which such sum would, but for such payment, become due and payable.

25. Restrictions if calls unpaid

Unless the Board decides otherwise, no member shall be entitled to receive any dividend or to be present or vote at any meeting, or adjourned meeting, or to exercise any right or privilege as a member until he has paid all calls due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any) to the Company.

26. Sums due on allotment treated as calls

Any sum payable in respect of a share on allotment or at any fixed date, whether in respect of the nominal value of the share or by way of premium or as an instalment of a call, shall be deemed to be a call. If such sum is not paid, these Articles shall apply as if it had become due and payable by virtue of a call.

FORFEITURE

27. Forfeiture after notice of unpaid call

- (A) If a call or an instalment of a call remains unpaid after it has become due and payable, the Board may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses that the Company may have incurred by reason of such non-payment. The notice shall state the place where payment is to be made and that, if the notice is not complied with, the shares in respect of which the call was made will be liable to be forfeited. If the notice is not complied with, any shares in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. The forfeiture will include all dividends and other amounts payable in respect of the forfeited shares which have not been paid before the forfeiture.
- (B) The Board may accept the surrender of a share which is liable to be forfeited in accordance with these Articles. All provisions in these Articles which apply to the forfeiture of a share also apply to the surrender of a share.

28. Notice after forfeiture

When a share has been forfeited, the Company shall give notice of the forfeiture to the person who was before forfeiture the holder of the share or the person entitled by transmission to the share. An entry that such notice has been given and of the fact and date of forfeiture shall be made in the Register of Members. No forfeiture will be invalidated by any omission to give such notice or make such entry.

29. Consequences of forfeiture

- (A) A share shall, on its forfeiture, become the property of the Company.
- (B) All interest in and all claims and demands against the Company in respect of a share and all other rights and liabilities incidental to the share as between its holder and the Company shall, on its forfeiture, be extinguished and terminate except as otherwise stated in these Articles or, in the case of past members, as provided by the Act.
- (C) The holder of a share (or the person entitled to it by transmission) which is forfeited shall:
 - (i) on its forfeiture cease to be a member (or a person entitled) in respect of it;
 - (ii) if the share was a certificated share, surrender to the Company for cancellation the certificate for the share;
 - (iii) remain liable to pay to the Company all monies payable in respect of the share at the time of forfeiture, with interest from such time of forfeiture until the time of payment, in the same manner in all respects as if the share had not been forfeited; and

- (iv) remain liable to satisfy all (if any) claims and demands which the Company might have enforced in respect of the share at the time of forfeiture without any deduction or allowance for the value of the share at the time of forfeiture or for any consideration received on its disposal.

30. Disposal of forfeited share

- (A) Subject to the Act, a forfeited share may, within the period of three years from the forfeiture, be sold, re-allotted or otherwise disposed of, on such terms and in such manner as the Board may decide, either to the person who was before the forfeiture the holder or to any other person. If within such period of three years the share has not been sold, re-allotted or otherwise disposed of, the Board shall at the end of such period of three years cancel the share and shall diminish the amount of the authorised and issued share capital of the share so cancelled. Where for the purpose of its disposal a forfeited share is to be transferred to any transferee, the Board may:
- (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of their holder to the purchaser or as the purchaser may direct; and
- (ii) in the case of uncertificated shares, exercise any power conferred on it by Article 16(I) (**uncertificated shares**) to effect a transfer of the shares.
- (B) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (A) of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

31. Proof of forfeiture

A statutory declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it against all persons claiming to be entitled to the share. The declaration shall (subject to the execution of any necessary instrument of transfer) constitute good title to the share. The person to whom the share is disposed of shall not be bound to see to the application of the consideration (if any) given for it on such disposal. His title to the share will not be affected by any irregularity in, or invalidity of, the proceedings connected with the forfeiture or disposal.

UNTRACED MEMBERS

32. Sale of shares

- (A) The Company may sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if:

- (i) during the period of twelve years prior to the date of the publication of the advertisements referred to in this paragraph (A) (or, if published on different dates, the earlier or earliest of them):
 - (a) no cheque, warrant or money order in respect of such share sent by or on behalf of the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share, at his address in the Register of Members or other address last known to the Company, has been cashed; and
 - (b) no cash dividend payable on the shares has been satisfied by the transfer of funds to a bank account of the member (or person entitled by transmission to the share) or by transfer of funds by means of the Uncertificated System,and the Company has received no communication (whether in writing or otherwise) in respect of such share from such member or person, provided that during such twelve year period the Company has paid at least three cash dividends (whether interim or final) in respect of shares of the class in question and no such dividend has been claimed by the person entitled to such share;
 - (ii) on or after the expiry of such twelve year period the Company has given notice of its intention to sell such share by advertisements in a national newspaper published in England and in a newspaper circulating in the area in which the address in the Register of Members or other last known address of the member or the person entitled by transmission to the share or the address for the service of notices on such member or person notified to the Company in accordance with these Articles is located;
 - (iii) such advertisements, if not published on the same day, are published within thirty days of each other;
 - (iv) during a further period of three months following the date of publication of such advertisements (or, if published on different dates, the date on which the requirements of this paragraph (A) concerning the publication of newspaper advertisements are met) and prior to the sale the Company has not received any communication (whether in writing or otherwise) in respect of such share from the member or person entitled by transmission; and
 - (v) the Company has informed the UKLA of its intention to make such sale, if shares of the class concerned are listed on the Official List of the UKLA.
- (B) If during such twelve year period, or during any subsequent period ending on the date when all the requirements of paragraph (A) of this Article have been met in respect of any shares, any additional shares have been issued in respect of those held at the beginning of, or previously so issued during, any such subsequent period and all the requirements of paragraph (A) of this Article have been satisfied with regard to such additional shares, the Company may also sell the additional shares.

- (C) To give effect to a sale pursuant to paragraph (A) or paragraph (B) of this Article, the Board may:
- (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of the holder of, or the person entitled by transmission to, them to the purchaser or as the purchaser may direct; and
 - (ii) in the case of uncertificated shares, exercise any power conferred on it by Article 16(I) (**uncertificated shares**) to effect a transfer of the shares.
- (D) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (C) of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

33. Application of sale proceeds

The Company shall account to the member or other person entitled to such share for the net proceeds of such sale by carrying all monies in respect of the sale to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such monies. Monies carried to such separate account may either be employed in the business of the Company or invested as the Board may think fit. No interest shall be payable to such member or other person in respect of such monies and the Company shall not be required to account for any money earned on them.

TRANSFER OF SHARES

34. Form of transfer

- (A) Subject to these Articles, a member may transfer all or any of his shares:
- (i) in the case of certificated shares, by an instrument of transfer in writing in any usual form or in another form approved by the Board, which must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee; or
 - (ii) in the case of uncertificated shares, in accordance with the Uncertificated Securities Regulations.
- (B) The transferor shall remain the holder of the share transferred until the name of the transferee is entered in the Register of Members in respect of it.

35. Registration of a certificated share transfer

- (A) Subject to these Articles, the Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:
- (i) in respect of a share which is fully paid up as to the nominal value and any premium;
 - (ii) in respect of a share on which the Company has no lien;
 - (iii) in respect of only one class of shares;
 - (iv) in favour of a single transferee or renouncee or not more than four joint transferees or renouncees;
 - (v) duly stamped (if required); and
 - (vi) delivered for registration to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer of a share, for which a certificate has not been issued, by a person in respect of whom the Company is not required by the Act to complete and have ready for delivery a share certificate, and except in the case of a renunciation) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so,
- provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares listed on the Official List of the UKLA on the ground that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.
- (B) If the Board refuses to register a transfer or renunciation pursuant to this Article, it shall, within two months after the date on which the transfer or renunciation was delivered to the Company, send notice of the refusal to the transferee or renouncee. An instrument of transfer or renunciation which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person delivering it. All instruments of transfer which are registered may be retained by the Company.

36. Registration of an uncertificated share transfer

- (A) The transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in uncertificated form shall only be registered in accordance with the Uncertificated Securities Regulations. No such transfer or renunciation which is in favour of more than four persons jointly shall be registered unless the Board otherwise resolves.

- (B) If any such transfer or renunciation is not registered pursuant to the Uncertificated Securities Regulations or these Articles the Company shall, within two months after the date on which the instruction relating to such transfer or renunciation was received by the Company, send notice of the refusal to the transferee or renouncee.

37. Renunciation of allotments

The Board may, at its discretion, recognise and give effect to a renunciation of the allotment of any share by the allottee in favour of some other person.

38. No fee on registration

No fee shall be charged for the registration of a transfer of a share or the renunciation of a renounceable letter of allotment or other document relating to or affecting the title to any share.

39. Closing of Register of Members

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods, not exceeding thirty days in any year, as the Board may decide (subject to the Uncertificated Securities Regulations in the case of any shares of a class which is a Participating Security).

TRANSMISSION OF SHARES

40. On death

If a member dies, the survivors or survivor where he was a joint holder, or his personal representatives where he was the sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares. Nothing in these Articles shall release the estate of a deceased holder from any liability in respect of a share which has been held by him solely or jointly.

41. Election of person entitled by transmission

- (A) A person becoming entitled to a share in consequence of the death or bankruptcy of a member, or of any other event giving rise to a transmission of such entitlement by operation of law, may, on such evidence as to his title being produced as the Board may require, elect either to become registered as the holder of such share or to have some person nominated by him so registered. If he elects to be registered himself, he shall give notice to the Company to that effect. If he elects to have some other person registered, he shall:

- (i) in the case of a certificated share, execute an instrument of transfer of such share to such person; and
- (ii) in the case of an uncertificated share, either:

- (a) procure that all appropriate instructions are given by means of the Uncertificated System to effect the transfer of such share to such person; or
 - (b) change the uncertificated share to certificated form and then execute an instrument of transfer of such share to such person.
- (B) All the provisions of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer or instructions (as the case may be) referred to at paragraph (A) of this Article as if the notice were an instrument of transfer and as if the instrument of transfer were executed, or the instructions were given, by the member and the event giving rise to the transmission had not occurred.
- (C) The Board may give notice requiring a person to make the election referred to in paragraph (A) of this Article. If such notice is not complied with within sixty days, the Board may withhold payment of all dividends and other amounts payable in respect of the share until the election has been made.

42. Rights on transmission

A person becoming entitled by transmission to a share shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as its holder, be entitled in respect of it to receive notice of, or to attend or vote at, any general meeting, any separate meeting of the holders of any class of shares or any adjourned meeting.

GENERAL MEETINGS

43. Annual and extraordinary general meetings

- (A) The Company shall hold annual general meetings, which shall be convened by the Board, in accordance with the Act.
- (B) All general meetings other than annual general meetings shall be called extraordinary general meetings.

44. Convening of extraordinary general meetings

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the Act and no business shall be transacted at such meeting except that stated by the requisition or proposed by the Board. If there are not within the United Kingdom sufficient Directors to convene a general meeting, any Director may convene a general meeting.

45. Notice of general meetings

- (A) An annual general meeting, and an extraordinary general meeting convened for the passing of a special resolution, shall be convened by not less than twenty one clear

days' notice. All other extraordinary general meetings shall be convened by not less than fourteen clear days' notice.

- (B) Subject to the Act and notwithstanding that it is convened by shorter notice than that specified in paragraph (A) of this Article, a general meeting shall be deemed to have been duly convened if it is so agreed:
- (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
 - (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (C) The notice of meeting shall specify:
- (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
 - (ii) the place, the day and the time of the meeting;
 - (iii) subject to the requirements (where applicable) of the Listing Rules and the rules of the London Stock Exchange, the general nature of the business to be transacted;
 - (iv) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such; and
 - (v) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.
- (D) The notice of meeting:
- (i) shall be given to the members (other than a member who, under these Articles or any restrictions imposed on any shares, is not entitled to receive notice from the Company), to the Directors and to the Auditors; and
 - (ii) may specify a time by which a person must be entered on the Register of Members in order for such person to have the right to attend or vote at the meeting (subject to the Uncertificated Securities Regulations, if the Company is then a participating issuer for the purpose of the Uncertificated Securities Regulations).
- (E) The accidental omission to send or give a notice of meeting or, in cases where it is intended that it be sent out or given or served with the notice, an instrument of proxy or

any other document to, or the non-receipt of any such item by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

46. Quorum for general meeting

No business shall be transacted at a general meeting unless a quorum is present. Two persons entitled to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum. The absence of a quorum will not prevent the appointment of a chairman of the meeting. Such appointment shall not be treated as being part of the business of the meeting.

47. Procedure if quorum not present

- (A) If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the holding of the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting:
- (i) if convened on the requisition of members, shall be dissolved; and
 - (ii) in any other case shall stand adjourned to the same day in the next week or to such other day and at such other time and place as the chairman (or, in default, the Board) may decide.
- (B) If at such adjourned meeting a quorum is not present within five minutes after the time appointed for holding it one person entitled to vote on the business to be transacted, being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

48. Chairman of general meeting

The chairman (if any) of the Board or, in his absence, the deputy chairman (if any) shall preside as chairman at a general meeting. If there is no chairman or deputy chairman, or if at a meeting neither is present within five minutes after the time appointed for the start of the meeting, or neither is willing to act, the Directors present shall select one of their number to be chairman of the meeting. If only one Director is present and willing to act, he shall be chairman of the meeting. In default, the members present in person and entitled to vote shall choose one of their number to be chairman of the meeting.

49. Rights of Directors and others to attend meetings

A Director (and any other person invited by the chairman of the meeting to do so) shall be entitled to attend and speak at a general meeting, at a separate meeting of the holders of any class of shares and at an adjourned meeting, whether or not he is a member.

50. Accommodation of members at meeting

If it appears to the chairman of the meeting that the meeting place specified in the notice convening the meeting, or appointed for the holding of an adjourned meeting, is inadequate to accommodate all members, proxies and representatives of corporations which are members who are entitled and wish to attend, the meeting will be duly constituted and its proceedings valid if the chairman is satisfied that adequate facilities are available to ensure that all such persons who are unable to be accommodated are able (whether at the meeting place or elsewhere):

- (i) to participate in the business for which the meeting has been convened;
- (ii) to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise); and
- (iii) to be heard and seen by all other persons present in the same way.

51. Security

In addition to any measures which the Board may be required to take due to the location or venue of the meeting, or adjourned meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and the imposing of restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to, or eject from, a meeting a person who refuses to comply with any such arrangements or restrictions.

52. Power to adjourn

- (A) The chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place.
- (B) Without prejudice to any other power of adjournment which the chairman of the meeting may have under these Articles, at common law or otherwise, the chairman may, without the consent of the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place if he decides that it is necessary or appropriate to do so in order to:
 - (i) secure the proper and orderly conduct of the meeting; or
 - (ii) give all persons entitled to do so an opportunity of attending the meeting; or
 - (iii) give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting; or
 - (iv) ensure that the business of the meeting is properly concluded or disposed of, including (without limitation) for the purpose of determining the result of a poll.

53. Notice of adjourned meeting

Whenever a meeting is adjourned for thirty days or more or indefinitely, at least seven clear days' notice, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, shall be given in the same manner as in the case of an original meeting. Except in these circumstances, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting.

54. Business of adjourned meeting

No business shall be transacted at any adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

VOTING

55. Voting at a general meeting

- (A) At a general meeting, or an adjourned meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is demanded by:
- (i) the chairman of the meeting; or
 - (ii) at least three members having the right to vote at the meeting; or
 - (iii) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (iv) a member or members holding shares conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (B) Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the minutes of the meeting, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- (C) A demand for a poll may be withdrawn before the poll is taken, but only with the consent of the chairman of the meeting. A demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

56. Poll procedure

- (A) No poll shall be demanded on the election of a chairman of a meeting or (except by, or with the consent of, the chairman of the meeting) on any question of adjournment. A poll duly demanded on a question of adjournment shall be taken forthwith and a poll on any other matter shall be taken either forthwith or at such time and place, not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman shall direct. The chairman may direct the manner in which a poll shall be taken and may appoint scrutineers, who need not be members. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken. The result of the poll shall be deemed to be the resolution of the meeting, or adjourned meeting, at which the poll was demanded.
- (B) The demand for a poll, except on a question of adjournment, shall not prevent the continuance of the meeting, or adjourned meeting, for the transaction of any business other than the question on which a poll has been demanded.
- (C) On a poll votes may be given in person or by proxy. A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

57. Votes of members

- (A) Subject to any rights or restrictions attaching to any shares:
 - (i) on a show of hands every member who is entitled to vote on the relevant matter and who (being an individual) is present by proxy or in person or (being a corporation) is present by proxy or by a duly authorised representative who is not himself a member entitled to vote shall have one vote; and
 - (ii) on a poll every member who is entitled to vote on the relevant matter shall have one vote for every share of which he is the holder.
- (B) On a show of hands, where a person is entitled to vote in more than one capacity, that person is entitled only to one vote.
- (C) In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the holders stand in the Register of Members in respect of the joint holding.
- (D) In the case of a member in respect of whom an order has been made by any court or official having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder or incapacity votes may be cast, on a show of hands or on a poll, by his guardian or other person duly authorised to act on his behalf and who may vote on a poll by proxy. Evidence to the satisfaction of the Board of the authority of the

person claiming the right to vote shall be deposited at the Registered Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised, and in default the right to vote shall not be exercisable.

58. Chairman's casting vote

In the case of an equality of votes, either on a show of hands or on a poll, the chairman of the meeting shall be entitled to a further or casting vote in addition to any other vote he may have or be entitled to exercise.

59. Voting restrictions on an outstanding call

Unless the Board decides otherwise, no member shall be entitled to be present or vote at any meeting either personally or by proxy until he has paid all calls due and payable on every share held by him whether alone or jointly with any other person, together with interest and expenses (if any) to the Company.

60. Proxy appointment

- (A) The appointment of a proxy shall be in writing (or, if so decided by the Board, may be contained in an electronic communication) and in any usual form or in any other form which the Board may approve and, in the case of an instrument in writing, shall be executed by or on behalf of the appointor. In the case of an instrument in writing, a corporation may execute a form of proxy either under its common seal (or in any other manner permitted by law and having the same effect as if executed under seal) or under the hand of a duly authorised officer, attorney or other person. A member may appoint more than one proxy to attend on the same occasion, but only one proxy may be appointed in respect of any one share. The appointment of a proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A form of proxy shall, unless it provides to the contrary, be valid for any adjournment of the meeting to which it relates.
- (B) The appointment of a proxy and any authority under which the instrument is executed or a copy of the authority certified notarially or in some other way approved by the Board) may:
 - (i) in the case of an instrument in writing be deposited at the Registered Office or at such other place in the United Kingdom as is specified in the notice convening the meeting, or in any instrument of proxy sent out by the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting, or adjourned meeting, at which the person named in the instrument proposes to vote; or
 - (ii) in the case of an appointment contained in an electronic communication (subject further to Articles 60(F) and 60(G) below), where an electronic address has been specified for the purpose of receiving electronic communications:

- (a) in the notice convening the meeting; or
- (b) in any instrument of proxy sent out by the Company in relation to the meeting; or
- (c) in any invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting

be received at such electronic address not less than 48 hours before the time for holding the meeting, or adjourned meeting, at which the person named in the appointment proposes to vote;

- (iii) in the case of a poll taken more than 48 hours after it was demanded, be deposited or received at the place or electronic address referred to in paragraph (B)(i) or (ii) (as appropriate) of this Article after the poll has been demanded and not less than 24 hours before the time appointed for taking the poll; or
- (iv) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting, or adjourned meeting, to the chairman of the meeting, the Secretary or any Director, prior to the commencement of the poll

and an appointment of proxy which is not deposited, delivered or received in a manner so permitted shall be invalid (unless the Board, in its absolute discretion in relation to any such appointment, waives any such requirement and decides to treat such appointment as valid). The appointment of a proxy will not be valid after twelve months from its date or the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or at an adjourned meeting in cases where the meeting was originally held within twelve months from such date.

- (C) When two or more valid but differing appointments of proxy are delivered or received in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share.
- (D) An appointment of a proxy shall be deemed (unless the contrary is stated in it) to confer authority to demand or join in demanding a poll and to vote on a resolution or a motion or an amendment of a resolution put to, or other business which may properly come before, the meeting or meetings for which it is given or any adjournment of any such meeting, as the proxy thinks fit. Such appointment shall not confer any further right to speak at the meeting, or adjourned meeting, except with the permission of the chairman of the meeting.
- (E) The Board may at the expense of the Company send forms of appointment of proxy to the members by post, by electronic communication or otherwise (with or without

provision for their return by pre-paid post) for use at any general meeting, at any separate meeting of the holders of any class of shares, at any adjourned meeting or on any poll, either in blank or nominating as proxy any one or more of the Directors or any other person. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the Company's expense, they shall be issued to all (and not to some only) of the members entitled to be sent notice of such meeting and to vote at it. The accidental omission to send such a form of appointment or to give such an invitation to, or the non-receipt of such form of appointment by, any member entitled to attend and vote at a meeting, or adjourned meeting, shall not invalidate the proceedings at that meeting.

- (F) Any appointment of a proxy contained in an electronic communication sent to an electronic address specified by the Company pursuant to paragraph (B)(ii) of this Article shall be deemed to be received by the Company when it is actually received at such electronic address (regardless of whether or not it appears to the sender to have been received).
- (G) Any instrument appointing a proxy may be delivered by facsimile transmitted to an electronic address (if any) specified by the Company pursuant to paragraph (B)(ii) of this Article, provided that:
 - (i) the chairman of the meeting or the Secretary or any other person authorised by the Board determines in his sole discretion (such determination to be conclusive) that such facsimile has been transmitted in an acceptable manner (including that the copy of the original instrument of proxy contained in the facsimile is complete and is legible); and
 - (ii) (in the event that the Board so resolves) the original instrument of proxy (of which the facsimile is a copy) is delivered to the place (but not electronic address) or person identified in paragraphs (B) (i), (iii) or (iv) (as applicable) of this Article by not later than one hour before the time appointed for the holding of the meeting or adjourned meeting or for the taking of the poll (as applicable).

61. Termination of proxy or corporate authority

A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous termination of the authority of the person voting or demanding a poll, unless notice of the termination was received by the Company at the Registered Office, or at such other place at which the instrument of proxy was duly deposited, or, where the appointment of proxy was contained in an electronic communication (and that form of communication had been approved by the Board), was actually received (regardless of whether or not it appears to the sender to have been received) at the electronic address at which such appointment was duly received, at least one hour before the time appointed for the holding of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) at least one hour before the time appointed for taking the poll.

62. Corporate representatives

A corporation which is a member may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any separate meeting of the holders of any class of shares or at any adjourned meeting. Any person so authorised shall be entitled to exercise the same powers on behalf of the corporation (in respect of that part of the corporation's holdings to which the authority relates) as the corporation could exercise if it were an individual member. The corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present at it. All references in these Articles to attendance and voting in person shall be construed accordingly. A Director, the Secretary or some other person authorised for the purpose by the Secretary may require the representative to produce a certified copy of the resolution so authorising him or such other evidence of his authority reasonably satisfactory to such person before permitting him to exercise his powers.

63. Amendment to resolutions

- (A) If an amendment shall be proposed to any resolution but shall in good faith be ruled out of order by the chairman of the meeting, any error in such ruling shall not invalidate the proceedings on the substantive resolution.
- (B) In the case of a resolution duly proposed as a special or extraordinary resolution, no amendment to it (other than a mere clerical amendment to correct a manifest error in the notice relating to it) may be considered or voted on. In the case of a resolution duly proposed as an ordinary resolution, no amendment to it (other than such a mere clerical amendment) may be considered or voted on unless, either at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed, notice in writing of the terms of the amendment and intention to move it has been lodged at the Registered Office or the amendment has been recommended by the Board.

64. Objection to error in voting

No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any such objection or error shall be referred to the chairman of the meeting, who shall not be obliged to take it into account unless he considers it to be of sufficient magnitude to affect the decision of the meeting. The chairman's decision on such matters shall be final and binding on all concerned.

FAILURE TO DISCLOSE INTERESTS IN SHARES

65. Failure to disclose interests in shares

(A) For the purpose of this Article:

- (i) **“Exempt Transfer”** means, in relation to shares held by a member:
 - (a) a transfer pursuant to acceptance of a takeover offer (as defined in section 428 of the Act) for the Company or in relation to any of its shares;
 - (b) a transfer in consequence of a sale made through the London Stock Exchange or any stock exchange selected by the Company outside the United Kingdom on which any shares are normally traded; or
 - (c) a transfer which is shown to the satisfaction of the Board to be made in consequence of a sale in good faith of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares;
- (ii) **“interested”** is construed as it is for the purpose of section 212 of the Act;
- (iii) a person, other than the member holding a share, shall be treated as appearing to be interested in such share if the member has informed the Company that the person is or may be so interested, or if the Company (after taking account of information obtained from the member or, pursuant to a section 212 notice, from anyone else) knows or has reasonable cause to believe that the person is or may be so interested;
- (iv) reference to a person having failed to give to the Company information required by a section 212 notice, or being in default of supplying such information, includes references to his having:
 - (a) failed or refused to give all or any part of such information; and
 - (b) given information which he knows to be false in a material particular or recklessly given information which is false in a material particular; and
- (v) **“transfer”** means a transfer of a share or (where applicable) a renunciation of a renounceable letter of allotment or other renounceable document of title relating to a share.

(B) Where notice is given by the Company under section 212 of the Act (a **“section 212 notice”**) to a member, or another person appearing to be interested in shares held by such member, and the member or other person has failed in relation to any shares(**“Default Shares”** , which expression applies also to any shares issued after the date of the section 212 notice in respect of those shares and to any other shares registered in the name of such member at any time whilst the default subsists) to give the Company the information required within fourteen days after the date of service of the section 212

notice (and whether or not the section 212 notice specified a different period), unless the Board in its absolute discretion otherwise decides:

- (i) the member is not entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or at an adjourned meeting or on a poll, or to exercise other rights conferred by membership in relation to any such meeting or poll; and
 - (ii) where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:
 - (a) a dividend (or any part of a dividend) payable in respect of the Default Shares (except on a winding up of the Company) may be withheld by the Company, which shall have no obligation to pay interest on such dividend;
 - (b) the member shall not be entitled to elect, pursuant to Article 130 (**scrip dividends**) or otherwise, to receive shares instead of a dividend; and
 - (c) the Board may, in its absolute discretion, refuse to register the transfer of any Default Shares (subject, in the case of any uncertificated shares, to the Uncertificated Securities Regulations) unless:
 - (1) the transfer is an Exempt Transfer; or
 - (2) the member is not himself in default in supplying the information required and proves to the satisfaction of the Board that no person in default of supplying the information required is interested in any of the shares which are the subject of the transfer.
- (C) The sanctions under paragraph (B) of this Article shall cease to apply seven days after the earlier of:
- (i) receipt by the Company of notice of an Exempt Transfer, but only in relation to the shares transferred; and
 - (ii) receipt by the Company, in a form satisfactory to the Board, of all the information required by the section 212 notice.
- (D) The Board may:
- (i) give notice in writing to any member holding Default Shares in uncertificated form requiring the member:
 - (a) to change his holding of such shares from uncertificated form into certificated form within a specified period; and
 - (b) then to hold such Default Shares in certificated form for so long as the default subsists; and

- (ii) appoint any person to take any steps, by instruction, by means of the Uncertificated System or otherwise, in the name of any holder of Default Shares as may be required to change such shares from uncertificated form into certificated form (and such steps shall be effective as if they had been taken by such holder).
- (E) Any notice referred to in this Article may be served by the Company upon the addressee either personally or by sending it through the post in a pre-paid letter addressed to the addressee at his usual or last known address.
- (F) Nothing herein contained shall prejudice or affect the right of the Company to apply to the court for an order under Section 216 of the Act notwithstanding that any notification under Section 212 of the Act on which such application is based required information on shorter notice than may be prescribed for any purpose by this Article.
- (G) The provisions of this Article are in addition and without prejudice to the provisions of the Act and the Uncertificated Securities Regulations.

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

66. Number of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors shall be not less than three and there shall be no maximum number.

67. Share qualification

The shareholding qualification for Directors may be fixed by the Company in general meeting, and unless and until so fixed no qualification shall be required. A Director may act before obtaining his qualification, but if not already qualified he shall obtain his qualification within two months from the date of his appointment.

68. Company's power to appoint Directors

- (A) Subject to these Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Directors, subject to the total number of Directors not exceeding any maximum number fixed in accordance with these Articles.
- (B) A resolution for the appointment of two or more persons as Directors by a single resolution at a general meeting, or adjourned meeting, shall be void unless a resolution that the resolution for appointment be proposed in such way has first been agreed to by the meeting without any vote being given against it.

69. Board's power to appoint Directors

- (A) Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is

willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed in accordance with these Articles.

- (B) Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his appointment and shall, subject to Articles 75 and 77 if applicable, be eligible to stand for election as a Director at such meeting.

70. Appointment of executive Directors

Subject to the Act, the Board may appoint one or more of its members to an executive office or other position of employment with the Company for such term (subject to the Act) and on any other conditions the Board thinks fit. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to a claim for damages for breach of contract between the Director and the Company.

71. Eligibility of new Directors

No person, other than a Director retiring (by rotation or otherwise), shall be appointed or re-appointed a Director at any general meeting, or adjourned meeting, unless:

- (i) he is recommended for appointment by the Board; or
- (ii) not less than six nor more than forty-two days (inclusive, in each case, of the date on which the notice is given) before the date appointed for the meeting, or adjourned meeting, a notice executed by a member (other than the person to be proposed) qualified to vote at such meeting has been given to the Company at the Registered Office of the intention to propose such person for appointment or re-appointment, accompanied by a notice executed by that person of his willingness to be appointed or re-appointed and stating the information which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors and, if applicable, be required under the Listing Rules to be notified to the Company Announcements Office (or such other place or person as the Listing Rules may specify) and/or that there is no, or no other, such information.

72. President and Vice President

The Board shall have power from time to time to appoint and remove any person as President or Vice President of the Company and may determine his duties and the period for which he is to hold office and may pay to such a person such remuneration as the Board may determine. A President or Vice President may if the Board so resolves attend and speak at meetings of the Directors but shall not be entitled to vote unless the person so appointed is also a Director of the Company.

73. Rotational retirement at annual general meeting

- (A) Each Director is subject to retirement by rotation in accordance with these Articles.

- (B) At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year and who is not required to retire under Article 75 (**Age Limit**) shall retire by rotation and shall, subject to Article 77, be eligible to stand for re-election as a Director at such meeting.

74. Position of retiring Director

- (A) Subject to Article 75, a Director who retires at an annual general meeting (whether by rotation or otherwise) and is not re-appointed or deemed to have been re-appointed, shall retain office until the end of the meeting or, if earlier, when a resolution is passed at the meeting not to fill the vacancy or to appoint another person in his place or a resolution to re-appoint him is put to the meeting and lost .
- (B) Subject to Article 75, at any general meeting, or adjourned meeting, at which a Director retires in accordance with these Articles the Company may fill the vacancy and, if it does not do so, the retiring Director shall, if willing, be deemed to have been re-appointed unless it is expressly resolved not to fill the vacancy or a resolution for the re-appointment of the Director is put to the meeting and lost or such Director has attained any retiring age applicable to him as Director pursuant to these Articles.

75. Age limit

- (A) A Director who attains the age of 70 shall vacate his office at the conclusion of the annual general meeting commencing next after he attains such age.
- (B) A person who has attained the age of 70 may be appointed or re-appointed as a Director provided that such appointment or re-appointment is made or approved by ordinary resolution of the Company. The notice of the resolution given by the Company to the members shall state, or be accompanied by a statement of, the age of the person to whom it relates. Such a person so appointed or re-appointed shall hold office only until the conclusion of the next annual general meeting of the Company unless re-appointed at such meeting in the manner prescribed by this Article. The provisions of section 293 of the Act shall not apply to the Company.
- (C) Where a person retires under paragraph (A) or (B) of this Article, no provision for the automatic re-appointment of retiring directors in default of the appointment of another applies.

76. Removal by ordinary resolution

The Company may, subject to the provisions of the Act, by ordinary resolution:

- (i) remove any Director from office notwithstanding any provision of these Articles or of any contract between the Company and such Director (but without prejudice to any claim he may have for damages for breach of any such contract); and

- (ii) appoint another person who is willing to act to be a Director in his place (subject to these Articles).

77. Vacation of Director's office

- (A) Without prejudice to the provisions in these Articles for retirement (by rotation or otherwise) the office of a Director shall be vacated if:
 - (i) he resigns by notice in writing under his hand delivered to the Registered Office or tendered at a Board meeting but so that this shall not apply in the case of a Director who holds executive office under contractual terms which provide for the giving of notice by him and which are not complied with by the notice;
 - (ii) he tenders his resignation at a Board meeting and the other Directors resolve to accept the same;
 - (iii) he only held office as a Director for a fixed term and such term expires without his office being renewed;
 - (iv) he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to these Articles or the Act or becomes prohibited by law from being a Director;
 - (v) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally (including by way of an arrangement under Part VIII of the Insolvency Act 1986) or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
 - (vi) an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;
 - (vii) he is absent, without permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director attends in his place) and the Board resolves that his office be vacated;
 - (viii) he is removed from office by notice in writing addressed to him at his address as shown in the Company's register of directors and signed by all the other Directors (but so that such removal shall be without prejudice to any claim for damages which he may have for breach of contract against the Company);
 - (ix) in the case of a Director who holds executive office, his appointment to such office is terminated or expires and the Board resolves that his office be vacated; or

- (x) in the case of a Director who is an employee of the Company, he ceases to be employed by the Company for any reason, other than in circumstances where the Board resolves that a Director who holds executive office continue in office as a director of the Company in a non-executive capacity.
- (B) A resolution of the Board declaring a Director to have vacated office pursuant to this Article shall be conclusive as to the fact and grounds of vacation stated in the resolution.

ALTERNATE DIRECTORS

78. Appointment

- (A) A Director (other than an alternate Director) may appoint any other Director or any person approved for that purpose by the Board and willing to act, to be his alternate. Any such appointment shall be made by notice in writing delivered to the Secretary at the Registered Office or, if the Board has approved that form of communication for such purpose, given by electronic communication from an electronic address given to the Company in writing by a Director for such purpose, or in any other manner approved by the Board.
- (B) The appointment of an alternate Director who is not already a Director shall:
 - (i) require the approval of a majority of the Directors consisting of not less than two-thirds of all the Directors; and
 - (ii) not be effective until his consent to act as an alternate Director in such form as the Board decides has been received at the Registered Office.
- (C) An alternate Director need not hold a share qualification and shall not be counted in reckoning any maximum or minimum number of Directors allowed by these Articles.

79. Responsibility

Every person acting as an alternate Director shall be an officer of the Company, shall alone be responsible to the Company for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

80. Participation at Board meetings

An alternate Director shall (subject to his giving to the Company an address within the United Kingdom at which notices may be served on him) be entitled to receive notice of all meetings of the Board and all committees of the Board of which his appointor is a member and, in the absence from such meetings of his appointor, to attend and vote at such meetings and to exercise all the powers, rights, duties and authorities of his appointor (other than the power to appoint an alternate Director). A Director acting as alternate Director shall have a separate vote at Board meetings for each Director for whom he acts as alternate Director, but he shall count as only one for the purpose of determining whether a quorum is present.

81. Interests

An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified in the same way and to the same extent as a Director. However, he shall not be entitled to receive from the Company any fees for his services as alternate, except only such part (if any) of the fee payable to his appointor as such appointor may by notice in writing to the Company direct. Subject to this Article, the Company shall pay to an alternate Director such expenses as might properly have been paid to him if he had been a Director.

82. Termination of appointment

An alternate Director shall cease to be an alternate Director:

- (i) if his appointor revokes his appointment by notice delivered to the Secretary at the Registered Office or in any other manner approved by the Board; or
- (ii) if his appointor ceases for any reason to be a Director, provided that if any Director retires but is re-appointed or deemed to be re-appointed at the same meeting, any valid appointment of the alternate Director which was in force immediately before his retirement shall remain in force; or
- (iii) if any event happens in relation to him which, if he were a Director, would cause his office as Director to be vacated.

BOARD POWERS

83. Board powers

Subject to the Act, the Company's memorandum of association and these Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not. No alteration of the memorandum of association or of these Articles nor any such direction shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. The provisions in these Articles giving specific powers to the Board shall not limit the general powers given by this Article.

84. Directors below the minimum number

If the number of Directors is less than the minimum prescribed in accordance with these Articles, the remaining Director or Directors shall act only for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there are no Director or Directors able or willing to act, any two members may summon a general meeting for the purpose of appointing Directors. Any additional Director so appointed

shall hold office (subject to these Articles) only until the dissolution of the annual general meeting next following such appointment unless he is re-elected during such meeting.

85. Delegation to executive Directors

The Board may delegate to a Director holding executive office any of its powers, authorities and discretions for such time and on such terms and conditions as it shall think fit. The Board may grant to a Director the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director. The Board may at any time revoke the delegation or alter its terms and conditions.

86. Delegation to committees

- (A) The Board may delegate any of its powers, authorities and discretions, for such time and on such terms and conditions as it shall think fit, to a committee consisting of one or more Directors and (if thought fit) one or more other persons. The Board may grant to the committee the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the committee. The Board may at any time revoke the delegation or alter its terms and conditions or discharge the committee in whole or in part. Where a provision of the Articles refers to the exercise of a power, authority or discretion by the Board and that power, authority or discretion has been delegated by the Board to a committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.
- (B) The Board's power under these Articles to delegate to a committee:
- (i) includes (without limitation) the power to delegate the determination of any fee, remuneration or other benefit to be paid or provided to any Director; and
 - (ii) is not limited by the fact that in some Articles but not others express reference is made to particular powers being exercised by the Board or by a committee.

87. Registered office

The Registered Office shall be at such place in England as the Board shall from time to time appoint.

88. Local management

The Board may establish local or divisional boards, agencies or branch offices for managing the affairs of the Company in a specified locality, either in the United Kingdom or elsewhere, and may appoint persons to be members of a local or divisional board, agency or branch office and may fix their remuneration. The Board may delegate to a local or divisional board, agency or branch office any of its powers, authorities and discretions for such time and on such terms and conditions as it thinks fit. The Board may grant to such local or divisional board, agency or branch office the power to sub-

delegate, may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the local or divisional board, agency or branch office and may authorise the members of a local or divisional board, agency or branch (or any of them) to fill a vacancy or to act despite a vacancy. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation. Subject to the terms and conditions imposed by the Board, the proceedings of a local or divisional board, agency or branch office with two or more members are governed by those Articles that regulate the proceedings of the Board, so far as applicable.

89. Delegation to agents

The Board may, by power of attorney or otherwise, appoint a person to be the agent of the Company and may delegate to such person any of its powers, authorities and discretions for such purposes, for such time and on such terms and conditions (including as to remuneration) as it thinks fit. The Board may grant the power to sub-delegate and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the agent. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation.

90. Exercise of voting power

The Board may exercise or cause to be exercised the voting power conferred by shares in any other body corporate held or owned by the Company and any power of appointment able to be exercised by the Company, in any manner it thinks fit (including, without limitation, the exercise of the voting power or power of appointment in favour of the appointment of any Director as a director or other officer or employee of such company or in favour of the payment of remuneration to the directors, officers or employees of such company).

91. Provision for employees

The Directors are authorised to exercise (by resolution of the Directors) the power conferred upon the Company by subsection (1) of Section 719 of the Act to make provision out of the profits of the Company available for dividend, for the benefit of any persons employed or formerly employed by the Company or any of its subsidiaries, being provision in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

92. Overseas registers

Subject to the Act and the Uncertificated Securities Regulations, the Board may exercise the powers conferred on the Company with regard to the keeping of an overseas branch, local or other register in relation to members and may make and vary such regulations as it thinks fit concerning the keeping of any such register.

93. Associate directors

The Board may appoint any person (not being a Director) to any office or employment having a designation or title including the word “director” or attach to any existing office or employment with the Company such designation or title and may terminate any such appointment or the use of such designation or title. The inclusion of the word “director” in the designation or title of any such office or employment shall not imply that such person is, or is deemed to be, or is empowered in any respect to act as, a Director for any of the purposes of the Act or these Articles.

94. Borrowing powers

- (A) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and, subject to these Articles, to issue debentures and other securities. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the aggregate principal amount outstanding of all Monies Borrowed by the Group (excluding intra-Group borrowings) then exceeds or would as a result of such borrowing exceed an amount equal to twice the aggregate of the Adjusted Share Capital and Consolidated Reserves.
- (B) For the purposes of this Article the Group means the Company and its subsidiaries for the time being.
- (C) In this Article, “**Adjusted Share Capital and Consolidated Reserves**” means the aggregate as certified by the Auditors of:
- (i) the amount paid up on the issued share capital of the Company; and
 - (ii) the amount standing to the credit of the reserves of the Company and its subsidiaries including, without limitation, share premium account and capital redemption reserve and plus or minus (as the case may be) the credit or debit balance on profit and loss account

all as shown by the latest audited and consolidated balance sheet of the Company and its subsidiaries but after:

- (iii) adjusting for any variation in such paid up share capital and reserves and any variation in interest in subsidiaries since the date of the latest relevant audited balance sheet (for which purpose an issue or proposed issue of share capital for cash which has been underwritten shall be deemed paid up (as to nominal value and any premium) to the extent that the underwriters are liable therefor and that such capital will be paid up within six months from the date on which such underwriting becomes unconditional);

- (iv) deducting any amount distributed or proposed to be distributed out of the profits included therein except to the extent that such distribution is attributable to the Company or any of its subsidiaries or has been provided for in such consolidation;
 - (v) excluding amounts attributable to minority interests in subsidiaries and amounts provided for deferred taxation and amounts attributable to goodwill and any other intangible asset;
 - (vi) adding back an amount equal to the amount in respect of goodwill arising on consolidation that would have remained on such balance sheet if all goodwill arising on acquisitions by the Company or any of its subsidiaries at any time had (ignoring the fact, if applicable, that it had, in whole or in part, been written off against reserves or amortised) been carried on the balance sheet as an asset and had been amortised on a straight line basis over 20 years (or such longer period, as determined by the Board, as may be in accordance with generally accepted accounting practice in the United Kingdom); and
 - (vii) making such other adjustments (if any) as the Auditors consider appropriate.
- (D) In this Article, “**Monies Borrowed**” when used in relation to the Company and its subsidiaries shall include any fixed or minimum premium payable on final redemption or repayment but shall not include any amounts for the time being owing by any such companies to any other of them and (subject to the foregoing) shall include the following except to the extent otherwise taken into account:
- (i) the principal amount of any debentures (as defined by the Act) notwithstanding that the same may be or have been issued in whole or part for a consideration other than cash;
 - (ii) the outstanding amount of acceptances (not being acceptances for the purchase or sale of goods in the ordinary course of trading) by any bank or accepting house under any acceptance credit granted to the Company or any of its subsidiaries;
 - (iii) the nominal value of any issued share capital and the principal amount of any monies borrowed the redemption or repayment of which is wholly or partly guaranteed or secured or the subject of an indemnity given by the Company or any of its subsidiaries except in so far as the benefit of any such guarantee, security or indemnity is held by the Company or any of its subsidiaries and so that for this purpose the expression “guarantee” shall mean any undertaking whether as principal or secondary debtor to answer for the debt or default of another person;
- but shall not include:
- (iv) amounts borrowed for the purposes of redeeming or repaying within six months of first being borrowed other monies borrowed by the Company or any

subsidiary (otherwise than from the Company or any other subsidiary) pending their application for that purpose within such period; or

- (v) the proportion of the excess outside borrowings of a partly-owned subsidiary which corresponds to the proportion of its equity share capital held otherwise than by the Company or any other subsidiary and so that for this purpose the expression “excess outside borrowings” shall mean so much of the borrowings of such partly-owned subsidiary otherwise than from the Company and its other subsidiaries as exceeds the amounts if any borrowed from it by the Company and its other subsidiaries; or
- (vi) amounts borrowed by the Company or any subsidiary for the purpose of financing any contract to the extent that the price receivable under any such contract is guaranteed by the Export Credits Guarantee Department of the Department of Trade and Industry or other institution carrying on a similar business; or
- (vii) monies borrowed by a company becoming a subsidiary after the date of adoption of this Article and outstanding on the date it becomes a subsidiary but so that such non-inclusion shall only apply for a period of six months from the date of such company becoming a subsidiary; or
- (viii) amounts due in respect of any assets leased by the Company or any subsidiary including amounts due under finance leases; or
- (ix) monies borrowed by a subsidiary undertaking in its capacity as a trustee of any pension fund of any Group Undertaking.

and, in calculating Monies Borrowed, there shall be deducted:

- (x) an amount equal to the aggregate of:
 - (a) all cash in hand and cash deposits repayable after three months or less with any bank or financial institution (not itself a Group Undertaking); and
 - (b) investments which are readily convertible into known amounts of cash with notice of 48 hours or less, in each case beneficially owned, directly or indirectly, by a Group Undertaking and whether denominated in sterling or in a currency other than sterling; and

(E) To calculate the amount of Monies Borrowed on a particular day, monies denominated or repayable in a currency other than sterling shall be converted for the purpose of calculating the sterling equivalent either:

- (i) at the rate of exchange specified in a forward purchase contract, currency option, back-to-back loan, swap or other arrangements taken out or entered into

in order to reduce the risk associated with fluctuations in rates of exchange in respect of repayment of those monies (a “**hedging agreement**”); or

- (ii) if those monies were borrowed on or before the date of the consolidated balance sheet and repayment of those monies has not been covered by a hedging agreement, at the more favourable to the Company of:
 - (a) the rate of exchange used for the conversion of that currency in the consolidated balance sheet; or
 - (b) the middle-market rate of exchange quoted by a clearing bank specified by the Board at the close of business in London on the business day immediately preceding the day on which the calculation is made; or
- (iii) if those monies were borrowed after the date of the consolidated balance sheet and repayment of those monies has not been covered by a hedging agreement, at the more favourable to the Company of:
 - (a) the middle-market rate of exchange quoted by a clearing bank specified by the Board at the close of business in London on the date of the consolidated balance sheet; or
 - (b) the middle-market rate of exchange quoted by a clearing bank specified by the Board at the close of business in London on the business day immediately preceding the day on which the calculation is made.
- (F) The Auditors’ written confirmation for the purpose of this Article as to the amount of the Adjusted Share Capital and Consolidated Reserves or the aggregate amount of Monies Borrowed shall be conclusive and binding on all concerned. The Board may act in reliance on a bona fide estimate of the amount of the Adjusted Share Capital and Consolidated Reserves or the aggregate amount of Monies Borrowed without having requested or obtained such written confirmation from the Auditors. If in consequence the limit on Monies Borrowed set out in this Article is inadvertently exceeded, the amount of Monies Borrowed equal to the excess may be disregarded for ninety days after the date on which by reason of a determination of the Auditors or otherwise the Board became aware that this situation has or may have arisen.
- (G) No lender or other person dealing with the Company shall be concerned to see or enquire whether the limit imposed by this Article is observed, and no debt or liability incurred in excess of such limit shall be invalid and no security given for the same shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security or person to whom the liability is incurred, at the time when the debt or liability was incurred or the security given, that the limit hereby imposed has been or was thereby exceeded.

DIRECTORS' REMUNERATION, EXPENSES AND BENEFITS

95. Fees

The Company shall pay to the Directors (but not alternate Directors) for their services as Directors such aggregate amount of fees as the Board decides (not exceeding £300,000 per annum or such larger amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally. A fee payable to a Director pursuant to this Article shall be distinct from any salary, remuneration or other amount payable to, or benefit provided for, him pursuant to other provisions of these Articles and shall accrue from day to day.

96. Expenses

A Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or adjourned meetings or otherwise in connection with the discharge of his duties as a Director, including (without limitation) any professional fees incurred by him (with the approval of the Board or in accordance with any procedures stipulated by the Board) in taking independent professional advice in connection with the discharge of such duties.

97. Remuneration of executive Directors

The salary or remuneration of a Director appointed to hold employment or executive office in accordance with the Articles shall be decided by the Board (including, for the avoidance of doubt, by the Board acting through a duly authorised Board committee) and may be of any description and, without limitation of the foregoing may be a fixed sum of money, or wholly or in part related to his performance and/or that of the Group or any part of it, may include admission to or continuation of membership of or participation in any scheme or fund instituted or established or financed or contributed to by the Company or any other Group Undertaking for the provision of pensions, life assurance or other benefits for employees and their dependants, or the payment of a pension or other benefits to him or his dependants on or after retirement or death, apart from membership of any such scheme or fund or as otherwise so decided, and may be in addition to, or instead of, a fee payable to him for his services as Director pursuant to these Articles.

98. Special remuneration

A Director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of or for the Company (including, without limitation, services as a chairman or deputy chairman of the Board, services as a member of any Board committee and services which the Board (including, for the avoidance of doubt, the Board acting through a duly authorised Board committee) decides is outside the scope of the ordinary duties of a Director) may be paid such reasonable additional remuneration (whether by way of salary, bonus, commission,

percentage of profits or otherwise) and expenses as is decided by the Board or such a committee.

99. Pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a director or officer or employee of a company which is or was a Group Undertaking, a company which is or was allied to or associated with the Company or with a Group Undertaking or a predecessor in business of the Company or of a Group Undertaking (and for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him) and also to establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of, or to advance the interests and well-being of, any Group Undertaking or of any such person as aforesaid. For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Board may arrange for this to be done by the Company alone or in conjunction with another person. A Director or former Director is entitled to receive and retain for his own benefit any pension or other benefit provided in accordance with this Article and is not obliged to account for it to the Company.

DIRECTORS' PROCEEDINGS

100. Board meetings

Subject to these Articles, the Board may regulate its proceedings as it thinks fit.

101. Notice of Board Meetings

A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board. Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing to his last known address within the United Kingdom or any other address within the United Kingdom given to the Company by him for such purpose or given by electronic communication to an electronic address notified to the Company by the Director. It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless the Director has notified the Company in writing of an address in the United Kingdom or an electronic address for electronic communication at which notice of such meetings is to be given to him when he is absent from the United Kingdom. A Director may waive the requirement that notice of any Board meeting be given to him, either prospectively or retrospectively.

102. Quorum

Save as provided in Article 84, no business shall be transacted at any meeting of the Board unless a quorum is present. The quorum may be fixed by the Board and unless so fixed at any other number shall be two. An alternate Director who is not himself a

Director shall, if his appointor is not present, be counted in the quorum. No Director or other person who is present at a meeting of the Board as an alternate Director shall be counted as two or more for quorum purposes unless at least one other Director or person duly appointed as an alternate Director is also present. A duly convened Board meeting at which a quorum is present shall be competent to exercise any and all of the authorities, discretions and powers vested in or exercisable by the Board.

103. Board chairman

The Board may appoint any Director to be, and may remove, a chairman and a deputy chairman of the Board. The chairman or, in his absence, the deputy chairman, shall preside at all Board meetings. If there is no chairman or deputy chairman, or if at a Board meeting neither the chairman nor the deputy chairman is present within five minutes after the time appointed for the meeting, or if neither of them is willing to act as chairman, the Directors present may choose any Director present to be chairman of the meeting.

104. Voting

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

105. Telephone participation

A Director or his alternate Director may participate in a meeting of the Board or a committee of the Board through the medium of conference telephone, video conferencing or any other form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person participating in this way shall be deemed to be present in person at the meeting and shall be counted in a quorum and entitled to vote. Subject to the Act, all business transacted in this way by the Board or a committee of the Board shall be deemed for the purposes of the Articles to be validly and effectively transacted at a meeting of the Board or a committee of the Board even if one Director only is physically present at any one place. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

106. Written resolutions

- (A) A resolution in writing signed or approved by all the Directors for the time being entitled to receive notice of a Board meeting and in number not being less than a quorum shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board.
- (B) A resolution in writing signed or approved by all the members of a committee of the Board for the time being entitled to receive notice of the meetings of such committee and in number not being less than a quorum of such committee shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the committee.

(C) Such a resolution:

- (i) may be signed or approved by facsimile transmission or telephone or electronic communication from an electronic address given to the Company in writing for such purpose by the person signing or approving and subsequently confirmed by facsimile transmission or letter;
- (ii) may consist of several documents in the same form each executed by one or more of the Directors or members of the relevant committee;
- (iii) need not be signed or approved by an alternate Director if it is signed or approved (in the manner specified in paragraph (i) above) by his appointor;
- (iv) if signed or approved by an alternate Director, need not also be signed or approved by his appointor; and
- (v) to be effective, need not be signed or approved by a Director who is prohibited by these Articles from voting on it, or by his alternate.

107. Committee proceedings

Proceedings of committees of the Board shall be conducted in accordance with regulations prescribed by the Board (if any). Subject to those regulations, such proceedings shall be conducted in accordance with applicable provisions of these Articles regulating the proceedings of the Board. Where the Board resolves to delegate any of its powers, authorities and discretions to a committee and such resolution states that the committee shall consist of any one or more unnamed Directors, it shall not be necessary to give notice of a meeting of such committee to any Directors other than the Director or Directors who form the committee.

108. Minutes

(A) The Board shall cause minutes to be made of:

- (i) all appointments of officers and committees made by the Board and of any such officer's remuneration; and
- (ii) the names of Directors present at every meeting of the Board, a committee of the Board, the Company or the holders of any class of shares or debentures, and all orders, resolutions and proceedings of such meetings.

(B) Any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in them.

109. Validity of proceedings

All acts done in good faith by a meeting of the Board, or of a committee of the Board, or by a person acting as a Director, an alternate Director or a committee member shall,

notwithstanding that it may be discovered afterwards that there was a defect in the appointment of any person so acting or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, alternate Director or committee member and entitled to vote.

INTERESTS OF DIRECTORS

110. Permitted interests

Subject to the Act and compliance with the next Article, a Director, notwithstanding his office:

- (i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in connection with his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (ii) may hold any other office or place of profit under the Company (except that of auditor) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;
- (iii) may be a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (iv) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal,

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

111. Disclosure of interests to Board

A Director who is in any way (directly or indirectly) interested in any contract or arrangement or any other proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article a general notice given to the Board by a Director that he is to be regarded as having an interest (of the nature and extent specified in the notice) in any contract, arrangement or proposal in which a specified person or class of persons is interested shall be deemed to be a sufficient

disclosure under this Article in relation to such contract, arrangement or proposal of the nature and extent so specified.

112. Interested Director not to vote or count for quorum

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), other than a resolution:

- (i) relating to the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of a Group Undertaking;
- (ii) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of a Group Undertaking for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) relating to, or in the context of, an offer of securities by a Group Undertaking in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting or placing of which he is to participate;
- (iv) relating to another company in which he does not have, to his knowledge, an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital of, or the voting rights in, such company;
- (v) relating to an arrangement for the benefit of employees of any Group Undertaking which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

113. Director's interest in own appointment

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying or recommending the terms of his appointment or its termination) as a holder of any office or place of profit with the Company or any body corporate in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying or recommending the terms of appointment or the termination thereof) of two or more Directors to offices or places of profits with the Company or any body corporate in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the

Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

114. Conclusive rulings on Directors' interests

- (A) If any question arises at any meeting as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than the chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman's ruling in relation to such Director shall be conclusive and binding on all concerned (except in a case where the nature or extent of the interest of such Director, as known to him, has not been adequately disclosed to the meeting).
- (B) If any question arises at any meeting as to the materiality of the interest of the chairman of the meeting or as to his entitlement to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by a resolution of the Directors or committee members present at the meeting (excluding the chairman), whose majority vote shall be conclusive and binding on all concerned (except in a case where the nature or extent of the interest of such chairman, as known to him, has not been adequately disclosed to the meeting).

115. Connected persons

For the purposes of the provisions of these Articles concerning a Director's interests in relation to the Company, the interest of a person who is for the purposes of the Act connected (within the meaning of section 346 of the Act) with a Director shall be (if known by the Director to be an interest of any such connected person) treated as the interest of the Director and, in relation to an alternate Director, the interest of his appointor shall be treated as the interest of the alternate Director in addition to an interest which the alternate Director otherwise has. This Article applies to an alternate Director as if he were a Director.

116. Suspension or relaxation of provisions concerning Directors' interests

Subject to the Act and, where applicable, to any relevant requirements of the Listing Rules and the London Stock Exchange, the Company may by ordinary resolution suspend, vary or relax any provision in these Articles concerning a Director's interests in relation to the Company, either generally or in respect of any particular matter, or ratify any contract, arrangement or other proposal not authorised by reason of a contravention of any such provision.

117. Secretary

- (A) Subject to the Act, the Board shall appoint a Secretary and may appoint one or more persons to be a joint, deputy or assistant Secretary on such terms and conditions as it thinks fit. The Board may remove a person appointed pursuant to this Article from office and appoint another or others in his place.
- (B) Any provision of the Act or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as a Director and as, or in the place of, the Secretary, but subject to this, anything required or authorised by the Act or these Articles to be done by or to the Secretary may, if the office is vacant or there is for any other reason no Secretary capable of acting, be done by or to any assistant or deputy Secretary or, if there is no assistant or deputy Secretary capable of acting, by or to an officer of the Company authorised generally or specially for that purpose by the Board.

SEALS AND DOCUMENT AUTHENTICATION

118. Application of Seal

- (A) Any Seal may be used only by the authority of the Board or of a committee of the Board. The Board may decide who is to sign an instrument to which the Seal is to be affixed either generally or in relation to a particular instrument or type of instrument. The Board may decide, either generally or in a particular case, that a signature may be dispensed with or affixed by mechanical means. Unless otherwise decided by the Board:
 - (i) share certificates and certificates issued in respect of debentures or other securities to which the Seal is affixed (subject to the provisions of the relevant instrument) need not be signed or, if signed, a signature may be applied by mechanical or other means or may be printed; and
 - (ii) every other instrument to which the Seal is affixed shall be signed by one Director and by the Secretary or a second Director.
- (B) Every share certificate, share warrant or certificate issued in respect of debentures or other securities shall be issued either under the Seal (which may be affixed to it or printed on by mechanical or other means) or in such other manner as the Board, having regard to the terms of issue, the Act and, where applicable, the Listing Rules and the rules of the London Stock Exchange, may authorise. All references in these Articles to the Seal shall be construed in relation to share certificates and share warrants accordingly.

119. Official seal for use abroad

The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and those powers shall be vested in the Board.

120. Directors or Secretary to authenticate or certify

A Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company (including the memorandum of association and these Articles) and any resolutions passed by the Company or holders of a class of shares or the Board or any committee of the Board and any books, records, documents and accounts relating to the business of the Company, and may certify copies of or extracts from any such items as true copies or extracts.

DIVIDENDS AND OTHER PAYMENTS

121. Declaration

Subject to the Act and these Articles, the Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No such dividend shall exceed the amount recommended by the Board.

122. Interim dividends

Subject to the Act, the Board may pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of an interim dividend on any shares ranking after those with preferential rights.

123. Entitlement to dividends

(A) Except as otherwise provided by these Articles or the rights attached to shares:

- (i) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and
- (ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

(B) Except as otherwise provided by these Articles or the rights attached to shares:

- (i) a dividend may be paid in any currency or currencies decided by the Board; and
- (ii) the Company may agree with a member that any dividend declared or which may become due in one currency will be paid to the member in another currency,

for which purpose the Board may use any relevant exchange rate current at any time as the Board may select for the purpose of calculating the amount of any member's entitlement to the dividend.

124. Payment methods

- (A) The Company may pay a dividend, interest or other amount payable in respect of a share in cash or by cheque, warrant or money order or by a bank or other funds transfer system or (in respect of any uncertificated share) through the Uncertificated System in accordance with any authority given to the Company to do so (whether in writing, through the Uncertificated System or otherwise) by or on behalf of the member in a form or in a manner satisfactory to the Board. Any joint holder or other person jointly entitled to a share may give an effective receipt for a dividend, interest or other amount paid in respect of such share.
- (B) The Company may send a cheque, warrant or money order by post:
 - (i) in the case of a sole holder, to his registered address;
 - (ii) in the case of joint holders, to the registered address of the person whose name stands first in the Register of Members in respect of the relevant share;
 - (iii) in the case of a person or persons entitled by transmission to a share, as if it were a notice given in accordance with Article 141 (**notice to persons entitled by transmission**); or
 - (iv) in any case, to a person and address that the person or persons entitled to the payment may in writing direct.
- (C) Every cheque, warrant or money order shall be sent at the risk of the person or persons entitled to the payment and shall be made payable to the order of the person or persons entitled or to such other person or persons as the person or persons entitled may in writing direct. The payment of the cheque, warrant or money order shall be a good discharge to the Company. If payment is made by a bank or other funds transfer or through the Uncertificated System, the Company shall not be responsible for amounts lost or delayed in the course of transfer. If payment is made by or on behalf of the Company through the Uncertificated System:
 - (i) the Company shall not be responsible for any default in accounting for such payment to the member or other person entitled to such payment by a bank or other financial intermediary of which the member or other person is a customer for settlement purposes in connection with the Uncertificated System; and

- (ii) the making of such payment in accordance with any relevant authority referred to in paragraph (A) above shall be a good discharge to the Company.
- (D) The Board may:
 - (i) lay down procedures for making any payments in respect of uncertificated shares through the Uncertificated System;
 - (ii) allow any holder of uncertificated shares to elect to receive or not to receive any such payment through the Uncertificated System; and
 - (iii) lay down procedures to enable any such holder to make, vary or revoke any such election.
- (E) The Board may withhold payment of a dividend (or part of a dividend) payable to a person entitled by transmission to a share until he has provided any evidence of his entitlement that the Board may reasonably require.

125. Deductions

The Board may deduct from any dividend or other amounts payable to any person in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to any shares.

126. Interest

No dividend or other money payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.

127. Unclaimed dividends

All unclaimed dividends or other monies payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend unclaimed after a period of twelve years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

128. Uncashed dividends

If, in respect of a dividend or other amount payable in respect of a share:

- (i) a cheque, warrant or money order is returned undelivered or left uncashed; or
- (ii) a transfer made by or through a bank transfer system and/or other funds transfer system(s) (including, without limitation, the Uncertificated System in relation to any uncertificated shares) fails or is not accepted,

on two consecutive occasions, or one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other amount payable in respect of such share to such person until he notifies the Company of an address or account to be used for such purpose.

129. Dividends in kind

A general meeting, or adjourned meeting, declaring a dividend may, upon the recommendation of the Board, direct that it shall be satisfied wholly or partly by the distribution of assets (including, without limitation, paid up shares or securities of any other body corporate). Where any difficulty arises concerning such distribution, the Board may settle it as it thinks fit. In particular (without limitation), the Board may:

- (i) issue fractional certificates or ignore fractions;
- (ii) fix the value for distribution of any assets, and may determine that cash shall be paid to any member on the footing of the value so fixed in order to adjust the rights of members; and
- (iii) vest any assets in trustees on trust for the persons entitled to the dividend.

130. Scrip dividends

- (A) The Board may, with the prior authority of an ordinary resolution and subject to such terms and conditions as the Board may determine, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution, subject to the Act and to the provisions of this Article.
- (B) An ordinary resolution under paragraph (A) of this Article may specify a particular dividend (whether or not declared), or may specify all or any dividends declared within a specified period, but such period may not end later than the beginning of the fifth annual general meeting next following the date of the meeting, or adjourned meeting, at which the ordinary resolution is passed.
- (C) The entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall be the cash amount, disregarding any tax credit, (or as near to such cash amount as the Board considers appropriate) that such holder would have received by way of dividend. For this purpose, “**relevant value**” shall be calculated by reference to the average of the middle market quotations for the Ordinary Shares on the London Stock Exchange as derived from the London Stock Exchange Daily Official List for the day on which the Ordinary Shares are first quoted “ex” the relevant dividend and the four subsequent dealing days, or in such other manner as may be determined by or in accordance with the ordinary resolution. A written confirmation or report by the Auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount.

- (D) The Board may make any provision it considers appropriate in relation to an allotment made or to be made pursuant to this Article (whether before or after the passing of the ordinary resolution referred to in paragraph (A) of this Article), including (without limitation):
- (i) the giving of notice to holders of the right of election offered to them;
 - (ii) the provision of forms of election and/or a facility and a procedure for making elections through the Uncertificated System (whether in respect of a particular dividend or dividends generally);
 - (iii) determination of the procedure for making and revoking elections;
 - (iv) the place at which, and the latest time by which, forms of election and other relevant documents must be lodged in order to be effective;
 - (v) the disregarding or rounding up or down or carrying forward of fractional entitlements, in whole or in part, or the accrual of the benefit of fractional entitlements to the Company (rather than to the holders concerned); and
 - (vi) the exclusion from any offer of any holders of Ordinary Shares where the Board considers that the making of the offer to them would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them.
- (E) The dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on Ordinary Shares in respect of which a valid election has been made (**the “elected Ordinary Shares”**). Instead additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined under this Article. For such purpose, the Board may capitalise out of any amount for the time being standing to the credit of any reserve or fund of the Company (including, without limitation, any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, a sum equal to the aggregate nominal value of the additional Ordinary Shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to the holders of the elected Ordinary Shares on that basis.
- (F) The additional Ordinary Shares when allotted shall rank pari passu in all respects with the fully paid Ordinary Shares in issue on the record date for the dividend in respect of which the right of election has been offered, except that they will not rank for any dividend or other entitlement which has been declared, paid or made by reference to such record date.
- (G) The Board may:
- (i) do all acts and things which it considers necessary or expedient to give effect to any such capitalisation, and may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for such

capitalisation and incidental matters and any agreement so made shall be binding on all concerned;

- (ii) establish and vary a procedure for election mandates in respect of future rights of election and determine that every duly effected election in respect of any Ordinary Shares shall be binding on every successor in title to the holder of such shares; and
- (iii) terminate, suspend or amend any offer of the right to elect to receive Ordinary Shares in lieu of any cash dividend at any time and generally implement any scheme in relation to any such offer on such terms and conditions as the Board may from time to time determine and take such other action as the Board may deem necessary or desirable from time to time in respect of any such scheme.

131. Reserves

The Board may set aside out of the profits of the Company and carry to reserve such sums as it thinks fit. Such sums standing to reserve may be applied, at the Board's discretion, for any purpose to which the profits of the Company may properly be applied and, pending such application, may either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. The Board may also carry forward any profits without placing them to reserve.

132. Capitalisation of profits and reserves

The Board may, with the authority of an ordinary resolution:

- (i) subject to this Article, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not available for distribution) or any sum standing to the credit of any reserve or fund of the Company (including, without limitation, any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;
- (ii) appropriate the sum resolved to be capitalised to the holders of Ordinary Shares in proportion to the nominal values of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal value equal to that sum, and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as the Board may direct, in those proportions, or partly in one way and partly in the other, but so that the share premium account, the capital redemption reserve and any profits or

reserves which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to members credited as fully paid;

- (iii) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividend only to the extent that such partly paid shares rank for dividend;
- (iv) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of fractions to the Company rather than to the holders concerned) or by payment in cash or otherwise as the Board may determine in the case of shares or debentures becoming distributable in fractions;
- (v) authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for either:
 - (a) the allotment to them respectively, credited as fully paid, of any further shares or debentures to which they are entitled upon such capitalisation; or
 - (b) the payment up by the Company on behalf of such members, by the application thereto of their respective proportions of the reserves or profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares,and so that any such agreement shall be binding on all such members; and
- (vi) generally do all acts and things required to give effect to such resolution.

RECORD DATES

133. Board to fix date

Notwithstanding any other provision of these Articles but without prejudice to the rights attached to any shares and subject to the Act and Article 137(D) (**21 day record date period**) the Company or the Board may fix any date (**the “record date”**) as the date at the close of business (or such other time as the Board may decide) on which persons registered as the holders of shares or other securities shall be entitled to receipt of any dividend, distribution, interest, allotment, issue, notice, information, document or circular. A record date may be on or at any time before any date on which such item is paid, made, given or served or (in the case of any dividend, distribution, interest, allotment or issue) on or at any time before or after any date on which such item is recommended, resolved, declared or announced.

ACCOUNTS

134. Access to accounting records

No member (other than an officer of the Company) shall have any right of inspecting any accounting record or book or other document of the Company unless he is

authorised to do so by statute, by order of the court, by the Board or by an ordinary resolution. The Board shall from time to time determine whether and to what extent (if any) and at what times and places and under what conditions or regulations the accounting records and books of the Company or any of them, shall be open to the inspection of members.

135. Distribution of annual accounts

- (A) In respect of each financial year, a copy of the Company's annual accounts, Directors' report and Auditors' report on those accounts shall be sent by post or delivered to a member's registered address or sent by electronic communication to an electronic address for the time being notified to the Company by the member, to every member, every holder of debentures, and every other person who is entitled to receive notices of general meetings, in each case not less than twenty one clear days before the date of the meeting at which copies of those documents are to be laid in accordance with the Act. This Article does not require copies of such documents to be sent to any share or to any person who is not entitled to receive notices of general meetings or of whose address or electronic address the Company is unaware or to more than one of the joint holders of a share or debenture or of persons by transmission becoming jointly entitled to a share or debenture.
- (B) Where permitted in accordance with the Act, the Company may send a summary financial statement to any member in the same manner as described in Paragraph (A) of this Article, instead of or in addition to the documents referred to in paragraph (A) of this Article.

NOTICES AND ELECTRONIC COMMUNICATION

136. Form of notices

Any notice to be given to or by any person pursuant to these Articles (other than a notice calling a meeting of the Directors, in relation to which Article 101 shall apply) shall be given in writing or shall be given using electronic communication to an electronic address for the time being notified for that purpose to the person giving the notice.

137. Service on members

- (A) A notice or other document may be given or served by the Company to any member either personally or by sending it by post in a pre-paid envelope addressed to such member at his registered address or by leaving it at that address or by sending it using electronic communication to an electronic address for the time being notified to the Company by the member, or by any other means authorised in writing by the member concerned or (in the case of a notice to a member holding uncertificated shares) by transmitting the notice through the Uncertificated System (if permitted by, and subject to, the facilities and requirements of the Uncertificated System and subject to compliance with any relevant requirements of the Listing Rules and the London Stock Exchange). Any such notice or document to be given to or served on a member registered on an overseas branch register may be posted either from the United

Kingdom or in the territory in which such branch register is maintained. Notwithstanding any other provision of these Articles, members shall only be entitled to receive notices from the Company by electronic communication if the Board has previously resolved to send notices by such means and notified shareholders of such resolution.

- (B) In the case of joint holders of a share, all notices and documents shall be given to or served on the person whose name stands first in the Register of Members in respect of that share. Notice so given shall be sufficient notice to all the joint holders.
- (C) If a member (or, in the case of joint holders, the person first named in the Register of Members in respect of a share) has a registered address outside the United Kingdom but has given to the Company an address in the United Kingdom at which notices may be sent to him or has an address which is registered on an overseas branch register or has an electronic address to which notices may be sent by electronic communication, he shall be entitled to have notices or documents sent to him at that address or (subject to paragraph (A) of this Article) that electronic address. Otherwise no such member (including any such joint holder) shall be entitled to receive any notice or other document from the Company.
- (D) Any notice or other document to be given to or served on a member may be given or served by reference to the Register of Members as it stands at any time within the period of twenty-one days before the day that the notice or the document is despatched or (where and as applicable) within any other period permitted by, or in accordance with the requirements of, the Listing Rules, the London Stock Exchange, the Act and the Uncertificated Securities Regulations. No change in the Register of Members after that time shall invalidate the giving or service of such notice or document or require the Company to give such item to or serve it on any other person.
- (E) If on three consecutive occasions notices or other documents have been sent:
 - (i) by post to any member at his registered address or his address for the service of notices but have been returned undelivered, such member shall not be entitled to receive notices or other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address or address within the United Kingdom for the service of notices or (subject to paragraph (A) of this Article) an or a new electronic address; or
 - (ii) by electronic communication to an electronic address for the time being notified to the Company by the member and the Company becomes aware that there has been a failure of transmission, the Company shall revert to giving notices and other documents to the member by post or by any other means authorised in writing by the member concerned. Such member shall not be entitled to receive notices or other documents from the Company by electronic communication until (but subject to paragraph (A) of this Article) he shall have communicated with the Company and supplied in writing a new electronic address to which notices or other documents may be sent using electronic communication.

138. Notices by advertisement

- (A) If by reason of the suspension or curtailment of postal services in the United Kingdom the Company is unable effectively to convene a general meeting, or adjourned meeting, by notices sent through the post, any such meeting may be convened by notice advertised once in at least one national newspaper published in England. The Company shall send a copy of the notice to members by post if at least seven clear days before such meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.
- (B) Any notice to be given by the Company to the members or any of them, and not otherwise provided for by these Articles, shall be sufficiently given if given by advertisement in at least one national newspaper published in England.
- (C) Any notice given by advertisement in accordance with this Article shall be deemed to have been served at noon on the day on which the advertisement first appears.

139. Evidence of giving notice

- (A) A notice or other document addressed to a member at his registered address or address for giving notice in the United Kingdom shall be, if sent by post, deemed to have been given or served at the time 24 hours after posting if pre-paid as first class post and at the time 48 hours after posting if pre-paid as second class post. In proving that any such notice or document has been given or served it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, pre-paid and posted.
- (B) A notice or other document addressed to a member at an electronic address to which notices may be given or served by and sent by electronic communication, shall be deemed to have been given or served at the expiration of 24 hours after the time it was sent. Proof that a notice contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators and in force at the relevant time shall be conclusive evidence that the notice was given.
- (C) A notice or document not sent by post or given by electronic communication but:
 - (i) left at a registered address or address for giving notice in the United Kingdom shall be deemed to be given or served on the day it is left; and
 - (ii) given through the Uncertificated System shall be deemed to be given or served when the Company or any System-Participant or other relevant person acting on the Company's behalf sends the relevant Issuer-Instruction or other relevant message in respect of such notice or document.
- (D) A member present either in person or by proxy, or in the case of a corporate member by a duly authorised representative, at any meeting of the Company or of the holders of

any class of shares shall be deemed to have received due notice of such meeting and, where required, of the purposes for which it was called.

140. Notice binding on transferees

A person who becomes entitled to a share by transfer, transmission or otherwise shall be bound by any notice in respect of that share (other than a notice given by the Company under section 212 of the Act) which, before his name is entered in the Register of Members, has been given to the person from whom he derives his title.

141. Notice to persons entitled by transmission

A notice or other document may be given by the Company to, or served by it on, a person entitled by transmission to a share in consequence of the death or bankruptcy of a member or otherwise by sending or delivering it in any manner authorised by these Articles for the giving of notice to a member, addressed to that person by name, or by the title of representative of the deceased or trustee of the bankrupt or by any similar or equivalent description, at the address, if any, in the United Kingdom or to the electronic address supplied for that purpose by the person claiming to be so entitled. Until such an address or electronic address has been supplied, a notice or other document may be given or served in any manner in which it might have been given or served if the event giving rise to the transmission had not occurred. The giving of notice in accordance with this Article shall be sufficient notice to all other persons interested in the share.

DOCUMENT DESTRUCTION

142. Document destruction

(A) The Company may destroy:

- (i) any share certificate or other evidence of title to shares which has been cancelled; at any time after one year from the date of such cancellation;
- (ii) any mandate for the payment of dividends or other amounts or any variation or cancellation of such mandate or any other instruction concerning the payment of monies or any notification of change of name or address; at any time after two years from the date such mandate, variation, cancellation or notification was recorded by the Company;
- (iii) any instrument or other evidence of transfer of shares or renunciation of an allotment of shares which has been registered; at any time after six years from the date of registration; and
- (iv) any other document on the basis of which an entry in the Register of Members is made; at any time after six years from the date an entry in the Register of Members was first made in respect of it,

and the Company may destroy any such document earlier than the relevant date, provided that a permanent record of the document is made (on microfilm, computer disc or otherwise) which is not destroyed before that date.

- (B) It shall be conclusively presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of a document destroyed in accordance with this Article was duly and properly made, that every instrument of transfer so destroyed was duly registered, that every share certificate so destroyed was valid and was duly cancelled and that every other document so destroyed was valid and effective in accordance with the recorded particulars in the records of the Company.
- (C) This Article shall apply only to the destruction of a document in good faith and without express notice of any claim (regardless of the parties to it) to which the document might be relevant.
- (D) Nothing in this Article imposes on the Company any liability in respect of the destruction of any such document otherwise than as provided for in this Article which would not attach to the Company in the absence of this Article.
- (E) References in this Article to the destruction of any document include references to the disposal of it in any manner.

WINDING UP

143. Division of assets

- (A) On a winding up of the Company, the Company's assets available for distribution shall be divided among the members in proportion to the nominal amounts of capital paid up or credited as paid up on the shares held by them, subject to the terms of issue of or rights attached to any shares.
- (B) On a winding up of the Company (whether voluntary, under supervision or by the Court) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of such valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

144. Right to indemnity ¹

Subject to the provisions of the Act, the Company may indemnify any person who is or was a director, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation to or connection with the Company or any associated company. For the purposes of this article, “associated company” has the same meaning as in Section 309A of the Act.

145. Power to insure

Subject to the Act, the Board may purchase and maintain insurance at the expense of the Company for or for the benefit of any person who is or was at any time a director or other officer (excluding the Auditors, unless and to the extent that the Board determines otherwise) or employee of the Company or any other body corporate which is or was a Group Undertaking or the holding company of the Company or in which the Company or any such holding company has or had an interest, whether direct or indirect, or which is or was in any way allied to or associated with the Company or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of any such body corporate is or has been interested, indemnifying such person against any liability which may attach to or have attached to or may be or have been incurred and any loss or expenditure which has been or may be incurred by such person in respect of any act or omission or alleged act or omission in the actual or purported execution and/or discharge of his duties and/or in the exercise or purported exercise of his powers and/or otherwise in relation to his duties, powers or offices in relation to the Company or any such other body corporate, pension fund or employee benefits trust.

¹ Article 144 was substituted by Special Resolution on 10 June 2005.

SIGNET GROUP plc

5.95% Senior Notes, Series A, due 2013
6.11% Senior Notes, Series B, due 2016
6.26% Senior Notes, Series C, due 2018

NOTE PURCHASE AGREEMENT

Dated as of March 30, 2006

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SIGNET GROUP plc
15 Golden Square
London W1F 9JG

Re: 5.95% Senior Notes, Series A, due 2013
6.11% Senior Notes, Series B, due 2016
6.26% Senior Notes, Series C, due 2018

As of March 30, 2006

TO THE SEVERAL PURCHASERS WHOSE
NAMES APPEAR IN THE ACCEPTANCE
FORM AT THE END HEREOF

Ladies and Gentlemen:

SIGNET GROUP plc, a public limited company incorporated under the laws of England and Wales (Registered No. 00477692) (the “**Company**”), agrees with each of the purchasers whose names appear at the end hereof (each a “**Purchaser**” and collectively the “**Purchasers**”) as follows:

1. AUTHORIZATION OF NOTES; SUBSIDIARY GUARANTEES.

1.1. The Notes.

The Company has authorized the issue and sale of \$380,000,000 aggregate principal amount of senior notes in three series, of which \$100,000,000 aggregate principal amount shall be its 5.95% Senior Notes, Series A, due 2013 (the “**Series A Notes**”), \$150,000,000 aggregate principal amount shall be its 6.11% Senior Notes, Series B, due 2016 (the “**Series B Notes**”), and \$130,000,000 aggregate principal amount shall be its 6.26% Senior Notes, Series C, due 2018 (the “**Series C Notes**” and, together with the Series A Notes and the Series B Notes, the “**Notes**”), such notes to be in the respective forms set out in Exhibits 1.1(a), 1.1(b) and 1.1(c). The term “**Notes**” includes all notes (irrespective of series unless otherwise specified) originally delivered pursuant to this Agreement and all notes delivered in substitution or exchange for any such note and, where applicable, includes the singular number as well as the plural. Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a “**Schedule**” or an “**Exhibit**” are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

1.2. Subsidiary Guarantees.

The obligations of the Company under this Agreement and the Notes will be unconditionally guaranteed by each Subsidiary of the Company identified as a guarantor in

Schedule 5.4 (individually a “**Subsidiary Guarantor**” and collectively the “**Subsidiary Guarantors**”, which term shall include after the date of the Closing all additional guarantors from time to time becoming Subsidiary Guarantors pursuant to Section 9.6), pursuant to a subsidiary guarantee substantially in the form of Exhibit 1.2 (individually a “**Subsidiary Guarantee**” and collectively the “**Subsidiary Guarantees**”, which term shall include after the Closing all subsidiary guarantees from time to time being executed and delivered by such additional guarantors).

2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes of the series and in the principal amount or amounts specified opposite such Purchaser’s name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers’ obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, at 10:00 A.M., New York time, at a closing (the “**Closing**”) on May 23, 2006 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note of each series to be purchased by such Purchaser (or such greater number of Notes as such Purchaser may request in denominations of at least \$500,000) dated the date of the Closing and registered in such Purchaser’s name, against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds to the Company’s account at Barclays Bank plc, London, England, Sort Code: 20-67-59; account number 47597455, account name: Signet Group Treasury (attention: Rachel Williamson, tel. no. +44 207 317 9715) or Barclays Bank plc, New York, New York, ABA No. 026 002 574, [Account Name and Account Number to be designated by Barclays at least three Business Days prior to the date of the Closing], Reference: Signet Group - private placement.

If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser’s satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Each Purchaser’s obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser’s satisfaction, prior to or at the Closing, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement and of each Subsidiary Guarantor in its Subsidiary Guarantee shall be correct when made and at the time of the Closing.

4.2. Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Sections 10.1 to 10.5 had such Sections applied since such date.

4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.10 have been fulfilled.

(b) Secretary's or Director's Certificate. The Company shall have delivered to such Purchaser a certificate of a Director or other appropriate person, dated the date of the Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Agreement and the Notes.

(c) Financial Statements. The Company shall have delivered to such Purchaser the annual report and audited financial statements of the Company and its Subsidiaries for the financial year ended January 29, 2006, accompanied by an Officer's Certificate, dated the date of the Closing, certifying that (i) said financial statements (including the related schedules and notes) give a true and fair view of the consolidated financial position of the Company and its Subsidiaries as of said date and the consolidated results of their operations and cash flows for the financial year then ended and have been prepared in accordance with GAAP consistently applied throughout the period involved except as set forth in the notes thereto; (ii) the Company and its Subsidiaries do not have any Material liabilities that are not disclosed on said financial statements or otherwise disclosed in the Disclosure Documents and (iii) said financial statements, this Agreement, the Disclosure Documents and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

4.4. Opinions of Counsel.

Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Herbert Smith LLP, special U.S. counsel and English legal advisors for the Company and the Subsidiary Guarantors, substantially in the respective forms set forth in Exhibits 4.4(a)(i) and 4.4(a)(ii) and covering such other matters

incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinions to the Purchasers), and (b) from Willkie Farr & Gallagher LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

4.5. Subsidiary Guarantees.

A Subsidiary Guarantee in the form hereinabove recited shall have been executed and delivered by each Subsidiary Guarantor identified in Schedule 5.4 and shall be in full force and effect.

Such Purchaser shall also have received from each Subsidiary Guarantor identified in Schedule 5.4 a certificate signed by its Secretary or an Assistant Secretary or one of its Directors (or other appropriate person) certifying as to the resolutions or other corporate proceedings relating to the authorization, execution and delivery by such Subsidiary Guarantor of its Subsidiary Guarantee.

4.6. Purchase Permitted By Applicable Law, Etc.

On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

4.7. Sale of Other Notes.

Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

4.8. Payment of Special Counsel Fees.

Without limiting the provisions of Section 16.1, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

4.9. Private Placement Numbers.

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes of each series.

4.10. Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or merged with or consolidated into or succeeded to all or any substantial part of the liabilities of any other entity (whether or not the transaction would be permitted by Section 10.5) at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.11. Acceptance of Appointment to Receive Service of Process.

Such Purchaser shall have received evidence of the acceptance by CT Corporation System, 111 Eighth Avenue, New York, NY 10011, of the appointment and designation provided for by the Company in Section 23.8(e) and by each Subsidiary Guarantor in Section 5.5(e) of its Subsidiary Guarantee for the period from the date of the Closing to May 23, 2019 and the payment in full of all fees in respect thereof.

4.12. Funding Instructions.

At least three Business Days prior to the date of the Closing, such Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (a) the name and address of the transferee bank, (b) such transferee bank's ABA or other identifying number and (c) the account name and number into which the purchase price for the Notes is to be deposited.

4.13. Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1. Organization; Power and Authority.

The Company is a public limited company duly incorporated and validly existing under the laws of England and Wales and is duly qualified as a foreign corporation and, where legally applicable, is in good standing and authorized to do business in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be

so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof. For purposes of this Section a corporation is a “foreign corporation” in any jurisdiction in which it transacts business other than its jurisdiction of incorporation.

5.2. Authorization, etc.

This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, subject to any general principles of law referred to in any legal opinions delivered to the Purchasers, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally, (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (c) the time-barring of claims.

5.3. Disclosure.

The Company, through its agents, Barclays Capital Inc. and RBS Financial Markets, has delivered to each Purchaser a copy of a Confidential Private Placement Memorandum, dated February 2006 (the “**Memorandum**”), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business of the Company and its Subsidiaries. The Company makes no representation or warranty as to the completeness or accuracy of the statements identified as “forward-looking statements” in the Memorandum, except that such statements reflect the Company’s good faith belief as to the accuracy thereof. This Agreement, the Memorandum, the documents, certificates or other writings delivered to each Purchaser by or on behalf of the Company on or before February 23, 2006 in connection with the transactions contemplated hereby and identified in Schedule 5.3 (together with the Memorandum, the “**Disclosure Documents**”), and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since January 29, 2005, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

5.4. Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 5.4 is (except as noted therein) a complete and correct list (i) of the Company’s Subsidiaries, showing, as to each such Subsidiary, the correct name thereof, the jurisdiction of its organization, whether it is a Material Subsidiary and the percentage of shares

of each class of its share capital or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding share capital or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary so identified as a Subsidiary Guarantor has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact and to execute, deliver and perform its obligations under its Subsidiary Guarantee. No Subsidiary is a guarantor under the Existing Bank Credit Facility other than Subsidiaries identified as Subsidiary Guarantors in Schedule 5.4.

(d) No Material Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Material Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary. Notwithstanding the foregoing, certain Subsidiaries are subject to restrictions on transfer of certain reserves pursuant to a court-approved capital restructuring plan.

5.5. Financial Statements; Material Liabilities.

The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) give a true and fair view of the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified on such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

5.6. Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes and by the Subsidiary Guarantors identified as such in Schedule 5.4 of their respective

Subsidiary Guarantees do not and will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, memorandum and articles of association, regulations or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes (including without limitation any thereof required in connection with the obtaining of Dollars to make payments under this Agreement or the Notes and the payment of such Dollars to Persons resident in the United States of America) or by the Subsidiary Guarantors of their respective Subsidiary Guarantees. It is not necessary to ensure the legality, validity, enforceability or admissibility into evidence in England of this Agreement, the Notes or the Subsidiary Guarantees that any thereof or any other document be filed, recorded or enrolled with any Governmental Authority, or that any such agreement or document be stamped with any stamp, registration or similar transaction tax.

5.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. Taxes.

The Company and its Subsidiaries have, to the best of their knowledge, filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the

amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate.

No liability for any Tax, directly or indirectly, imposed, assessed, levied or collected by or for the account of any Governmental Authority of the United States or the United Kingdom, or any political subdivision of either thereof, will be incurred by the Company or any holder of a Note as a result of the execution or delivery of this Agreement or the Notes and no deduction or withholding in respect of Taxes imposed by or for the account of the United Kingdom (being the only relevant Taxing Jurisdiction as of the date of this Agreement), is required to be made from any payment by the Company under this Agreement or the Notes except for any such liability, withholding or deduction imposed, assessed, levied or collected by or for the account of any such Governmental Authority arising out of circumstances described in clause (a), (b) or (c) of Section 13.

5.10. Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. Licenses, Permits, etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

5.12. Compliance with ERISA; Non-U.S. Plans.

(a) The Company and each ERISA Affiliate have operated and administered each Plan (other than a Multiemployer Plan) in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Pension Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than \$10,000,000 in the case of any single Plan and by more than \$20,000,000 in the aggregate for all Plans. The present value of the accrued benefit liabilities (whether or not vested) under each Non-U.S. Plan that is funded, determined as of the end of the Company's most recently ended fiscal year on the basis of reasonable actuarial assumptions used by such Non-U.S. Plan, did not exceed the current value of the assets of such Non-U.S. Plan allocable to such benefit liabilities by more than £20,000,000 (net of deferred tax). In relation to a Pension Plan, the term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA. In relation to a Non-U.S. Plan in the United Kingdom, the terms "benefit liabilities" and "assets" mean the respective liabilities and assets of such Plan calculated in accordance with the requirements of FRS17 as adopted for the purpose of the Company's accounts for its most recently ended financial year.

(c) The Company and its ERISA Affiliates have not incurred (i) withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material or (ii) any obligation in connection with the termination of or withdrawal from any Non-U.S. Plan.

(d) The expected postretirement benefit obligation with respect to any Plan (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in

the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser.

(f) All Non-U.S. Plans have been established, operated, administered and maintained in compliance with all laws, regulations and orders applicable thereto, except where failure so to comply could not be reasonably expected to have a Material Adverse Effect. All premiums, contributions and any other amounts required by applicable Non-U.S. Plan documents or applicable laws to be paid or accrued by the Company and its Subsidiaries have been paid or accrued as required, except where failure so to pay or accrue could not be reasonably expected to have a Material Adverse Effect.

5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 75 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

5.14. Use of Proceeds; Margin Regulations, etc.

The proceeds of the sale of the Notes will be applied to repay existing Financial Indebtedness and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, and no part of the proceeds of any such Financial Indebtedness to be repaid was used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 10% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 10% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

5.15. Existing Financial Indebtedness; Future Liens.

(a) Schedule 5.15 sets forth a complete and correct list of each item of Financial Indebtedness of the Company and its Subsidiaries outstanding as of January 29, 2006 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and any Guaranty thereof), or providing for lending commitments in a principal amount in excess of \$5,000,000 (or its equivalent in the relevant currency of payment) as of January 29, 2006. Since that date, there has been no material change in monetary terms of any

such item of Financial Indebtedness. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any such Financial Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any such Financial Indebtedness of the Company or any Subsidiary that would permit (or that with the giving of notice or the lapse of time, or both, would permit) one or more Persons to cause such Financial Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Financial Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Financial Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

5.16. Foreign Assets Control Regulations, Etc.

(a) Neither the sale of the Notes by the Company hereunder nor the use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary (i) is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (ii) knowingly engages in any dealings or transactions with any such Person. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

5.17. Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

5.18. Environmental Matters.

(a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(d) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

5.19. Priority of Obligations.

The payment obligations of the Company under this Agreement and the Notes and the payment obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee will, upon issuance of the Notes and execution and delivery of such Subsidiary Guarantee, rank *pari passu* in right of payment with all other unsecured and unsubordinated Financial Indebtedness of the Company and such Subsidiary Guarantor, respectively, except for obligations mandatorily preferred by law applying to companies generally.

6. REPRESENTATIONS OF THE PURCHASERS.

6.1. Purchase for Investment.

Each Purchaser severally represents that (a) it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control and (b) it and each of the accounts on whose behalf it is purchasing, including any such pension or trust funds, is an "Accredited Investor" within the meaning of Rule 501 (a)(1), (2), (3) or (7) under the Securities Act. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under

circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Each Purchaser acknowledges that it may not, directly or indirectly, offer or sell any Notes or distribute or publish the Memorandum or other offering materials in the United Kingdom or take any action in the United Kingdom that would permit a public offering of the Notes or possession or distribution of the Notes in the United Kingdom.

6.2. Source of Funds.

Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a “Source”) to be used by such Purchaser to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is an “insurance company general account” (as the term is defined in the United States Department of Labor’s Prohibited Transaction Exemption (“**PTE**”) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the “**NAIC Annual Statement**”)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser’s state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser’s fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part V of PTE 84-14 (the “**QPAM Exemption**”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part V of the QPAM Exemption), no employee benefit plan’s assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section

V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of “control” in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Section IV of PTE 96-23 (the “**INHAM Exemption**”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “employee benefit plan,” “governmental plan,” and “separate account” shall have the respective meanings assigned to such terms in section 3 of ERISA.

7. INFORMATION AS TO THE COMPANY.

7.1. Financial and Business Information.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Interim Statements – promptly after the same are available and in any event within 60 days after the end of each half year period in each financial year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such period, and

(ii) consolidated statements of income, changes in shareholders’ equity and cash flows of the Company and its Subsidiaries for such period,

setting forth in each case in comparative form the figures for the corresponding period in the previous financial year, all in reasonable detail, prepared in accordance with GAAP applicable to half-yearly reports and to financial statements generally and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) Annual Statements – promptly after the same are available and in any event within 120 days after the end of each financial year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous financial year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized international standing, which opinion shall state that such financial statements give a true and fair view of the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in accordance with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances.

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement (other than those referred to in clause (a) or (b) above), report, circular, notice or proxy statement or similar document sent by the Company or any Subsidiary to its lending banks as a whole under any Bank Credit Facility or to any principal bilateral lending bank (in each case excluding information sent in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability) or to its public securities holders generally and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission or any similar Governmental Authority or securities exchange and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice

specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) Employee Benefit Matters -- promptly and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; or

(iv) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes or the ability of any Subsidiary Guarantor to perform its obligations under its Subsidiary Guarantee, in each case as from time to time may be reasonably requested by any such holder of Notes, including information readily available to the Company explaining the Company's financial statements if such information has been requested by the SVO in order to assign or maintain a designation of the Notes.

7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including reasonably detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 9.6(d) and Sections 10.1 to 10.4, inclusive, and each Financial Covenant that at the time has been and remains incorporated by reference into this Agreement pursuant to Section 9.9, in each case during the interim or annual period covered by the statements then being furnished (including with respect to each such Section or Financial Covenant, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section or Financial Covenant, the calculation of the amount, ratio or percentage then in existence); and the names of all Material Subsidiaries as of the end of such interim or annual period; and

(b) Event of Default -- a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the interim or annual period covered by the statements then being furnished to the date of the certificate and that such review shall, to the best of such Senior Financial Officer's knowledge, not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including without limitation any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. Visitation.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company during normal business hours, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing, provided that no such holder (including for such purpose all Affiliates of such holder) may exercise its rights under this clause (a) more than once in any calendar year; and

(b) Default — if a Default or Event of Default then exists, at the expense of the Company and upon reasonable prior notice to visit and inspect any of the offices or properties of the Company or any Subsidiary during normal business hours, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

7.4. Limitation on Disclosure Obligation.

The Company shall not be required to disclose the following information pursuant to Section 7.1(g) or 7.3:

- (a) information that the Company determines after consultation with counsel qualified to advise on such matters that, notwithstanding the confidentiality requirements of Section 21, it would be prohibited from disclosing by applicable law or regulations without making public disclosure thereof; or
- (b) information that, notwithstanding the confidentiality requirements of Section 21, the Company is prohibited from disclosing by the terms of an obligation of confidentiality contained in any agreement with any non-Affiliate binding upon the Company and not entered into in contemplation of this clause (b), provided that the Company shall use commercially reasonable efforts to obtain consent from the party in whose favor the obligation of confidentiality was made to permit the disclosure of the relevant information and provided further that the Company has received a written opinion of counsel confirming that disclosure of such information without consent from such other contractual party would constitute a breach of such agreement.

Promptly after a request therefor from any holder of Notes that is an Institutional Investor, the Company will provide such holder with a written opinion of counsel (which may be addressed to the Company) relied upon as to any requested information that the Company is prohibited from disclosing to such holder under circumstances described in this Section 7.4.

8. PAYMENT AND PREPAYMENT OF THE NOTES.

8.1. Payment at Maturity.

As provided therein, the entire unpaid principal balance of the Notes of each series shall be due and payable on the stated maturity date of the Notes of such series.

8.2. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided in Section 8.5, prepay at any time all, or from time to time any part of, the Notes (in a minimum principal amount of \$10,000,000 and an integral multiple of \$1,000,000) at the principal amount so prepaid, plus accrued interest with respect to such principal amount being prepaid to the date of such

prepayment, plus the Make-Whole Amount for the Notes of each series determined for the prepayment date with respect to such principal amount.

8.3. Prepayment for Tax Reasons.

If at any time the Company is or becomes obligated to make any Additional Payments (as defined below) in respect of any payment of interest on account of any of the Notes, the Company may give the holders of all affected Notes irrevocable written notice (each, a “**Tax Prepayment Notice**”) of the prepayment of such affected Notes on a specified prepayment date (which shall be a Business Day not less than 30 days nor more than 60 days after the date of such notice) and the circumstances giving rise to the obligation of the Company to make any Additional Payments and the amount thereof and stating that all of the affected Notes shall be prepaid on the date of such prepayment at the principal amount so prepaid together with interest accrued thereon to the date of such prepayment plus an amount equal to the Modified Make-Whole Amount for each such Note, except in the case of an affected Note if the holder of such Note shall, by written notice given to the Company no more than 20 days after receipt of the Tax Prepayment Notice, reject such prepayment of such Note (each, a “**Rejection Notice**”). Such Tax Prepayment Notice shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Modified Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. The form of Rejection Notice shall also accompany the Tax Prepayment Notice and shall state with respect to each Note covered thereby that execution and delivery thereof by the holder of such Note shall operate as a permanent waiver of such holder’s right to receive the Additional Payments arising as a result of the circumstances described in the Tax Prepayment Notice in respect of all future payments of interest on such Note (but not of such holder’s right to receive any Additional Payments that arise out of circumstances not described in the Tax Prepayment Notice or which exceed the amount of the Additional Payment described in the Tax Prepayment Notice), which waiver shall be binding upon all subsequent transferees of such Note. The Tax Prepayment Notice having been given as aforesaid to each holder of the affected Notes, the principal amount of such Notes together with interest accrued thereon to the date of such prepayment plus the Modified Make-Whole Amount shall become due and payable on such prepayment date, except in the case of Notes the holders of which shall timely give a Rejection Notice as aforesaid. Two Business Days prior to such prepayment, the Company shall deliver to each holder of a Note being so prepaid a certificate of a Senior Financial Officer specifying the calculation of such Modified Make-Whole Amount as of such prepayment date.

No prepayment of the Notes pursuant to this Section 8.3 shall affect the obligation of the Company to pay Additional Payments in respect of any payment made on or prior to the date of such prepayment. For purposes of this Section 8.3, any holder of more than one affected Note may act separately with respect to each affected Note so held (with the effect that a holder of more than one affected Note may accept such offer with respect to one or more affected Notes so held and reject such offer with respect to one or more other affected Notes so held).

The Company may not offer to prepay or prepay Notes pursuant to this Section 8.3 (a) if a Default or Event of Default then exists, (b) until the Company shall have taken commercially reasonable steps to mitigate the requirement to make the related Additional

Payments or (c) if the obligation to make such Additional Payments directly results or resulted from actions taken by the Company or any Subsidiary (other than actions required to be taken under applicable law), and any Tax Prepayment Notice given pursuant to this Section 8.3 shall certify to the foregoing and describe such mitigation steps, if any.

For purposes of this Section 8.3 “ **Additional Payments** ” means additional amounts required to be paid to a holder of any Note pursuant to Section 13.

8.4. Prepayment in Connection with a Change of Control.

Promptly upon becoming aware that a Change of Control has occurred, the Company shall give written notice of such fact to all holders of the Notes. Promptly upon becoming aware that a Change of Control Prepayment Event has occurred, and in any event not later than 21 days after the occurrence of such Change of Control Prepayment Event, the Company shall give written notice (the “**Change of Control Event Notice**”) of such fact to all holders of the Notes. The Change of Control Event Notice shall (i) describe the facts and circumstances of such Change of Control in reasonable detail, (ii) refer to this Section 8.4 and the rights of the holders hereunder and state that a Change of Control Prepayment Event has occurred, (iii) contain an offer to prepay all Notes at the price specified below on the date therein specified (the “**Change of Control Prepayment Date** ”), which shall be a Business Day following the Response Date referred to below and in any event not more than 45 days after the date of such Change of Control Event Notice. Each holder of a Note will notify the Company of such holder’s acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company on or before the date for such notice specified in such Change of Control Event Notice (the “**Response Date** ”), which specified date shall be not less than 30 days after the date of such Change of Control Event Notice. The Company shall prepay on the Change of Control Prepayment Date all of the Notes held by the holders as to which such offer has been so accepted (it being understood that the failure of any holder to accept such offer on or before the Response Date shall be deemed to constitute rejection by such holder), at the principal amount of each such Note together with interest accrued thereon to the Change of Control Prepayment Date, without any premium. If any holder shall reject (or be deemed to have rejected) such offer with respect to any Note held by such holder on or before the Response Date, such holder shall be deemed to have waived its rights under this Section 8.4 to require prepayment of such Note for which such offer was rejected (or deemed rejected) in respect of such Change of Control Prepayment Event but not in respect of any subsequent Change of Control Prepayment Event.

For purposes of this Section 8.4, any holder of more than one Note may act separately with respect to each Note so held (with the effect that a holder of more than one Note may accept such offer with respect to one or more Notes so held and reject such offer with respect to one or more other Notes so held).

As used herein a “ **Change of Control** ” shall be deemed to occur if at any time following the Closing any Person, or group of Persons acting in concert, acquires (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to (x) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the Company, or (y) appoint or remove all, or the majority, of the directors

or other equivalent officers of the Company, or (z) give directions with respect to the operating and financial policies of the Company which the directors or other equivalent officers of the Company are obliged to comply with or (ii) more than one-half of the issued share capital of the Company (excluding any part of that issued share capital that carries no right to participate in a distribution of either profits or capital or whose right to so participate is to participate only up to a specified amount); and for such purpose, two or more Persons shall be deemed to be “ **acting in concert** ” if, pursuant to an agreement or understanding (whether formal or informal) between them, they actively cooperate, in the acquisition by any one or more of them, either directly or indirectly, of shares in the Company, or in the doing, or in the procuring of the doing, of any act that results in an increase in the proportion of such shares held by any one or more of them. A “ **Change of Control Prepayment Event** ” shall be deemed to occur if (i) on the date on which a Change of Control occurs there are Rated Securities below Investment Grade or the Company itself has a current rating by an internationally recognized credit rating agency that is below Investment Grade or (ii) within 90 days after the date on which such Change of Control occurs, a Rating Downgrade occurs as a result of such Change of Control or (iii) if at such time of such Change of Control there are no Rated Securities and the Company itself has no such rating, the Company fails within 90 days after the date on which such Change of Control occurs to obtain (whether by failing to seek a rating or otherwise) from an internationally recognized credit rating agency a rating of at least Investment Grade for either the Company or the Notes or any other unsecured and unsubordinated Financial Indebtedness of the Company having an initial maturity of five years or more. “ **Rated Securities** ” means securities evidencing unsecured and unsubordinated Financial Indebtedness of the Company having an initial maturity of five years or more that are rated by any internationally recognized credit rating agency; a “ **Rating Downgrade** ” means a downgrade in the rating of the Company itself or any Rated Securities, as the case may be, by the applicable rating agency as a result of which either such rating falls below Investment Grade; and “ **Investment Grade** ” means (i) if such rating agency is Standard & Poor’s Ratings Group, a rating of at least “BBB-”, (ii) if such rating agency is Moody’s Investors Service Inc., a rating of at least “Baa3” and (iii) the equivalent of the ratings described in (i) and (ii) above for any other internationally recognized rating agency.

8.5. Notice of Prepayments.

The Company will give each holder of Notes written notice of any prepayment under Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify the date fixed for such prepayment (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer of the Company as to the estimated Make-Whole Amount for the Notes of each series due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computations. Two Business Days prior to such prepayment, the Company shall deliver to the holder of each Note being prepaid a certificate of a Senior Financial Officer specifying the calculation of the applicable Make-Whole Amount for the Notes of such series as of the specified prepayment date.

8.6. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.7. Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount or Modified Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount or Modified Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.8. Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes.

The Company will promptly cancel all Notes acquired by it or any such Affiliate pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.9. Make-Whole Amount and Modified Make-Whole Amount.

The terms “**Make-Whole Amount**” and “**Modified Make-Whole Amount**” mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount or Modified Make-Whole Amount with respect to any Note, the following terms have the following meanings:

“**Applicable Percentage**” in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.3 means 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose means 0.50% (50 basis points).

“Called Principal” means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or 8.4 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

“Discounted Value” means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to the Called Principal of any Note, the sum of (x) the Applicable Percentage plus (y) the yield to maturity implied by (i) the yields reported as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1 on Bloomberg Financial Markets (“Bloomberg”) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no

payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2, 8.3 or 12.1.

“Settlement Date” means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or 8.4 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1.Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including without limitation, ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a substantially similar business and similarly situated.

9.3. Maintenance of Properties.

Subject to Sections 10.4 and 10.5, the Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and/or the repair and maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all income or similar tax returns that are, to the best of their knowledge, required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. Corporate Existence, etc.

Subject to Section 10.5, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.4 and 10.5, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or another Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6. Additional Subsidiary Guarantors; Release of Subsidiary Guarantors, etc.

(a) So long as any Bank Credit Facility remains in effect the Company will cause each member of the Group that becomes a borrower or a guarantor under or in respect of such Bank Credit Facility after the date of the Closing to become an Additional Subsidiary Guarantor, prior to or concurrently with so becoming a borrower or a guarantor, in each case by executing and delivering a Subsidiary Guarantee and complying with the requirements of paragraph (b) below.

(b) As used in this Agreement, “**Additional Subsidiary Guarantor**” means a Subsidiary that becomes a Subsidiary Guarantor after the date of the Closing by executing and delivering a Subsidiary Guarantee. Promptly and in any event within 20 Business Days after the execution and delivery of each such Subsidiary Guarantee, the Company will furnish each holder of the Notes (i) a counterpart of such executed Subsidiary Guarantee, (ii) the documents described in Exhibit 9.6 and (iii) an opinion or opinions of Herbert Smith LLP (both as to New York and English law if the Subsidiary Guarantor is incorporated in the United Kingdom), or in any case other counsel reasonably satisfactory to the Majority Holders (which opinion or opinions shall be reasonably satisfactory to the Majority Holders and may be subject to customary exceptions, qualifications and limitations under the circumstances none of which may relate to the absence of shareholder approval), as to the due authorization, execution and delivery

and enforceability of such Subsidiary Guarantee and the other applicable matters relating to Subsidiary Guarantors and Subsidiary Guarantees covered by opinions delivered pursuant to Section 4.4.

(c) Any Subsidiary Guarantor that has ceased to be a Subsidiary or that is the subject of a binding agreement under which it is to cease to be a Subsidiary shall be discharged from all of its obligations and liabilities under its Subsidiary Guarantee (without the need for the execution or delivery of any document by any holder of a Note or any other Person, other than the notice and certification described in this Section 9.6(c)) upon notice by the Company to each holder of a Note, in each case provided that (i) after giving effect to such release no Default or Event of Default shall have occurred and be continuing, (ii) no amount is then due and payable under the Subsidiary Guarantee of such Subsidiary Guarantor, (iii) such Subsidiary Guarantor is not at the time a guarantor of any other Financial Indebtedness of the Company or another Subsidiary Guarantor under any Bank Credit Facility that is not also concurrently being released and (iv) such notice shall be accompanied by a certificate of a Senior Financial Officer to the foregoing effect and setting forth the information (including detailed computations) required to establish compliance with the foregoing requirements.

(d) Without limiting the requirements of Section 9.6(a), the Company will ensure that the Company and all Subsidiary Guarantors at all times to account for (i) at least 75% of Consolidated Total Assets as of the last day of the then most recently ended half-year accounting period and (ii) at least 75% of Consolidated Profit Before Interest and Tax and consolidated turnover for the period of two half-year accounting periods then most recently ended, in each case as adjusted as below provided. If the Company and all Subsidiary Guarantors at any time account for less than the foregoing required percentage of Consolidated Total Assets, Consolidated Profit Before Interest and Tax or consolidated turnover, then within 30 days of becoming aware of this fact the Company shall cause one or more Subsidiaries to become Additional Subsidiary Guarantors as aforesaid so that after giving effect thereto the Company will be in compliance with the requirements of the first sentence of this paragraph (d). For purposes of this paragraph (d):

(i) Consolidated Total Assets, consolidated turnover and Consolidated Earnings Before Interest and Tax will be determined from the then most recent financial statements delivered pursuant to Section 7.1(a) or 7.1(b);

(ii) if a company becomes a member of the Group after the latest audited financial statements of the Group have been prepared the consolidated total assets, consolidated turnover or consolidated earnings before interest and tax of that Company shall be determined from its latest financial statements;

(iii) Consolidated Total Assets, consolidated turnover or Consolidated Earnings Before Interest and Tax of the Group will be determined from the then most recent financial statements of the Group delivered pursuant to Section 7.1(a) or 7.1(b) adjusted to reflect the disposal of any company disposed of or acquired after the date of such financial statements; and

(iv) Consolidated Total Assets shall not include goodwill.

9.7. Books and Records.

The Company will and will cause each of its Subsidiaries to maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

9.8. Priority of Obligations.

The Company will ensure that the payment obligations of the Company under this Agreement and the Notes, and the payment obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee, will at all times rank *pari passu* in right of payment with all other unsecured and unsubordinated Financial Indebtedness of the Company and such Subsidiary Guarantor, respectively, except for obligations mandatorily preferred by law applying to companies generally.

9.9. Incorporation of Future Financial Covenants.

If the Company shall at any time after the Closing amend or modify the Existing Bank Credit Facility or become a party, as a borrower or guarantor, to any other Bank Credit Facility that, in either case, requires the Company to comply with a Financial Covenant that either is not at such time included in this Agreement or, if such Financial Covenant shall already be included in this Agreement, is more restrictive upon the Company, its Subsidiaries or the Group than such existing Financial Covenant, each such Financial Covenant and each event of default, definition and other provision relating to such Financial Covenant in such Bank Credit Facility (as amended or modified from time to time thereafter in a manner that is more restrictive on the Company) shall be deemed to be incorporated by reference in this Agreement, mutatis mutandis, as if then set forth herein in full. Without limiting the generality of the foregoing, if the Company shall at any such time amend or modify an event of default in respect of any Financial Covenant that would be more restrictive upon the Company than the existing event of default in respect of such Financial Covenant (or more restrictive than Section 11(c) in respect of Financial Covenants included in Section 10.1), such more restrictive event of default shall also be deemed to be incorporated by reference in this Agreement as aforesaid. Promptly and in any event within ten Business Days after any incorporation by reference as aforesaid shall have occurred with respect to each such Financial Covenant or event of default or more restrictive amendment or modification, and without limiting the immediate effectiveness of such incorporation by reference, the Company will furnish to each holder of Notes a copy of the text of the applicable Bank Credit Facility setting forth such Financial Covenant (and each event of default, definition and other provision related thereto) or such more restrictive event of default or more restrictive amendment or modification, as the case may be; and within 30 Business Days after such incorporation by reference the Company will execute and deliver to each holder of a Note an instrument, in form and substance reasonably satisfactory to the Majority Holders, modifying this Agreement by adding or modifying, as the case may be, the full text of such Financial Covenant (and each event of default, definition and other provisions related thereto) or event of default or amendment or modification.

The incorporation of any such Financial Covenant, event of default or other provision into this Agreement as aforesaid in respect of a Bank Credit Facility shall (i) automatically (without any action being taken by the Company or any holder of a Note) take effect simultaneously with the effectiveness of such Bank Credit Facility or the amendment or modification giving rise to such incorporation, (ii) (x) so long as no Default or Event of Default shall then exist under or in respect of such incorporated Financial Covenant, automatically (without any action being taken by the Company or any holder of a Note) cease to be incorporated herein simultaneously with the termination of such Bank Credit Facility (in accordance with its terms and not in connection with a temporary waiver of rights thereunder) or (y) if a Default or Event of Default shall exist under or in respect of such incorporated Financial Covenant on such termination date, continue in effect until such Default or Event of Default shall be cured or waived in accordance with the applicable provisions of this Agreement, and (iii) not be further modified if such Financial Covenant or event of default is made less restrictive on the Company, its Subsidiaries or the Group (whether by way of a permanent written amendment or modification of such Bank Credit Facility or by way of a temporary waiver of rights thereunder) without the prior written approval of the Majority Holders.

In furtherance of the foregoing and for the avoidance of doubt, (a) any incorporation by reference into this Agreement of a Financial Covenant or event of default contained in a Bank Credit Facility as contemplated by this Section 9.9 (including any permanent written amendment or modification of a Financial Covenant or event of default that in each case is more restrictive on the Company) shall have no impact on the continuing effectiveness of any similar Financial Covenant contained in this Agreement or Section 11(c), as the case may be, in either case at the effective time of such incorporation by reference and (b) no such incorporation by reference shall result in Financial Covenants under this Agreement that are less restrictive on the Company than the Financial Covenants contained in this Agreement on the date of the Closing or an event of default that is less restrictive on the Company than 11(c), as such covenants or Section 11(c) may be amended other than pursuant to this Section 9.9.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. Maintenance of Financial Conditions.

The Company will not permit

- (a) the ratio of Consolidated Net Debt on the last day of any Relevant Period to Consolidated EBITDA for the Relevant Period then ended (beginning with the Relevant Period ending January 28, 2006) to exceed 3.00 to 1.00;
- (b) the ratio of EBITARR for any Relevant Period (beginning with the Relevant Period ending January 28, 2006) to the sum of Consolidated Net Interest Expenditure, Rents, Rates and Operating Lease Expenditure for such Relevant Period to be less than 1.40 to 1.00; or
- (c) Consolidated Tangible Net Worth at any time to be less than £400,000,000.

10.2. Subsidiary Financial Indebtedness.

The Company will not permit any Subsidiary (other than a Subsidiary Guarantor) to create, incur, assume, guarantee or otherwise become liable with respect to, any Financial Indebtedness other than:

(a) Financial Indebtedness owing to the Company or another member of the Group;

(b) Financial Indebtedness of any Person existing at the time such Person becomes a Subsidiary or is consolidated with or merged with or into a Subsidiary or sells, leases or otherwise disposes of all of its property to a Subsidiary (and not incurred in contemplation thereof), provided that the principal amount of such Financial Indebtedness is not increased and such Financial Indebtedness is discharged within six months of the date such Person becomes a member of the Group or is so consolidated or merged or effects such sale, lease or other disposition of property;

(c) Financial Indebtedness arising under Swap Contracts not entered into for speculative purposes; and

(d) Financial Indebtedness not otherwise permitted by clauses (a) through (c) above, provided that immediately after giving effect to the incurrence of such other Financial Indebtedness the sum (without duplication) of (i) the aggregate outstanding principal amount of all such other Financial Indebtedness plus (ii) the aggregate outstanding principal amount of Financial Indebtedness secured by Liens permitted by Section 10.3(g) shall not exceed 15% of Consolidated Total Assets.

For purposes of this Section 10.2: (i) Financial Indebtedness outstanding on the date of the Closing shall be included in all calculations made pursuant to clause (d) above (so long as such Financial Indebtedness remains outstanding) and any extension, renewal, refunding or refinancing of such Financial Indebtedness shall be deemed to be an incurrence of such Financial Indebtedness in the principal amount outstanding after giving effect to such extension, renewal, refunding or refinancing; (ii) a Subsidiary member of the Group shall be deemed to have incurred Financial Indebtedness previously owed to the Company or Subsidiary Guarantor at the time the obligee ceases for any reason to be the Company or a Subsidiary Guarantor; and (iii) any Subsidiary Guarantor shall be deemed to have incurred its outstanding Financial Indebtedness (x) at the time its Subsidiary Guarantee is released as provided for in Section 9.6 or (y) in case such Subsidiary Guarantee ceases to be in full force and effect as an enforceable instrument or such Subsidiary Guarantor (or any Person at its authorized direction or on its behalf) asserts in writing that such Subsidiary Guarantee is unenforceable in any material respect, at such time.

10.3. Liens.

The Company will not and will not permit any Subsidiary to create, assume, incur or permit to exist any Lien upon or with respect to any property, whether now owned or hereafter acquired, provided that nothing in this Section 10.3 shall prohibit:

(a) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(b) the netting or set off of payments under Swap Contracts entered into by any member of the Group in the ordinary course of business and not for speculative purposes;

(c) any Lien arising by operation of law and in the ordinary course of business;

(d) any Lien arising from Existing Securitizations and other Liens existing on the date of this Agreement and described in Schedule 5.15;

(e) any Lien in respect of any asset acquired by a member of the Group or existing in respect of any asset of a Person at the time such Person becomes a member of the Group or is consolidated or merged with or into a member of the Group or sells, leases or otherwise disposes of all of its property to a member of the Group (and not created in contemplation thereof), provided that the principal amount secured by such Lien is not increased and such Lien is removed or discharged within six months of the date of such acquisition or such Person becomes a member of the Group or is so consolidated or merged or effects such sale, lease or other disposition of property;

(f) Liens created or arising in the ordinary course of business of the relevant member of the Group as conducted at the date of this Agreement and described below:

(i) title transfer or retention arrangements provided for under the terms and conditions applicable to stock supplies made in the ordinary course of trading;

(ii) Liens in respect of assets of any U.S. Subsidiary where such Lien is created for the purpose of securing the payment of any taxes of such Subsidiary which are not yet due and payable or which are being contested in good faith and by appropriate proceedings diligently prosecuted and with respect to which adequate reserves are maintained in the accounts of such Subsidiary in accordance with United States GAAP, unless and until any such Lien attaches to the property of such Subsidiary and becomes enforceable against its other creditors;

(iii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other Liens arising in the ordinary course of business of any member of the Group which are not overdue for a period of more than 90 days or which are being contested in good faith by appropriate proceedings diligently prosecuted;

(iv) subordinations of leaseholders' interests in retail property to the interest of mortgagees of the fee interests therein in the ordinary course of business of any U.S. Subsidiary;

(v) pledges or deposits by any U.S. Subsidiary where the pledges or deposits are created for the purpose of securing the payment of any workers' compensation, unemployment insurance, social security or other similar public or statutory payment required pursuant to applicable law; and

(vi) any third-party Liens over rental or other deposits made in the ordinary course of business of any member of the Group aggregating for the Group not more than £1,000,000 (or its equivalent in the relevant currency or currencies); and

(g) Liens not otherwise permitted by clauses (a) through (f) above securing Financial Indebtedness, provided that immediately after giving effect to the incurrence of such Financial Indebtedness the sum (without duplication) of (i) the aggregate outstanding principal amount of Financial Indebtedness secured by all such other Liens plus (ii) the aggregate outstanding principal amount of Financial Indebtedness of Subsidiaries permitted by Section 10.2(d) shall not exceed 15% of Consolidated Total Assets.

10.4. Disposition of Assets.

The Company will not and will not permit any other member of the Group to, directly or indirectly, sell, lease, transfer or otherwise dispose of (collectively a **"Disposition"**) any of its assets unless, after giving effect to such proposed Disposition, the aggregate net book value of all assets of the Group that were the subject of a Disposition during the period commencing on the first day of the then current financial year of the Company and ending on the date of such proposed Disposition does not exceed 20% of Consolidated Total Assets (determined as at the end of the immediately preceding financial year), provided that the following Dispositions shall not be taken into account for purposes of this Section 10.4:

(a) Dispositions of inventory made in the ordinary course of trading of the disposing entity;

(b) Dispositions of cash;

(c) any Disposition for fair value (i) by any member of the Group to the Company or a Subsidiary Guarantor or (ii) by any non-Subsidiary Guarantor to the Company or another member of the Group;

(d) Dispositions of shop premises in the ordinary course of business and on arm's length commercial terms;

(e) any Disposition of Receivables in connection with an Existing Securitization;

(f) any Disposition of Receivables or in connection with securitization transactions permitted by Section 10.3(g);

(g) any Disposition of assets in exchange for other assets comparable or superior as to type, value and quality; and

(h) any other Disposition for fair value and on arm's-length terms to the extent that the proceeds realized upon such Disposition are invested within one year after the date thereof to the acquisition of assets for use in the businesses of the Group or to repay outstanding unsubordinated Financial Indebtedness of the Company (any such repayment to include prepayment of Notes pursuant to Section 8.2 in an aggregate unpaid principal amount that bears the same relation to the amount then being applied to repay Financial Indebtedness as the aggregate unpaid principal amount of the Notes bears to the aggregate unpaid principal amount of all outstanding unsubordinated Financial Indebtedness of the Group, or in lieu of such prepayment the Company may make an offer to all holders of Notes to purchase, at not less than par, Notes in an aggregate unpaid principal amount at least equal to such pro rata portion of such Financial Indebtedness being so repaid, allocated pro rata among all Notes tendered, which offer shall remain open for at least 30 days, and the requirements of this clause (h) with respect to prepayment of Notes shall be deemed to be satisfied with respect to such Disposition if such offer is made and, if accepted, consummated.

10.5. Merger, Consolidation, Etc.

The Company will not consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of related transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United Kingdom, the United States or any State thereof (including the District of Columbia) or any other Permitted Jurisdiction, and if the Company is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (ii) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of internationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Majority Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing and the Company shall have complied with the requirements of Section 8.4, if applicable.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation or limited liability company

that shall theretofore have become such in the manner prescribed in this Section 10.5 from its liability under this Agreement or the Notes.

10.6. Lines of Business.

The Company will not and will not permit any Subsidiary to engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Memorandum.

10.7. Terrorism Sanctions Regulations.

The Company will not and will not permit any Subsidiary to (a) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (b) knowingly engage in any dealings or transactions with any such Person.

10.8. Transactions with Affiliates.

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any material transaction or material group of related transactions (including, without limitation, the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

- (a) the Company defaults in the payment of any principal or Make-Whole Amount or Modified Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise, unless such default is the direct result of a technical or administrative error by the transmitting bank in transmission of payment, in which case the Company shall have two Business Days to remedy such error; or
- (b) the Company defaults in the payment of any interest on any Note or any amount payable pursuant to Section 13 for more than five Business Days after the same becomes due and payable; or
- (c) the Company defaults in the performance of or compliance with any term contained in Sections 7.1(d) or 10.1 to 10.5, inclusive, unless in the case of a default under Sections 10.2 to 10.5, inclusive, that is capable of being cured, such default is cured diligently and in good faith and in any event within 21 days; or

(d) the Company or any Subsidiary Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) or in a Subsidiary Guarantee and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a “notice of default” and to refer specifically to this Section 11(d)); or

(e) any representation or warranty made by the Company or a Subsidiary Guarantor in this Agreement or a Subsidiary Guarantee or by the Company or a Subsidiary Guarantor or any officer of the Company or a Subsidiary Guarantor in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made unless, in the case of a representation or warranty that is capable of being cured, the same is cured diligently and in good faith and in any event within 30 days after the Company or such Subsidiary Guarantor becoming aware of the falseness or incorrectness thereof; or

(f) (i) the Company or any Material Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Financial Indebtedness that is outstanding in an aggregate principal amount of at least \$20,000,000 (or its equivalent in the relevant currency of payment) beyond any period of grace provided with respect thereto, or (ii) the Company or any Material Subsidiary is in default in the performance of or compliance with any term of any Financial Indebtedness in an aggregate outstanding principal amount of at least \$20,000,000 (or its equivalent in the relevant currency of payment) or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Financial Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Financial Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than a Change of Control, the passage of time, the right of the holder of Financial Indebtedness to convert such Financial Indebtedness into equity interests or any change in tax or other law with regard to the relevant Financial Indebtedness), (x) the Company or any Material Subsidiary or Subsidiary Guarantor has become obligated to purchase or repay Financial Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$20,000,000 (or its equivalent in the relevant currency of payment), or (y) one or more Persons have the right to require the Company or any Material Subsidiary or Subsidiary Guarantor so to purchase or repay such Financial Indebtedness; or

(g) the Company or any Material Subsidiary or Subsidiary Guarantor (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors,

(iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any Material Subsidiary or Subsidiary Guarantor, a custodian, receiver, examiner, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief, examinership or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Material Subsidiary or Subsidiary Guarantor, or any such petition shall be filed against the Company or any Material Subsidiary or Subsidiary Guarantor and such petition shall not be dismissed within 60 days; or

(i) any event occurs with respect to the Company or any Material Subsidiary or Subsidiary Guarantor which under the laws of any jurisdiction is analogous to any of the events described in Section 11(g) or (h), provided that the applicable grace period, if any, which shall apply shall be the one applicable to the relevant proceeding which most closely corresponds to the proceeding described in Section 11(g) or (h); or

(j) any Subsidiary Guarantee shall cease to be in full force and effect as an enforceable instrument of any Subsidiary Guarantor (except for any release permitted by Section 9.6), or any Subsidiary Guarantor (or any Person at its authorized direction or on its behalf) shall assert in writing that any Subsidiary Guarantee is unenforceable in any material respect; or

(k) a final judgment or judgments for the payment of money aggregating in excess of \$20,000,000 (or its equivalent in the relevant currency of payment) are rendered against one or more of the Company and its Material Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(l) if (i) any Pension Plan shall fail to satisfy the minimum funding standards of section 302 of ERISA or section 412 of the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Pension Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Pension Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Pension Plan may become a subject of any such proceedings, (iii) the sum of (x) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Pension Plans, determined in accordance with Title IV of ERISA, plus (y) the amount (if any) by which the aggregate present value of accrued benefit liabilities under all funded Non-U.S. Plans exceeds the aggregate current

value of the assets of such Non-U.S. Plans allocable to such liabilities (the value of such liabilities and assets of any Non-U.S. Plan in the United Kingdom to be determined in accordance with the requirements of FRS17 as adopted for the purpose of the Company's accounts for its most recently ended financial year), shall exceed £75,000,000 (and in which case "continuing" for purposes of this Section 11 and Section 12.1(b) will mean remaining in excess of such amount for a period of two years from the date such liabilities are calculated), (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder, (vii) the Company or any Subsidiary fails to administer or maintain a Non-U.S. Plan in compliance with the requirements of any and all applicable laws, statutes, rules, regulations or court orders or any Non-U.S. Plan is involuntarily terminated or wound up or (viii) the Company or any Subsidiary becomes subject to the imposition of a financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans; and any such event or events described in clauses (i) through (viii) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(l), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g), (h) or (i) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Majority Holders may at any time at their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including without

limitation interest accrued thereon at the applicable Default Rate) and (y) the Make-Whole Amount for the Notes of each series determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Majority Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount or Modified Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount or Modified Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts that have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 18, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes.

No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power

or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise.

Without limiting the obligations of the Company under Section 16, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including without limitation reasonable attorneys' fees, expenses and disbursements and any Registration Duty.

13. TAX INDEMNIFICATION.

All payments whatsoever under this Agreement and the Notes will be made by the Company in lawful currency of the United States of America free and clear of, and without liability for withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any jurisdiction other than the United States (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a "**Taxing Jurisdiction**"), unless the withholding or deduction of such Tax is compelled by law.

If any deduction or withholding for any Tax of a Taxing Jurisdiction shall at any time be required in respect of any amounts to be paid by the Company under this Agreement or the Notes, the Company will pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon and pay to each holder of a Note such additional amounts as may be necessary in order that the net amounts paid to such holder pursuant to the terms of this Agreement or the Notes after such deduction, withholding or payment (including, without limitation, any required deduction or withholding of Tax on or with respect to such additional amount), shall be not less than the amounts then due and payable to such holder under the terms of this Agreement or the Notes before the assessment of such Tax, provided that no payment of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, other than the mere holding of the relevant Note or the receipt of payments thereunder or in respect thereof, including without limitation such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in trade or business therein or having or having had an establishment, office, fixed base or branch therein, provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for the Company, after the date of the Closing, opening an office in, moving an office to, reincorporating in, or changing the Taxing Jurisdiction from or through which payments on account of this Agreement or the Notes are made to, the Taxing Jurisdiction imposing the relevant Tax;

(b) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company) in the filing with the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes, provided that the filing of such Forms would not (in such holder's reasonable judgment) result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such holder, and provided further that such holder shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms as may be specified in a written request of the Company no later than 60 days after receipt by such holder of such written request (accompanied by copies of such Forms and related instructions, if any, all in the English language or with an English translation thereof); or

(c) any combination of clauses (a) and (b) above;

and provided further that in no event shall the Company be obligated to pay such additional amounts to any holder of a Note (i) not resident in the United States of America or any other jurisdiction in which an original Purchaser is resident for tax purposes on the date of the Closing in excess of the amounts that the Company would be obligated to pay if such holder had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction, (ii) registered in the name of a nominee if under the law of the relevant Taxing Jurisdiction (or the current regulatory interpretation of such law) securities held in the name of a nominee do not qualify for an exemption from the relevant Tax and the Company shall have given timely notice of such law or interpretation to such holder, (iii) resident in the United States of America or such other jurisdiction in which such original Purchaser is resident for tax purposes on the date of the Closing but not eligible for the benefits of such applicable double taxation treaty on such date or (iv) which is a Non-Exempt UK Lender.

By acceptance of any Note, the holder of such Note agrees, subject to the limitations of clause (b) above, that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company all such forms, certificates, documents and returns provided to such holder by the Company (collectively, together with instructions for completing the same, "**Forms**") required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction and (y) provide the Company with such information with respect to such holder as the Company may reasonably request in order to complete any such Forms or in the case of a holder which is resident in the United Kingdom or established or constituted under the laws of the United Kingdom, provide the Company with such information as it may reasonably request in order to be able to pay interest to such a holder without any deduction or account of any Taxes, provided that nothing in this Section 13 shall require any holder to provide information with respect to any such Form or otherwise if in the good faith opinion of such holder such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such holder, and provided further that each such holder shall be deemed to have complied with its obligation

under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or mailed to the appropriate taxing authority (which in the case of a United Kingdom Inland Revenue Form FD13 or any similar Form shall be deemed to occur when such Form is submitted to the United States Internal Revenue Service in accordance with instructions contained in such Form), whichever is applicable, within 60 days following a written request of the Company (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

On or before the date of the Closing the Company will furnish each Purchaser with copies of the appropriate Form currently required to be filed in the United Kingdom (being the only relevant Taxing Jurisdiction as of the date of this Agreement) pursuant to clause (b) of the first paragraph of this Section 13, if any, and in connection with the transfer of any Note the Company will furnish the transferee of such Note with copies of any Form and English translation then required.

If any payment is made by the Company to or for the account of the holder of any Note after deduction for or on account of any Tax, and increased payments are made by the Company pursuant to this Section 13, then, if such holder in its sole discretion determines that it has received or been granted a refund of such Taxes, such holder shall, to the extent that it can do so without prejudice to the retention of the amount of such refund, reimburse to the Company such amount as such holder shall, in its sole discretion, determine to be attributable to the relevant Tax or deduction or withholding. Nothing herein contained shall interfere with the right of the holder of any Note to arrange its tax affairs in whatever manner it thinks fit and, in particular, no holder of any Note shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or (other than as set forth in clause (b) above) oblige any holder of any Note to disclose any information relating to its tax affairs or any computations in respect thereof.

The Company will furnish the holders of Notes, promptly and in any event within 60 days after the date of any payment by the Company of any Tax in respect of any amounts paid under this Agreement or the Notes, the original tax receipt issued by the relevant taxation or other authorities involved for all amounts paid as aforesaid (or if such original tax receipt is not available or must legally be kept in the possession of the Company, a duly certified copy of the original tax receipt or any other reasonably satisfactory evidence of payment), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any holder of a Note.

If the Company is required by any applicable law, as modified by the practice of the taxation or other authority of any relevant Taxing Jurisdiction, to make any deduction or withholding of any Tax in respect of which the Company would be required to pay any additional amount under this Section 13, but for any reason does not make such deduction or withholding with the result that a liability in respect of such Tax is assessed directly against the holder of any Note, and such holder pays such liability, then the Company will promptly reimburse such holder for such payment (including any related interest or penalties to the extent such interest or penalties arise by virtue of a default or delay by the Company) upon demand by

such holder accompanied by an official receipt (or a duly certified copy thereof) issued by the taxation or other authority of the relevant Taxing Jurisdiction.

If the Company makes payment to or for the account of any holder of a Note and such holder is entitled to a refund of the Tax to which such payment is attributable upon the making of a filing (other than a Form described above), then such holder shall, as soon as practicable after receiving written request from the Company (which shall specify in reasonable detail and supply the refund forms to be filed) use reasonable efforts to complete and deliver such refund forms to or as directed by the Company, subject, however, to the same limitations with respect to Forms as are set forth above.

In this Section 13 the following terms shall have the following respective meanings:

“ **Taxes Act** ” means to UK Income and Corporation Taxes Act 1988.

“ **Non-Exempt UK Lender** ” means any Person resident in the United Kingdom or otherwise established or constituted under the laws of the United Kingdom who is not entitled under applicable law (irrespective of whether such Person files any Form as hereinabove provided) to receive payments of interest on the Notes without any deduction on account of United Kingdom withholding tax pursuant to Sections 349A to Section 349D of the Taxes Act.

The obligations of the Company under this Section 13 shall survive the payment or transfer of any Note and the provisions of this Section 13 shall also apply to successive transferees of the Notes.

14. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

14.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

14.2. Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 19) for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other details for notices of each transferee of such Note or part thereof) within ten Business Days thereafter the

Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than such minimum denomination. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

14.3. Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of an indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser, an Institutional Investor or another holder of a Note with a minimum net worth of at least \$50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

15. PAYMENTS ON NOTES.

15.1. Place of Payment.

Subject to Section 15.2, payments of principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in The City of New York, at the principal office of Citibank, N.A. in such jurisdiction. The Company may at any time thereafter, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

15.2. Home Office Payment.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 15.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 15.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 14.2. The Company will afford the benefits of this Section 15.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 15.2.

16. EXPENSES, ETC.

16.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Majority Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Notes or any Subsidiary Guarantee (whether or not such amendment, waiver or consent becomes effective). In addition, the Company agrees to pay (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes or any Subsidiary Guarantee or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes or any Subsidiary Guarantee, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the costs and expenses incurred from time to time in connection with the giving of additional Subsidiary Guarantees and other matters arising under Section 9.6. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

In furtherance of the foregoing, on the date of the Closing the Company will pay or cause to be paid the fees and disbursements and other charges (including estimated unposted

disbursements and other charges as of the date of the Closing) of the Purchasers' special counsel which are reflected in the statement of such counsel submitted to the Company at least one Business Day prior to the date of the Closing. The Company will also pay, promptly upon receipt of supplemental statements therefor, reasonable additional fees, if any, and disbursements and other charges of such counsel in connection with the transactions hereby contemplated (including disbursements and other charges unposted as of the date of the Closing to the extent such disbursements and other charges exceed estimated amounts paid as aforesaid).

16.2. Certain Taxes.

The Company agrees to pay all stamp, documentary or similar taxes or fees which may be payable in respect of the execution and delivery or the enforcement of this Agreement or the Subsidiary Guarantees or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in the United States or other applicable jurisdiction or of any amendment of, or waiver or consent under or with respect to, this Agreement or of any of the Subsidiary Guarantees or the Notes, and to pay any value added tax due and payable in respect of reimbursement of costs and expenses by the Company pursuant to this Section 16, and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax or fee required to be paid by the Company hereunder.

16.3. Survival.

The obligations of the Company under this Section 16 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

17. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note.

All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the several Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

18. AMENDMENT AND WAIVER.

18.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Majority Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 22, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount or Modified Make-Whole Amount on, the Notes of any series, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend Section 8, 11(a), 11(b), 12, 13, 18, 21 or 23.9.

18.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 18 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

18.3. Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 18 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a

waiver of any rights of any holder of such Note. As used herein, the term “ **this Agreement** ” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

18.4. Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

19. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized international commercial delivery service (charges prepaid), or (b) by a recognized international commercial delivery service (with charges prepaid). Any such notice must be sent:

- (i) if to a Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,
- (ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or
- (iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Senior Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 19 will be deemed given only when actually received.

20. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including without limitation (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 20 shall not prohibit the Company or any other holder of Notes from contesting any such

reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

21. CONFIDENTIAL INFORMATION.

For the purposes of this Section 21, “Confidential Information” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 21, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser’s Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 21 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 21.

22. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 22), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this Section 22), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

23. MISCELLANEOUS.

23.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including without limitation any subsequent holder of a Note) whether so expressed or not.

23.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.5 that notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

23.3. Accounting Terms; Changes in GAAP.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, all computations made pursuant to this Agreement shall be made in accordance with GAAP, and all financial statements shall be prepared in accordance with GAAP.

Notwithstanding the foregoing, if after the date of this Agreement there is a change in GAAP that might in the opinion of the Company result in a material alteration of the

commercial effect of any of the terms of this Agreement, then the Company shall, in consultation with its independent accountants, negotiate in good faith with the holders of Notes for a period of at least 30 days to make any necessary adjustments to any covenant or any component of financial computations used to calculate such covenant, in each case satisfactory to the Majority Holders, to ensure that the change in GAAP does not result in any material alteration in the commercial effect of such covenant. In the event that no agreement is reached by the end of such 30-day negotiation period, then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective and each subsequent set of financial statements delivered to holders of Notes pursuant to Section 7.1(a) or (b) shall include detailed reconciliations reasonably satisfactory to the Majority Holders as to the effect of such change in GAAP.

23.4. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

23.5. Construction, Etc.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

23.6. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

23.7. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

23.8. Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 23.8(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served by or on behalf of any holder of a Note in any suit, action or proceeding of the nature referred to in Section 23.8(a) by mailing a copy thereof by registered or certified or priority mail, postage prepaid, return receipt requested, or delivering a copy thereof in the manner for delivery of notices specified in Section 19, to CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as its agent for the purpose of accepting service of any process in the United States. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 23.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) The Company hereby irrevocably appoints CT Corporation System, 111 Eighth Avenue, New York, NY 10011, to receive for it, and on its behalf, service of process in the United States.

(f) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

23.9. Obligation to Make Payment in Dollars.

Any payment on account of an amount that is payable hereunder or under the Notes in Dollars which is made to or for the account of any holder of Notes in any other currency, whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of the Company, shall constitute a discharge of the obligation of the Company under this Agreement or the Notes only to the extent of the amount of Dollars which such holder could purchase in the foreign exchange markets in London, England, with the amount of such other currency in accordance with normal banking procedures at the rate of exchange prevailing on the London Banking Day following receipt of the payment first referred to above. If the amount of Dollars that could be so purchased is less than the amount of Dollars originally due to such holder, the Company agrees to the fullest extent permitted by law, to indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall, to the fullest extent permitted by law, constitute an obligation separate and independent from the other obligations contained in this Agreement and the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by such holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under the Notes or under any judgment or order. As used herein the term **“London Banking Day”** shall mean any day other than Saturday or Sunday or a day on which commercial banks are required or authorized by law to be closed in London, England.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement in the space below provided herein or on the accompanying counterpart of this Agreement and return the same to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

SIGNET GROUP plc

By /s/ Walker Boyd

Title: Group Finance Director

By /s/ Mark Jenkins

Title: Company Secretary

This Agreement is hereby accepted
and agreed to as of the date thereof.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

AMERICAN GENERAL LIFE INSURANCE COMPANY

AIG LIFE INSURANCE COMPANY

AMERICAN INTERNATIONAL LIFE ASSURANCE COMPANY OF NEW YORK

THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK

By: AIG GLOBAL INVESTMENT CORP., investment adviser

By: /s/ Peter DeFazio

Title: Vice President

ONE MADISON INVESTMENTS (CAYCO) LIMITED

By: METROPOLITAN LIFE INSURANCE COMPANY,
its investment manager

By: /s/ Judith A. Gulotta

Title: Director

PRINCIPAL LIFE INSURANCE COMPANY

By: PRINCIPAL GLOBAL INVESTORS, LLC
a Delaware limited liability company, its authorized signatory

By: /s/ James C. Fifield

Title: Counsel

By: /s/ Christopher J. Henderson

Title: Vice President and Senior Investment Counsel

SYMETRA LIFE INSURANCE COMPANY,
a Washington corporation

By: PRINCIPAL GLOBAL INVESTORS, LLC
a Delaware limited liability company, its authorized signatory

By: /s/ James C. Fifield

Title: Counsel

By: /s/ Christopher J. Henderson

Title: Vice President and Senior Investment Counsel

AVIVA LIFE INSURANCE COMPANY,
a Delaware corporation

By: PRINCIPAL GLOBAL INVESTORS, LLC
a Delaware limited liability company, its authorized signatory

By: /s/ James C. Fifield

Title: Counsel

By: /s/ Christopher J. Henderson

Title: Vice President and Senior Investment Counsel

THE BANK OF NEW YORK, AS TRUSTEE FOR THE
SCOTTISH RE (U.S.), INC. AND SECURITY LIFE OF
DENVER INSURANCE COMPANY SECURITY TRUST BY
AGREEMENT DATED DECEMBER 31, 2004

By: PRINCIPAL GLOBAL INVESTORS, LLC
a Delaware limited liability company, its authorized signatory

By: /s/ James C. Fifield

Title: Counsel

By: /s/ Christopher J. Henderson

Title: Vice President and Senior Investment Counsel

MIDLAND NATIONAL LIFE INSURANCE COMPANY

By: Midland Advisors Company as its Agent

By: /s/ Stephen D. Sautel

Title: Managing Director

ING USA ANNUITY AND LIFE INSURANCE COMPANY

By: ING INVESTMENT MANAGEMENT LLC, as Agent

By: /s/ Christopher P. Lyons

Title: Senior Vice President

RELIASTAR LIFE INSURANCE COMPANY

By: ING INVESTMENT MANAGEMENT LLC, as Agent

By: /s/ Christopher P. Lyons

Title: Senior Vice President

SECURITY LIFE OF DENVER INSURANCE COMPANY

By: ING INVESTMENT MANAGEMENT LLC, as Agent

By: /s/ Christopher P. Lyons

Title: Senior Vice President

ING LIFE INSURANCE AND ANNUITY COMPANY

By: ING INVESTMENT MANAGEMENT LLC, as Agent

By: /s/ Christopher P. Lyons

Title: Senior Vice President

TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY

By: /s/ Debra R. Thompson

Title: Vice President

AXA EQUITABLE LIFE INSURANCE COMPANY

By: /s/ Emilia F. Wiener

Title: Investment Officer

MONY LIFE INSURANCE COMPANY

By: /s/ Emilia F. Wiener

Title: Investment Officer

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA INVESTMENTS, INC.
(authorized agent)

By: /s/ Leonard Mazlish

Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA INVESTMENTS, INC.
(authorized agent)

By: /s/ Leonard Mazlish

Title: Managing Director

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Ellen I. Whittaker

Title: Director, Fixed Income Investments

CUNA MUTUAL LIFE INSURANCE COMPANY

By: MEMBERS CAPITAL ADVISORS, INC.,
acting as Investment Advisor:

By: /s/ James E. McDonald, Jr.

Title: Director, Private Placements

CUNA MUTUAL INSURANCE SOCIETY

By: MEMBERS CAPITAL ADVISORS, INC.,
acting as Investment Advisor:

By: /s/ James E. McDonald, Jr.

Title: Director, Private Placements

CUMIS INSURANCE SOCIETY

By: MEMBERS CAPITAL ADVISORS, INC.,
acting as Investment Advisor:

By: /s/ James E. McDonald, Jr.

Title: Director, Private Placements

MEMBERS LIFE INSURANCE COMPANY

By: MEMBERS CAPITAL ADVISORS, INC.,
acting as Investment Advisor:

By: /s/ James E. McDonald, Jr.

Title: Director, Private Placements

ALLIED IRISH BANKS P.L.C.

By: /s/ Simon Hammond

Senior Manager

GENWORTH LIFE INSURANCE COMPANY

By: /s/ Scott Sell

Title: Investment Officer

GE GROUP LIFE ASSURANCE COMPANY

By: /s/ Scott Sell

Title: Investment Officer

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By: /s/ Scott Sell

Title: Investment Officer

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: /s/ Sharon Manewitz

Title: Managing Director

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

By: ALLIANZ OF AMERICA, INC., as Authorized Signatory
 and Investment Manager

By: /s/ Gary Brown

Title: Assistant Treasurer

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

By: /s/ Rachel Stauffer

Title: Vice President Investments

OHIO NATIONAL LIFE ASSURANCE CORPORATION

By: /s/ Jed R. Martin

Title: Senior Vice President, Private Placements

THE OHIO NATIONAL LIFE INSURANCE COMPANY

By: /s/ Jed R. Martin

Title: Senior Vice President, Private Placements

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

By: /s/ David D. Rowland

Title: Senior Vice President

SECURITY FINANCIAL LIFE INSURANCE COMPANY

By: /s/ Kevin W. Hammond

Title: Senior Director - Investments

SCHEDULE A

This Schedule A shows the names, addresses and telecopy numbers of the purchasers under the foregoing Note Purchase Agreement and the respective principal amounts and series of Notes to be purchased by each.

Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY	\$27,000,000 (Series C)
(1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN #, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:	
The Bank of New York ABA# 021-000-018 BNF Account#: IOC 566 For Further Credit to: The Variable Annuity Life Insurance Company-Account No. 260735 Ref: PPN# 82668L A# 1 and Prin: \$_____ Int: \$_____	
(2) Address for all notices in respect of payment:	
AIG Global Investment Group c/o The Bank of New York Attn: P&I Department PO Box 19266 Newark, NJ 07195 Telephone: (718) 315-3026 Fax: (718) 315-3076	
(3) Duplicate payment notices and <u>compliance information</u> to:	
The Variable Annuity Life Insurance Company c/o AIG Global Investment Group 2929 Allen Parkway, A36-04 Houston, TX 77019-2155 Attn: Private Placement Department Fax: 713-831-1072	
(4) All other correspondence to:	
AIG Global Investment Group 2929 Allen Parkway, Suite A36-01 Houston, TX 77019-2155 Legal Department-Investment Management	

Fax: 713-831-2328

(5) Tax Identification No.: 74-1625348

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AMERICAN GENERAL LIFE INSURANCE COMPANY

\$15,000,000
(Series C)

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN #, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

State Street Bank and Trust Company
Boston, MA 02101
ABA# 011-000-028
Re: American General Life Insurance Company
A/C: 0125-880-5
Ref: PPN# 82668L A# 1 and Prin: \$_____ Int: \$_____
Fund Number PA 40

- (2) Address for all notices in respect of payment:

American General Life Insurance Company and PA 40
c/o State Street Bank Corporation
Insurance Services
801 Pennsylvania
Kansas City, MO 64105
Fax: (816) 691-3619

- (3) Duplicate payment notices and compliance information to:

American General Life Insurance Company and PA 40
c/o AIG Global Investment Group
2929 Allen Parkway, A36-04
Houston, TX 77019-2155
Attn: Private Placement Department
Fax: 713-831-1072

- (4) All other correspondence to:

AIG Global Investment Group
2929 Allen Parkway, Suite A36-01
Houston, TX 77019-2155
Legal Department-Investment Management
Fax: 713-831-2328

- (5) Tax Identification No.: 25-0598210

AIG LIFE INSURANCE COMPANY

\$10,000,000
(Series C)

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN #, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

Mellon Trust of New England
Boston, MA
ABA # 011-001-234
DDA # 169064
Cost Center 1178
Account Name: AIG LIFE INSURANCE COMPANY
Account Number: AGIFALI0392
Ref: PPN 82668L A# 1 and description of payment
P \$_____, I \$_____

- (2) Address for all notices in respect of payment:

AIG Global Investment Group
ATTN: Jennifer Lee / Kathleen Cosgrove
70 Pine Street, 15th Floor
New York, NY 10270
Tel: 212-770-8915 / 8924
Fax: 212-770-8583

- (3) Duplicate payment notices and compliance information to:

AIG Life Insurance Company
c/o AIG Global Investment Group
2929 Allen Parkway, A36-04
Houston, TX 77019-2155
Attn: Private Placement Department
Fax: 713-831-1072

- (4) All other correspondence to:

AIG Global Investment Group
2929 Allen Parkway, Suite A36-01
Houston, TX 77019-2155
Legal Department-Investment Management
Fax: 713-831-2328

- (5) Tax Identification No.: 25-1118523

AMERICAN INTERNATIONAL LIFE ASSURANCE
COMPANY OF NEW YORK

\$5,000,000
(Series C)

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN #, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

Mellon Trust of New England
Boston, MA
ABA # 011-001-234
DDA # 169064
Cost Center 1178
Account Name: AI LIFE ASSURANCE COMPANY OF N.Y.
Account Number: AGIFLNY0372
Ref: PPN 82668L A# 1 and description of payment
P \$_____, I \$_____

- (2) Address for all notices in respect of payment:

AIG Global Investment Group
ATTN: Jennifer Lee / Kathleen Cosgrove
70 Pine Street, 15th Floor
New York, NY 10270
Tel: 212-770-8915 / 8924
Fax: 212-770-8583

- (3) Duplicate payment notices and compliance information to:

American International Life Assurance Company of New York
c/o AIG Global Investment Group
2929 Allen Parkway, A36-04
Houston, TX 77019-2155
Attn: Private Placement Department
Fax: 713-831-1072

- (4) All other correspondence to:

AIG Global Investment Group
2929 Allen Parkway, Suite A36-01
Houston, TX 77019-2155
Legal Department-Investment Management
Fax: 713-831-2328

- (5) Tax Identification No.: 13-6101875

THE UNITED STATES LIFE INSURANCE COMPANY IN
THE CITY OF NEW YORK

\$5,000,000
(Series C)

- (1) All payments to be by wire transfer of immediately available funds, with sufficient information (including PPN #, interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds, to:

State Street Bank and Trust Company
Boston, MA 02101
ABA# 011-000-028
Re: The United States Life Insurance Company in the City of
New York
A/C: 6956-534-9
Ref: PPN# 82668L A# 1 and Prin: \$_____ Int: \$_____
Fund Number PA 77

- (2) Address for all notices in respect of payment:

The United States Life Insurance Co. in the City of New York
and PA 77
c/o State Street Bank Corporation
Insurance Services
801 Pennsylvania
Kansas City, MO 64105
Fax: (816) 691-3619

- (3) Duplicate payment notices and compliance information to:

The United States Life Insurance Co. in the City of New
York and PA 77
c/o AIG Global Investment Group
2929 Allen Parkway, A36-04
Houston, TX 77019-2155
Attn: Private Placement Department
Fax: 713-831-1072

- (4) All other correspondence to:

AIG Global Investment Group
2929 Allen Parkway, Suite A36-01
Houston, TX 77019-2155
Legal Department-Investment Management
Fax: 713-831-2328

- (5) Tax Identification No.: 13-5459480

ONE MADISON INVESTMENTS (CAYCO) LIMITED\$14,000,000 (Series B)
\$26,000,000 (Series C)

- (1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA # 021000021
One Madison Investments (Cayco) Limited
Account No. 323-8-61962
Ref: Signet Group plc, Series B due 2016 and Series C
due 2018

with sufficient information to identify the source and application of such funds, including (i) the name of the Issuer, (ii) the maturity date, (iii) the PPN: 82668L A@ 3 (Series B), 82668L A# 1 (Series C) of the Notes, (iv) the amount of principal, interest and premium, if any, and (v) the due date of the payment being made.

For all payments other than scheduled payments of principal and interest, the Company shall seek instructions from the holder, and in the absence of instructions to the contrary, will make such payments to the account and in the manner set forth above.

- (2) Address for all notices and other communications:

One Madison Investments (Cayco) Limited
c/o Metropolitan Life Insurance Company
Investments, Private Placements
10 Park Avenue
Morristown, NJ 07962-1902
Attention: Director
Telecopy: (973) 355-4250

AND:

One Madison Investments (Cayco) Limited
c/o MetLife Investments Limited
Orion House 11th Floor
5 Upper St. Martin's Lane
London WC2H 9EA, England
Attention: Investments, Private Placements
Facsimile: 011-44-20-7632-8101

With a copy OTHER than with respect to deliveries of financial statements to:

One Madison Investments (Cayco) Limited
c/o Metropolitan Life Insurance Company
10 Park Avenue
Morristown, NJ 07962-1902
Attention: Chief Counsel-Securities Investments (PRIV)
Telecopy: (973) 355-4338

(3) Tax Identification Number: n/a

PRINCIPAL LIFE INSURANCE COMPANY

\$13,500,000 (Series B)
\$500,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

ABA# 121000248
Wells Fargo Bank Iowa, N.A.
San Francisco, CA
For Credit to Principal Life Insurance Company
Account No. 0000014752
OBI PFGSE(S)B0068508()

with sufficient information (including issuer, interest rate, maturity, PPN 82668L A@ 3 and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Principal Global Investors, LLC
Attn: Fixed Income Private Placements
711 High Street
Des Moines, Iowa 50392-0960
privateplacements2@exchange.principal.com

- (4) Tax Identification No.: 42-0127290

SYMETRA LIFE INSURANCE COMPANY

\$6,000,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

ABA No.: 021000021
JPMorgan Chase
For Acct: Funds Clearance
Account: 9009002859
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3-Signet Group plc)
Symetra Life – Annuities/AFS #P21158

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Symetra Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Symetra Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 91-0742147

SYMETRA LIFE INSURANCE COMPANY

\$5,000,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

The Bank of New York
ABA #021-000-018
BNF: IOC566
F/A/O Symetra Life LTD Maturity #196
Account #318572
Attn: P & I Department
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3– Signet Group plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Symetra Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Symetra Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 91-0742147

SYMETRA LIFE INSURANCE COMPANY

\$3,000,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

The Bank of New York
ABA #021-000-018
BNF: IOC566
F/A/O Symetra Life Retirement Services #197
account #318574
Attn: P & I Department
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3– Signet Group plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Symetra Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Symetra Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 91-0742147

AVIVA LIFE INSURANCE COMPANY

\$2,600,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Mellon Bank (Boston Safe Deposit)
011001234/BOS SAFE DEP
DDA#125261
Cost Center #1253
For Acct: Aviva Life-Principal Glob Priv General
Account Deferred TSA
Account: AVAF2010522
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3– Signet Group
plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Aviva Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Aviva Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 04-2235236

AVIVA LIFE INSURANCE COMPANY

\$2,000,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Mellon Bank (Boston Safe Deposit)
011001234/BOS SAFE DEP
DDA#125261
Cost Center #1253
For Acct: Aviva Life-Principal Glob Priv EG
Convertible Securities
Account: AVAF2011412
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3– Signet Group
plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Aviva Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Aviva Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 04-2235236

AVIVA LIFE INSURANCE COMPANY

\$500,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Mellon Bank (Boston Safe Deposit)
011001234/BOS SAFE DEP
DDA#125261
Cost Center #1253
For Acct: Aviva Life-Principal Glob Priv General
Account Universal Life
Account: AVAF2010512
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3- Signet Group plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Aviva Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Aviva Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 04-2235236

AVIVA LIFE INSURANCE COMPANY

\$500,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Mellon Bank (Boston Safe Deposit)
011001234/BOS SAFE DEP
DDA#125261
Cost Center #1253
For Acct: Aviva Life-Principal Glob Priv Structured
Settlements IMM ANN
Account: AVAF2010012
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3- Signet Group plc)

with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Aviva Life Insurance Company
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Aviva Life Insurance Company
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 04-2235236

THE BANK OF NEW YORK, AS TRUSTEE FOR THE
SCOTTISH RE (U.S.), INC. AND SECURITY LIFE OF
DENVER INSURANCE COMPANY SECURITY TRUST
BY AGREEMENT DATED DECEMBER 31, 2004

\$1,400,000 (Series B)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Bank of NYC
New York, N.Y.
ABA# 021000018
ACCOUNT: GLA 111-565
Account # 327696
Account Name: Scottish RE US/ SLD Sec TR Principal
OBI PFGSE (S) B0068620()
Attn: (cusip number 82668L A@ 3— Signet Group plc)
with sufficient information (including issuer, interest rate, maturity, PPN and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

Scottish RE US - Security Life of Denver
c/o Principal Global Investors, LLC
Attn: Investment Accounting Fixed Income Securities
711 High Street
Des Moines, Iowa 50392-0960

- (3) All other communications to:

Scottish RE US - Security Life of Denver
Principal Global Investors, LLC
ATTN: Fixed Income Private Placements
711 High Street, G-26
Des Moines, IA 50392-0800

- (4) Tax Identification No.: 23-2038295

MIDLAND NATIONAL LIFE INSURANCE COMPANY\$15,000,000 (Series A)
\$7,000,000 (Series A)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
BNF: IOC 566
100 Church Street, 7th Floor
New York, NY 10286

with sufficient information (including issuer, interest rate, maturity, PPN 82668L A* 5 and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

The Bank of New York
F/A/O: _____
PO Box 19266
Newark, NJ 07195
Attn: Principal & Interest Dept.

With a copy to:

Midland Advisors Company
200 East 10th Street, Suite 301
Sioux Falls, SD 57104
Attn: Melissa Carlson, 605-782-1943
Fax: 605-782-1929

- (3) All other communications to:

Guggenheim Partners
Attn: Kaitlin Trinh/John Nelson
135 East 57th Street, 9th Floor
New York, NY 10022
212-651-0840/212-381-7559
Fax: 212-644-8396

- (4) Tax Identification No.: 46-0164570

MIDLAND NATIONAL LIFE INSURANCE COMPANY

\$3,000,000 (Series A)

- (1) All payments on account of the Notes to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
MNL-BOLI General Account
Custody Account Number 0000-246378

with sufficient information (including issuer, interest rate, maturity, PPN 82668L A* 5 and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) All notices with respect to payments to

The Bank of New York
F/A/O: _____
PO Box 19266
Newark, NJ 07195
Attn: Principal & Interest Dept.

With a copy to:

Midland Advisors Company
200 East 10th Street, Suite 301
Sioux Falls, SD 57104
Attn: Melissa Carlson, 605-782-1943
Fax: 605-782-1929

- (3) All other communications to:

Guggenheim Partners
Attn: Kaitlin Trinh/John Nelson
135 East 57th Street, 9th Floor
New York, NY 10022
212-651-0840/212-381-7559
Fax: 212-644-8396

- (4) Tax Identification No.: 46-0164570

ING USA ANNUITY AND LIFE INSURANCE
COMPANY

\$4,000,000 (Series A)
\$5,000,000 (Series C)

- (1) All payments on account of the Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

The Bank of New York
ABA# 021000018
BFN: IOC566/INST'L CUSTODY
(for scheduled principal and interest payments) or
BFN: IOC565/INST'L CUSTODY
(for all payments other than scheduled principal
and interest)
Attn: P&I Department
Ref: ING USA Annuity and Life Insurance Company
Acct. No. 136373 and PPN 82668L A* 5 (Series
A), 82668L A# 1 (Series C)

Each such wire transfer shall set forth the name of the issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN, and the due date and application (as among principal, premium and interest) of the payment being made.

- (2) Address for all notices relating to payments:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 30327-4349
Attention: Operation/Settlements
Fax: (770) 690-4886

- (3) Address for all other communications and notices:

ING Investment Management LLC
100 Washington Avenue South, Suite 1635
Minneapolis, MN 55401-2121
Attn: Martin Rosacker
Phone: (612) 342-7138
Fax: (612) 372-5368

with copy to:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 39327-4349

Attn: Private Placements
Fax: (770) 690-5057

(4) Tax Identification No.: 41-0991508

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RELIASTAR LIFE INSURANCE COMPANY

\$11,000,000 (Series A)

- (1) All payments on account of the Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

The Bank of New York
ABA# 021000018
BFN: IOC566/INST'L CUSTODY
(for scheduled principal and interest payments) or
BFN: IOC565/INST'L CUSTODY
(for all payments other than scheduled principal
and interest)
Attn: P&I Department
Ref: Reliastar Life Insurance Company
Acct. No. 187035 and PPN 82668L A* 5 (Series A)

Each such wire transfer shall set forth the name of the issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN, and the due date and application (as among principal, premium and interest) of the payment being made.

- (2) Address for all notices relating to payments:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 30327-4349
Attention: Operation/Settlements
Fax: (770) 690-4886

- (3) Address for all other communications and notices:

ING Investment Management LLC
100 Washington Avenue South, Suite 1635
Minneapolis, MN 55401-2121
Attn: Martin Rosacker
Phone: (612) 342-7138
Fax: (612) 372-5368

with copy to:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

SECURITY LIFE OF DENVER INSURANCE
COMPANY

\$7,000,000 (Series C)

- (1) All payments on account of the Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

The Bank of New York
ABA# 021000018
BFN: IOC566/INST'L CUSTODY
(for scheduled principal and interest payments) or
BFN: IOC565/INST'L CUSTODY
(for all payments other than scheduled principal
and interest)
Attn: P&I Department
Ref: Security Life of Denver Insurance Company
Acct. No. 178157 and PPN 82668L A# 1 (Series C)

Each such wire transfer shall set forth the name of the issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN, and the due date and application (as among principal, premium and interest) of the payment being made.

- (2) Address for all notices relating to payments:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 30327-4349
Attention: Operation/Settlements
Fax: (770) 690-4886

- (3) Address for all other communications and notices:

ING Investment Management LLC
100 Washington Avenue South, Suite 1635
Minneapolis, MN 55401-2121
Attn: Martin Rosacker
Phone: (612) 342-7138
Fax: (612) 372-5368

with copy to:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 39327-4349
Attn: Private Placements

Fax: (770) 690-5057

(4) Tax Identification No.: 84-0499703

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ING LIFE INSURANCE AND ANNUITY COMPANY

\$3,000,000 (Series C)

- (1) All payments on account of the Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

The Bank of New York
ABA# 021000018
BFN: IOC566/INST'L CUSTODY
(for scheduled principal and interest payments) or
BFN: IOC565/INST'L CUSTODY
(for all payments other than scheduled principal and interest)
Attn: P&I Department
Ref: ING Life Insurance and Annuity Company
Acct. No. 178157 and PPN 82668L A# 1 (Series C)

Each such wire transfer shall set forth the name of the issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN, and the due date and application (as among principal, premium and interest) of the payment being made.

- (2) Address for all notices relating to payments:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 30327-4349
Attention: Operation/Settlements
Fax: (770) 690-4886

- (3) Address for all other communications and notices:

ING Investment Management LLC
100 Washington Avenue South, Suite 1635
Minneapolis, MN 55401-2121
Attn: Martin Rosacker
Phone: (612) 342-7138
Fax: (612) 372-5368

with copy to:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, Georgia 39327-4349
Attn: Private Placements
Fax: (770) 690-5057

TRANSAMERICA OCCIDENTAL LIFE INSURANCE
COMPANY

\$10,000,000 (Series B)
\$20,000,000 (Series C)

- (1) All payments on account of the Notes shall be made by wire or intrabank transfer of immediately available funds prior to 12:00 noon (New York Time) on the due date to:

Mellon Trust of New England
ABA# - 011001234
Credit DDA Account #125261
Attn: MBS Income, cc1253
Custody account # TRAF1515002
FC TOLIC Private

providing sufficient information (including issuer, interest rate, maturity, PPN 82668L A@ 3 (Series B), 82668L A# 1 (Series C) and whether payment is of principal, premium or interest) to identify the source and application of such funds.

- (2) Address for all notices and confirmations in respect of payments:

AEGON USA Investment Management, LLC
Attn: Custody Operations-Privates
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-7013
email: paymentnotifications@aegonusa.com

- (3) Address for routine correspondence and reporting:

AEGON USA Investment Management, LLC
Attn: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Phone: 319-369-2432
Fax: 319-369-2666

and

AEGON USA Investment Management, LLC
Attn: Debbie Thompson-Private Placements
400 West Market Street, 10th Floor
Louisville, KY 40202
Phone: 502-560-2961
Fax : 502-560-2030

- (4) Address for legal/closing:

AEGON USA Investment Management, LLC

Attn: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335

and

AEGON USA Investment Management, LLC
Attn: Paul Houk, Esq.
Investment Legal Department
400 West Market Street, 10th Floor
Louisville, KY 40202

(5) Tax Identification No.: 95-1060502

AXA EQUITABLE LIFE INSURANCE COMPANY

\$17,000,000 (Series B)

- (1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

JPMorgan Chase Bank
Account: Axa Equitable Life Insurance Company
4 Chase Metrotech Center
Brooklyn, NY 11245
ABA # 021000021
Account No. 037-2-417394
Custody Account: G05476

with sufficient information to identify the source and application of such funds, including (i) the name of the Issuer, (ii) the maturity date, (iii) the PPN: 82668L A@ 3 (Series B) of the Notes, (iv) the amount of principal, interest and premium, if any, and (v) the due date of the payment being made.

- (2) All notices of payments and written confirmations of wire transfers should be sent to:

Axa Equitable Life Insurance Company
c/o AllianceBernstein LP
1345 Avenue of the Americas – 38th Floor
New York, NY 10105
Attn: Cosmo Valente [Telephone: 212-969-6384]

- (3) Address for all other communications:

Axa Equitable Life Insurance Company
c/o AllianceBernstein LP
1345 Avenue of the Americas – 37th Floor
New York, NY 10105
Attn: Emily Wiener [Telephone: (212) 823-2775]
Alliance Capital Management Corporation

- (4) Tax Identification Number: 13-5570651

MONY LIFE INSURANCE COMPANY

\$8,000,000 (Series B)

- (1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

JP Morgan/Chase
ABA No.: 021-000021
For credit to Private Income Processing
Account Number: 900-9000-200
A/C: MONY Closed Block– G 52963

with sufficient information to identify the source and application of such funds, including (i) the name of the Issuer, (ii) the maturity date, (iii) the PPN: 82668L A@ 3 (Series B) of the Notes, (iv) the amount of principal, interest and premium, if any, and (v) the due date of the payment being made.

- (2) All notices of payments and written confirmations of wire transfers should be sent to:

JP Morgan Chase Manhattan Bank
14201 N. Dallas Parkway
13th Floor
Dallas, Texas 75254-2917
Fax: 469-477-1904

with a copy to:

MONY Life Insurance Company
C/O AllianceBernstein LP
1345 Avenue of the America
38th Floor
New York, New York 10105
Attention: Mike Maher
Telephone #: (212) 823-2873
Fax: (212) 969-6298

- (3) Address for all other communications:

MONY Life Insurance Company
C/O AllianceBernstein LP
1345 Avenue of the Americas, 38th Floor
New York, NY 10105
Attention: Emily Wiener
AllianceBernstein LP
[Telephone #: (212) 823-2775]

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

- (1) All payments on account of the Notes shall be made in the form of bank wire transfer or other immediately available funds to:

J.P. Morgan Chase Bank

BNF=CIGNA Private Placements/AC=9009001802

FED ABA #021000021

OBI = [name of company, description of security; interest rate, maturity date; PPN 82668L A* 5]

\$5,000,000 (Series A)
\$3,100,000 (Series A)
\$1,700,000 (Series A)
\$1,200,000 (Series A)
\$1,000,000 (Series A)
\$1,000,000 (Series A)
\$1,000,000 (Series A)
\$1,000,000 (Series A)
\$1,000,000 (Series A)
\$1,000,000 (Series A)

- (2) Address for all notices in respect to payments:

Connecticut General Life Insurance Company

c/o CIGNA Investments, Inc.

Attn: Fixed Income Securities, H16B

280 Trumbull Street

Hartford, CT 06103

Fax: 860-727-8024

With a copy to:

J.P. Morgan Chase

14201 Dallas Parkway, 13th Floor

Dallas, TX 75254

Attn: Karen Mote, Mail Code 300-116

Fax: 469-477-1904

- (3) Address for all other communications:

Connecticut General Life Insurance Company

c/o CIGNA Investments, Inc.

Attn: Fixed Income Securities, H16B

280 Trumbull Street

Hartford, CT 06103

Fax: (860) 727-8024

- (4) Taxpayer I.D. Number: 06-0303370

LIFE INSURANCE COMPANY OF NORTH AMERICA

\$3,000,000 (Series A)

- (1) All payments on account of the Notes shall be made in the form of bank wire transfer or other immediately available funds to:

J.P. Morgan Chase Bank

BNF=CIGNA Private Placements/AC=9009001802

FED ABA #021000021

OBI = [name of company, description of security; interest rate, maturity date; PPN 82668L A* 5]

- (2) Address for all notices in respect to payments:

Life Insurance Company of North America

c/o CIGNA Investments, Inc.

Attn: Fixed Income Securities, H16B

280 Trumbull Street

Hartford, CT 06103

Fax: 860-727-8024

With a copy to:

J.P. Morgan Chase

14201 Dallas Parkway, 13th Floor

Dallas, TX 75254

Attn: Karen Mote, Mail Code 300-116

Fax: 469-477-1904

- (3) Address for all other communications:

Life Insurance Company of North America

c/o CIGNA Investments, Inc.

Attn: Fixed Income Securities, H16B

280 Trumbull Street

Hartford, CT 06103

Fax: (860) 727-8024

- (4) Taxpayer I.D. Number: 23-1503749

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

\$18,000,000 (Series B)

- (1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, with sufficient information (including interest rate and maturity) to identify the issue to which the payment relates and the source and application of such funds, including the amount of principal, interest and premium and the PPN 82668L A@ 3, to:

JPMorgan Chase Bank
FED ABA #021000021
CHASE/NYC/CTR/BNF

A/C 900-9-000200

Reference: A/C #G05978, Guardian Life, CUSIP
_____, Signet Group plc

- (2) Address for all communications and notices:

The Guardian Life Insurance Company of America
c/o Berkshire Life Insurance Company of America
700 South Street
Pittsfield, MA 01201-8285
Attn: Ellen Whittaker
Fax #: (413) 442-9763

- (3) Tax Identification No.: 13-5123390

CUNA MUTUAL LIFE INSURANCE COMPANY

\$3,150,000 (Series A)
\$2,700,000 (Series B)
\$3,150,000 (Series C)

- (1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

State Street Bank
DTC/New York Window
55 Water Street
Plaza Level - 3rd Floor
New York, NY 1004
ACCOUNT: State Street Bank
ABA: 011000028
A/C: CUNA Mutual Life Insurance Company
A/C NUMBER: ZT2A
PPN 82668L A* 5 (Series A), 82668L A@ 3
(Series B), 82668L A# 1 (Series C)

- (2) All notices with respect to payments to

State Street Bank
Attn: Brian Kershner
801 Pennsylvania
Kansas City, MO 64105
FAX: 816-691-5545
E-MAIL: BDKERSH@STATESTREETKC.COM
WITH COPY TO:
CUNA Mutual Insurance Society
Attn: Rosie Pope
5910 Mineral Point Road
Madison, WI 53705-4456
FAX: 608-231-8591
E-MAIL: ROSIE.POPE@CUNAMUTUAL.COM

- (3) All other communications to:

CUNA Mutual Insurance Society
Attn: Jim McDonald Director, Private Placements
5910 Mineral Point Road
Madison, WI 53705-4456
TELEPHONE: 608-231-8170
FAX: 608-236-8170
E-MAIL: jim.mcdonald@cunamutual.com
WITH COPY TO:
CUNA Mutual Insurance Society
Attn: Associate General Counsel
5910 Mineral Point Road
Madison, WI 53705-4456

TELEPHONE: 608-231-7653

FAX: 608-236-7653

E-MAIL: STEVE.SULESKI@CUNAMUTUAL.COM

(4) Tax Identification No.: 42-0388260

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Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
CUNA MUTUAL INSURANCE SOCIETY	\$2,100,000 (Series A)
	\$1,800,000 (Series B)
(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:	\$2,100,000 (Series C)
State Street Bank DTC/New York Window 55 Water Street Plaza Level - 3rd Floo New York, NY 1004 ACCOUNT: STATE STREET BANK ABA: 011000028 A/C: CUNA Mutual Insurance Society A/C NUMBER: ZT1E PPN 82668L A* 5 (Series A), 82668L A@ 3 (Series B), 82668L A# 1 (Series C)	
(2) All notices with respect to payments to	
State Street Bank Attn: Brian Kershner 801 Pennsylvania Kansas City, MO 64105 FAX: 816-691-5545 E-MAIL: BDKERSH@STATESTREETKC.COM WITH COPY TO: CUNA Mutual Insurance Society Attn: Rosie Pope 5910 Mineral Point Road Madison, WI 53705-4456 FAX: 608-231-8591 E-MAIL: ROSIE.POPE@CUNAMUTUAL.COM	
(3) All other communications to:	
CUNA Mutual Insurance Society Attn: Jim Mcdonald Director, Private Placements 5910 Mineral Point Road Madison, WI 53705-4456 TELEPHONE: 608-231-8170 FAX: 608-236-8170 E-MAIL: jim.mcdonald@cunamutual.com WITH COPY TO: CUNA Mutual Insurance Society Attn: Associate General Counsel 5910 Mineral Point Road Madison, WI 53705-4456	

TELEPHONE: 608-231-7653

FAX: 608-236-7653

E-MAIL: STEVE.SULESKI@CUNAMUTUAL.COM

(4) Tax Identification No.: 39-0230590

Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
CUMIS INSURANCE SOCIETY	\$1,050,000 (Series A)
(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:	\$900,000 (Series B)
State Street Bank DTC/New York Window 55 Water Street Plaza Level - 3rd Floo New York, NY 1004 ACCOUNT: State Street Bank ABA: 011000028 A/C: CUMIS Insurance Society A/C NUMBER: ZT11 PPN 82668L A* 5 (Series A), 82668L A@ 3 (Series B), 82668L A# 1 (Series C)	\$1,050,000 (Series C)
(2) All notices with respect to payments to	
State Street Bank Attn: Brian Kershner 801 Pennsylvania Kansas City, MO 64105 FAX: 816-691-5545 E-MAIL: BDKERSH@STATESTREETKC.COM WITH COPY TO: CUNA Mutual Insurance Society Attn: Rosie Pope 5910 Mineral Point Road Madison, WI 53705-4456 FAX: 608-231-8591 E-MAIL: ROSIE.POPE@CUNAMUTUAL.COM	
(3) All other communications to:	
CUNA Mutual Insurance Society Attn: Jim Mcdonald Director, Private Placements 5910 Mineral Point Road Madison, WI 53705-4456 TELEPHONE: 608-231-8170 FAX: 608-236-8170 E-MAIL: jim.mcdonald@cunamutual.com WITH COPY TO: CUNA Mutual Insurance Society Attn: Associate General Counsel 5910 Mineral Point Road Madison, WI 53705-4456	

TELEPHONE: 608-231-7653
FAX: 608-236-7653
E-MAIL: STEVE.SULESKI@CUNAMUTUAL.COM

(4) Tax Identification No.: 39-0972608

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Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
MEMBERS LIFE INSURANCE COMPANY	\$700,000 (Series A) \$600,000 (Series B) \$700,000 (Series C)
(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:	
State Street Bank DTC/New York Window 55 Water Street Plaza Level - 3rd Floo New York, NY 1004 ACCOUNT: STATE STREET BANK ABA: 011000028 A/C: MEMBERS Life Insurance Company A/C NUMBER: ZT1J PPN 82668L A* 5 (Series A), 82668L A@ 3 (Series B), 82668L A# 1 (Series C)	
(2) All notices with respect to payments to	
State Street Bank Attn: Brian Kershner 801 Pennsylvania Kansas City, MO 64105 FAX: 816-691-5545 E-MAIL: BDKERSH@STATESTREETKC.COM WITH COPY TO: CUNA Mutual Insurance Society Attn: Rosie Pope 5910 Mineral Point Road Madison, WI 53705-4456 FAX: 608-231-8591 E-MAIL: ROSIE.POPE@CUNAMUTUAL.COM	
(3) All other communications to:	
CUNA Mutual Insurance Society Attn: Jim Mcdonald Director, Private Placements 5910 Mineral Point Road Madison, WI 53705-4456 TELEPHONE: 608-231-8170 FAX: 608-236-8170 E-MAIL: jim.mcdonald@cunamutual.com WITH COPY TO: CUNA Mutual Insurance Society Attn: Associate General Counsel 5910 Mineral Point Road Madison, WI 53705-4456	

TELEPHONE: 608-231-7653

FAX: 608-236-7653

E-MAIL: STEVE.SULESKI@CUNAMUTUAL.COM

(4) Tax Identification No.: 39-1236386

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ALLIED IRISH BANKS P.L.C.

\$13,000,000 (Series A)

- (1) All payments by wire transfer of immediately available funds, with sufficient information (including interest rate, maturity date, interest amount, principal amount) to identify the source and application of such funds to:

Credit Bank: Euroclear Bank, MGTCEBEBEECL
Account Name: The Bank of New York, Brussels (IRVTBEBB)
Account No.: 97816
Reference: a/c 184310 and PPN 82668L A* 5

- (2) All notices of payments and written confirmations of such wire transfers, to:

Ms. Rachel Cosgrove
Corporate Operations
AIB Corporate Banking Iona House
Shelbourne Rd, Dublin 4, Ireland
Tel: 353 1 6416631
Fax: 353 1 6603529

- (3) All other communications to:

Helen Carbery / Grace Gilligan
Allied Irish Banks p.l.c.
AIB International Centre, 1st Floor
IFSC Dublin 1, Ireland
Tel: 353 1 6417913 / 17616
Fax: 353 1 6797136

- (4) Tax Identification Number: 13-2774756

GENWORTH LIFE INSURANCE COMPANY

\$8,000,000 (Series A)

- (1) All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

Genworth Life Insurance Company
The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS33
Attn: PP P & I DEPARTMENT
Bank to Bank Information: Genworth Life
Insurance Company, Account #127459,
CUSIP/PPN 82668L A* 5 & Security Description,
and Identify Principal & Interest Amounts

- (2) Address for all notices with respect to payments and written confirmation of each such payment, including interest payments, redemptions, premiums, make wholes and fees:

Genworth Financial
Account: Genworth Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
phone: 206-516-4515
fax: 206-516-4578

with copies to:

State Street
Account: Genworth Life Insurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

and

Genworth Life Insurance Company
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department

Ref: Genworth Life Insurance Company, Account #127459, CUSIP/PPN 82668L A* 5 and Security
Description
P&I Contact: Anthony Largo – 718-315-3022

- (3) All notices and communications including original note agreement, conformed copy of the Note agreement, amendment requests, financial statements and other general information to be addressed as follows:

Genworth Financial
Account: Genworth Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
phone: 206-516-4515
fax: 206-516-4578

If available, an electronic copy is additionally requested. Please send to the following e-mail address :

GNW.privateplacements@genworth.com

- (4) Tax Identification No.: 91-6027719

GE GROUP LIFE ASSURANCE COMPANY

\$4,000,000 (Series B)

- (1) All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

GE Group Life Assurance Company

The Bank of New York

ABA # 021000018

Beneficiary: GLA111566

SWIFT Code: IRVTUS3N

Bank to Bank Information: GE Group Life Assurance Company, Account #127016, CUSIP/PPN 82668L A@ 3 & Security Description, and Identify Principal & Interest Amounts

- (2) Address for all notices with respect to payments and written confirmation of each such payment, including interest payments, redemptions, premiums, make wholes and fees:

Genworth Financial

Account: GE Group Life Assurance Company

601 Union Street, Suite 2200

Seattle, WA 98101

Attn: Private Placements

phone: 206-516-4515

fax: 206-516-4578

with copies to:

State Street

Account: GE Group Life Assurance Company

801 Pennsylvania

Kansas City, MO 64105

Attn: Tammy Karn

Telephone No.: (816) 871-9286

Fax No.: (816) 691-5593

geam@statestreetkc.com (preferred delivery method)

and

GE Group Life Assurance Company

The Bank of New York

Income Collection Department

P.O. Box 11203

New York, NY 10286

Attn: PP P&I Department

Ref: GE Group Life Assurance Company, Account #127016, CUSIP/PPN 82668L A@ 3 and Security Description

P&I Contact: Anthony Largo – 718-315-3022

- (3) All notices and communications including original note agreement, conformed copy of the Note agreement, amendment requests, financial statements and other general information to be addressed as follows:

Genworth Financial

Account: GE Group Life Assurance Company

601 Union Street, Suite 2200

Seattle, WA 98101

Attn: Private Placements

phone: 206-516-4515

fax: 206-516-4578

If available, an electronic copy is additionally requested. Please send to the following e-mail address :

GNW.privateplacements@genworth.com

- (4) Tax Identification No.: 06-0893662

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

\$4,000,000 (Series B)

- (1) All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

Genworth Life and Annuity Insurance Company

The Bank of New York

ABA # 021000018

Beneficiary: GLA111566

SWIFT Code: IRVTUS33

Bank to Bank Information: Genworth Life and Annuity Insurance Company, Account #127022,
CUSIP/PPN 82668L A@ 3 & Security Description, and Identify Principal & Interest Amounts

- (2) Address for all notices with respect to payments and written confirmation of each such payment, including interest payments, redemptions, premiums, make wholes and fees:

Genworth Financial

Account: Genworth Life and Annuity Insurance Company

601 Union Street, Suite 2200

Seattle, WA 98101

Attn: Private Placements

phone: 206-516-4515

fax: 206-516-4578

with copies to:

State Street

Account: Genworth Life and Annuity Insurance Company

801 Pennsylvania

Kansas City, MO 64105

Attn: Tammy Karn

Telephone No.: (816) 871-9286

Fax No.: (816) 691-5593

geam@statestreetkc.com (preferred delivery method)

and

Genworth Life and Annuity Insurance Company

The Bank of New York

Income Collection Department

P.O. Box 11203

New York, NY 10286

Attn: PP P&I Department

Ref: Genworth Life and Annuity Insurance Company, Account #127022, CUSIP/PPN 82668L A@ 3
and Security Description
P&I Contact: Anthony Largo – 718-315-3022

- (3) All notices and communications including original note agreement, conformed copy of the Note agreement, amendment requests, financial statements and other general information to be addressed as follows:

Genworth Financial
Account: Genworth Life and Annuity Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
phone: 206-516-4515
fax: 206-516-4578

If available, an electronic copy is additionally requested. Please send to the following e-mail address :

GNW.privateplacements@genworth.com

- (4) Tax Identification No.: 54-0283385

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

\$15,000,000 (Series B)

- (1) All payments on account of the Notes shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer through the Automated Clearing House System to:

JPMorgan Chase Bank
ABA No. 021-000-021
New York, New York
For deposit to the Account of Teachers Insurance and
Annuity Association of America
Account Number: 900-9-000200
For Further Credit to the TIAA Account Number G07040

with sufficient information (including interest rate and maturity) to identify the issue to which the payment relates and the source and application of such funds, including the amount of principal, interest and premium and the PPN 82668L A@ 3

- (2) Contemporaneous with the above electronic funds transfer payment, written confirmation of each such payment setting forth: (a) the full name, private placement number, interest rate and maturity date of the Notes; (b) allocation of payment between principal, interest, premium and any special payment; and (c) the name and address of the bank (or Trustee) from which wire transfer was sent, shall be delivered, mailed or faxed to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017
Attention: Securities Accounting Division
Telephone Number: (212) 916-6004
Facsimile Number: (212) 916-6955

with a copy to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017
Attention: Sharon Manewitz
Investment Management -- Discrete Credits Team
Telephone Number: (212) 916-5967

Fax Number: (212) 916-6140
email: smanewit@tiaa-cref.org

- (3) All other communications shall be delivered or mailed to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017
Attention: Investment Management -- Discrete Credits Team
Facsimile Number: (212) 916-6140

- (4) Taxpayer I.D. Number: 13-1624203

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

\$12,000,000 (Series A)

- (1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, to:
- MAC & CO.
ABA # 011001234
DDA 125621
Cost Center 1253
Re: Name of Issuer: [_____]]
Description of Security: [_____]]
PPN: 82668L A* 5
Due Date and Application (as among principal, make whole and interest) of the payment being made:
- (2) Address for all communications regarding payments:
- Allianz Life Insurance Company of North America
c/o Allianz of America, Inc.
Attn: Private Placements
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881-5160
Phone: 203-221-8580
Fax: 203-221-8539
E-mail: blandry@azoz.com
- With a copy to:
- Kathy Muhl
Supervisor – Income Group
Mellon Bank, N.A.
Three Mellon Center – Room 3418
Pittsburgh, Pennsylvania 15259
Phone: 412-234-5192
E-mail: muhl.kl@mellon.com
- (3) Address for all other communications:
- Allianz Life Insurance Company of North America
c/o Allianz of America, Inc.
Attn: Private Placements
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881-5160
Phone: 203-221-8580
Fax: 203-221-8539
E-mail: blandry@azoz.com

(4) Tax Identification No.: 41-1366075

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AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

\$9,000,000 (Series B)

- (1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, to:

State Street Bank & Trust Company
ABA # 011000028
Account # 00076026, Income Collection
BNF - BEV3
CUSIP/PPN: 82668L A@ 3
Security Description: _____
Principal, Interest, Premium Breakdown: _____

- (2) Address for all communications:

American Equity Investment Life Insurance Co.
Attn: Asset Administration
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
515-221-0329 fax

with a copy to:
American Equity Investment Life Insurance Co.
Attn: Investment Department – Private Placements
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
515-221-0329 fax

- (3) Tax Identification No.: 42-1153896

OHIO NATIONAL LIFE ASSURANCE CORPORATION

\$3,000,000 (Series B)

- (1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, to:

U.S. Bank N.A.
ABA# 042-000013
5th & Walnut Streets
Cincinnati, OH 45202
For credit to Ohio National Life Assurance Corporation's
Account No. 865-215-8

with sufficient information (including interest rate and maturity) to identify the issue to which the payment relates and the source and application of such funds, including the amount of principal, interest and premium and the PPN 82668L A@ 3

- (2) All notices with respect to payment and all other communications:

The Ohio National Life Insurance Company
One Financial Way
Cincinnati, OH 45242
Attn: Investment Department
Fax: 513-794-4506

- (3) Tax Identification No.: 31-0962495

THE OHIO NATIONAL LIFE INSURANCE COMPANY

\$1,000,000 (Series B)

- (1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, to:

U.S. Bank N.A.
ABA# 042-000013
5th & Walnut Streets
Cincinnati, OH 45202
For credit to The Ohio National Life Insurance Company's
Account No. 910-275-7

with sufficient information (including interest rate and maturity) to identify the issue to which the payment relates and the source and application of such funds, including the amount of principal, interest and premium and the PPN 82668L A@ 3

- (2) All notices with respect to payment and all other communications:

The Ohio National Life Insurance Company
One Financial Way
Cincinnati, OH 45242
Attn: Investment Department
Fax: 513-794-4506

- (3) Tax Identification No.: 31-0397080

Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA	\$4,000,000 (Series B)
(1) All payments on account of the Notes shall be made by wire transfer of federal or other immediately available funds, to:	
Bank Name: JP Morgan Chase Bank Bank ABA Number: 021000021 Wire Acct Name: Travelers Indemnity Company – Private Placements Wire Acct Number: 323954448 PPN 82668L A @ 3	
(2) Address for all communications regarding payments:	
St. Paul Travelers Treasury Department Mail Code 510E 385 Washington Street St. Paul, MN 55102-1396	
(3) Address for all other communications:	
St. Paul Travelers Fixed Income Investments Mail Code 511B 385 Washington Street St. Paul, MN 55102-1396	
(4) Tax Identification No.: 06-0907370	

Name and Address of Purchaser	Principal Amount and Series of Notes to be Purchased
SECURITY FINANCIAL LIFE INSURANCE COMPANY	\$2,000,000 (Series B)
(1) All payments on or in respect of the Notes shall be made by wire transfer of immediately available funds at the opening of business on the due date to	
Union Bank & Trust Company 4732 Calvert Street Lincoln, Nebraska 68501-2535 ABA # 104-910-795 Account of: Security Financial Life Insurance Co. Account #338-1480	
Each such wire transfer shall set forth the name of the issuer, the full title of the Notes (including the rate and final redemption to maturity date) and application of such funds among principal, premium and interest, if applicable, and PPN 82668L A@ 3	
(2) Address for all notices with respect to payment and written confirmations of such wire transfers:	
Security Financial Life Insurance Co. 4000 Pine Lake Road Lincoln, NE 68516 Attention: Investment Division Tel. No.: 402-437-3600 Fax No.: 402-458-2170	
(3) Address for all other communications:	
Security Financial Life Insurance Co. 4000 Pine Lake Road Post Office Box 82248 Lincoln, NE 68501-2248	
(4) Tax Identification No.: 47-0293990	

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“Additional Payments” is defined in Section 8.3.

“Additional Subsidiary Guarantor” is defined in Section 9.6.

“ Affiliate ” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, **“ Control ”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “Affiliate” is a reference to an Affiliate of the Company.

“ Anti-Terrorism Order ” means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

“ Bank Credit Facility ” means (a) the Existing Bank Credit Facility and (b) any other working capital credit, loan or borrowing facility (including any renewal, extension, replacement or refinancing of a then existing working capital facility) entered into on or after the date of the Closing by the Company or any Subsidiary in a principal amount equal to or greater than \$75,000,000 (or the equivalent in the relevant currency of payment, determined as of the date of the financial closing of such working capital facility based on the exchange rate of such other currency for sterling).

“ Business Day ” means (a) for the purposes of Section 8.9 only, any day other than a Saturday, a Sunday or a day on which commercial banks in The City of New York are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in The City of New York or London, England are required by law to close or are customarily closed.

“ Capital Lease ” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“ Change of Control ” is defined in Section 8.4.

“ Closing ” is defined in Section 3.

“ **Code** ” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“ **Company** ” means Signet Group plc (Registered No. 00477692), a public limited company organized under the laws of England and Wales, until a successor Person shall have become such pursuant to Section 10.5, and thereafter “ **Company** ” shall mean such successor Person.

“ **Confidential Information** ” is defined in Section 21.

“ **Consolidated Earnings Before Interest and Tax** ” means, in respect of any Relevant Period, the total operating profit for continuing operations, acquisitions (as a component of continuing operations) and discontinued operations for the Group, excluding for the avoidance of doubt any exceptional profits or losses on the sale of or termination of any operation, exceptional costs of a fundamental reorganization or restructuring and any exceptional profits or losses on the disposals of fixed assets and extraordinary items for such Relevant Period, all as determined on a consolidated basis in accordance with GAAP.

“ **Consolidated EBITDA** ” means, in respect of any Relevant Period, Consolidated Earnings Before Interest and Tax before any amount attributable to the amortization of intangible assets and depreciation of tangible assets for such Relevant Period, adjusted by:

(a) including the EBITDA (determined on the same basis as Consolidated EBITDA) of a member of the Group acquired during such Relevant Period for that part of such Relevant Period when it was not a member of the Group and/or the business or assets of which were not owned by a member of the Group; and

(b) excluding the EBITDA (determined on the same basis as Consolidated EBITDA) attributable to any member of the Group or to any business sold during such Relevant Period.

“ **Consolidated Net Debt** ” means, at any time, the aggregate amount of all obligations of the Group (and for the purposes of paragraph (k) of the definition of Financial Indebtedness the relevant entity, if not a member of the Group, which has incurred such Financial Indebtedness) for or in respect of Indebtedness for Borrowed Money but excluding any such obligation to any other member of the Group, adjusted to take account of the aggregate amount of freely available cash and cash equivalents held by any member of the Group (and so that no amount shall be included or excluded more than once).

“ **Consolidated Net Interest Expenditure** ” means, in respect of any Relevant Period, the aggregate amount of the interest (including without limitation the interest element of leasing and hire purchase payments and capitalized interest), commission and other finance payments payable by the Group (including any periodic commission, fees, discounts and other finance payments payable by the Group under any Swap Contract) net of interest receivable by any member of the Group (including without limitation any periodic commission, fees, discounts and other finance payments receivable by any member of the Group under any Swap Contract).

“ **Consolidated Tangible Net Worth** ” means, at any time, the aggregate of the amounts paid up or credited as paid up on the issued share capital of the Company (other than any Redeemable Shares) and the aggregate amount of the reserves of the Group, including but not limited to:

- (a) any amount credited to the share premium account;
- (b) any capital redemption reserve fund; and
- (c) any balance standing to the credit of the consolidated profit and loss account of the Group,

but deducting:

- (i) any debit balance on the consolidated profit and loss account of the Group;
- (ii) (to the extent included) any amount shown in respect of goodwill (including goodwill arising only on consolidation) or other intangible assets of the Group and interests of non-Group members in Group subsidiaries;
- (iii) (to the extent included) any amount set aside for taxation, deferred taxation or bad debts; and
- (iv) (to the extent included) any amounts arising from an upward revaluation of assets made at any time after January 31, 2004,

and so that no amount shall be included or excluded more than once.

“ **Consolidated Total Assets** ” means, at any date, the book value of the gross assets of the Group that would appear on a balance sheet of the Group, determined on a consolidated basis in accordance with GAAP.

“ **Default** ” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“ **Default Rate** ” means for a Note of any series, that rate of interest per annum that is the greater of (i) 2% above the stated interest rate for the Notes of such series and (ii) 2% above the rate of interest from time to time publicly announced by Citibank, N.A. in New York City as its “base” or “prime” rate.

“ **Disclosure Documents** ” is defined in Section 5.3.

“ **Dollar** ”, “ **U.S. Dollar** ”, “ **\$** ” or “ **U.S.\$** ” means lawful money of the United States of America.

“ **EBITARR** ” means, in respect of any Relevant Period, Consolidated Earnings Before Interest and Tax for such Relevant Period before any amount attributable to the

amortization of intangible assets and after adding back Rents, Rates and Operating Lease Expenditure for such Relevant Period.

“ **Environmental Laws** ” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ **ERISA Affiliate** ” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

“ **euro** ” or “ **€** ” means the unit of single currency of the Participating Member States.

“ **Event of Default** ” is defined in Section 11.

“ **Existing Bank Credit Facility** ” means the \$390,000,000 Multicurrency Revolving Credit Facilities Agreement dated September 28, 2004 between the Company, the Subsidiaries comprising Original Guarantors, Barclays Capital, HSBC Bank plc, The Royal Bank of Scotland plc and Wachovia Bank, N.A. as mandated lead arrangers, HSBC Bank plc as agent and the lenders party thereto, as supplemented, amended or restated from time to time.

“ **Existing Securitization** ” means each of (a) the private placement pursuant to which Sterling Jewelers Receivables Master Note Trust has issued Class A, Class B, Class C and Class D Asset Backed Certificates (Series 2001-A) in a maximum aggregate amount of \$251,000,000 in respect of such Class A, Class B and Class C Asset Backed Certificates and \$26,348,100 in respect of such Class D Asset Backed Certificates, (b) the Sterling Jewelers Receivables Conduit Facility and (c) the Sterling Jewelers Receivables Master Note Trust, Series 2001-2.

“ **Financial Covenant** ” means, in respect of a Bank Credit Facility as in effect from time to time, any financial covenant that relates specifically to one or more numerical measures of the financial condition or results of operations of the Company, its Subsidiaries or the Group (however expressed and whether stated as a ratio, a fixed threshold, an event of default or otherwise).

“ **Financial Indebtedness** ” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) any Swap Contract entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any Swap Contract, only the then Swap Termination Value shall be taken into account) but a member of the Group shall not be construed as incurring indebtedness if it simply pays an up-front fee in respect of any such transaction in respect of which it has no continuing financial obligations;

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(i) any amount which would be payable in the event of the redemption of Redeemable Shares;

(j) any amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of ninety days;

(k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in clauses (a) to (j) above.

(l) (without double counting) amounts owing in respect of an Existing Securitization.

“ **GAAP** ” means generally accepted accounting principles (including International Financial Reporting Standards, if applicable) in effect from time to time in the applicable jurisdiction. Unless the context otherwise requires, all references to “GAAP” shall be deemed to mean GAAP in the United Kingdom.

“ **Governmental Authority** ” means

(a) the government of

(i) the United States of America or the United Kingdom or any State or other political subdivision of either thereof, or

(ii) any State or other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“ **Group** ” means at any time the Company and its Subsidiaries at such time; and a “ **member of the Group** ” means the Company or any Subsidiary that at such time is included in the Group.

“ **Guaranty** ” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“ **Hazardous Material** ” means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law, including, without limitation, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

“ **holder** ” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 14.1.

“ **Indebtedness for Borrowed Money** ” means Financial Indebtedness save for any indebtedness for or in respect of clauses (g) and (h) of the definition of “ **Financial Indebtedness** ”.

“ **Institutional Investor** ” means (a) any Purchaser, (b) any holder of a Note holding (together with one or more of its affiliates) more than 0.50% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“ **Lien** ” means, with respect to any Person, any mortgage, lien, pledge, charge, or other security interest, or any other agreement having a similar effect. For the avoidance of doubt any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts, or other preferential arrangement having a similar effect, in each case in circumstances where the arrangement or transaction is entered into by a Person primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset, shall be deemed to constitute a Lien securing such Financial Indebtedness or in respect of such asset.

“ **Majority Holders** ” means, at any time, the holders of at least a majority in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

“ **Make-Whole Amount** ” is defined in Section 8.9.

“ **Material** ” means material in relation to the business, operations, affairs, financial condition, assets or properties of the Group taken as a whole.

“ **Material Adverse Effect** ” means a material adverse effect on (a) the business, operations, affairs, property or condition (financial or other) of the Group taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes or the Subsidiary Guarantors as a group to perform their respective payment obligations under the Subsidiary Guarantees or (c) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guarantee.

“ **Material Subsidiary** ” means, at any time, a Subsidiary which:

- (a) has profits before interest and tax (determined on the same basis as Consolidated Earnings Before Interest and Tax) representing 10% or more of Consolidated Earnings Before Interest and Tax; or
- (b) has gross assets representing 10% or more of Consolidated Total Assets; or
- (c) has turnover representing 10% or more of consolidated turnover of the Group,

in each case calculated on a consolidated basis (but excluding Sterling Jewelers Receivables Corp.). Compliance with the conditions set out in clauses (a), (b) and (c) above shall be determined by reference to the most recent certificate of a Senior Financial Officer furnished to holders of Notes pursuant to Section 7.2 and/or the then most recent financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest consolidated financial statements of the Group furnished pursuant to Section 7.1(a) or 7.1(b) provided that:

(i) if a Subsidiary has been acquired since the date as at which the latest consolidated financial statements of the Group were prepared, the financial statements shall be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by the Group's auditors as representing an accurate reflection of the revised Consolidated Earnings Before Interest and Tax or Consolidated Total Assets or turnover of the Group);

(ii) if, in the case of any Subsidiary which itself has Subsidiaries, no consolidated financial statements are prepared, its consolidated earnings before interest and tax, gross assets and turnover shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary, prepared for this purpose by the auditors of the Company or the auditors for the time being of the relevant Subsidiary; and

(iii) if any intra-group transfer or re-organization takes place, the latest audited consolidated financial statements of the Group shall be adjusted by the auditors of the Company in order to take into account such intra-group transfer or re-organization.

Other than in relation to any Subsidiary designated by the Company as a Material Subsidiary, a report by the auditors of the Company that a Subsidiary is or is not a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“ **Memorandum** ” is defined in Section 5.3.

“**Modified Make-Whole Amount**” is defined in Section 8.9.

“ **Month** ” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“ **Multiemployer Plan** ” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“ **NAIC** ” means the National Association of Insurance Commissioners or any successor thereto.

“ **Non-U.S. Plan** ” means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

“ **Notes** ” is defined in Section 1.1.

“ **Officer’s Certificate** ” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“ **Operating Lease Expenditure** ” means, in respect of any Relevant Period, all payments made by the Group under operating leases under which a member of the Group is lessee.

“ **Participating Member State** ” means any member state of the European Community that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“ **PBGC** ” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“ **Pension Plan** ” means any Plan subject to title IV of ERISA (other than a Multiemployer Plan).

“ **Permitted Jurisdiction** ” means (a) the United States of America or any State thereof, (b) Canada or any Province thereof, (c) Australia or any State thereof, (d) Switzerland and (e) any country that on April 30, 2004 was a member of the European Union (other than Greece, Italy, Portugal or Spain).

“ **Person** ” means an individual, partnership, corporation, limited liability company, public limited company, association, trust, unincorporated organization, business entity or Governmental Authority.

“ **Plan** ” means an “employee benefit plan” (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“ **property** ” or “ **properties** ” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, inchoate or otherwise.

“ **PTE** ” means a Prohibited Transaction Exemption issued by the Department of Labor.

“ **Purchaser** ” is defined in the first paragraph of this Agreement.

“ **Rates** ” means, in respect of any Relevant Period, all payments made by a member of the Group in respect of business rates levied by a local authority or other competent body in respect of freehold or leasehold premises owned or occupied by a member of the Group.

“ **Receivables** ” means receivables under credit card accounts of Sterling Jewelers Inc., Sterling Inc., Sterling of Columbus Inc. and/or Sterling Jewelers LLC.

“ **Redeemable Shares** ” means any issued shares in the capital of the Company (other than any deferred shares which are redeemable by the Company for an amount not exceeding £1,000 (or its equivalent in the currency of payment) for the entire class of deferred shares) which are redeemable (other than solely at the option of the Company or for the purposes of conversion pursuant to which the entire amount payable to the shareholder is provided out of the proceeds of a fresh issue of shares for that purpose) on or before May 23, 2019.

“**Registration Duty**” means any registration duty, stamp duty or similar amount payable pursuant to the laws of the United Kingdom in connection with the use in a United Kingdom judicial proceeding of this Agreement, the Notes or any other agreement or document related hereto or thereto or the transactions contemplated herein or therein.

“ **Related Fund** ” means, with respect to any holder of any Note, any fund or entity that (a) invests in securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

“ **Relevant Period** ” means each period of twelve months ending on the last day of the Company’s financial year and each period of twelve months ending on the last day of the first half of the Company’s financial year.

“ **Rents** ” means, in respect of any Relevant Period, all payments made by a member of the Group in respect of rents, license fees and other moneys payable in respect of freehold or leasehold premises in which a member of the Group has an interest as lessee or licensee less all such payments made to the Group as lessor or licensor of such premises (but shall not to the extent thereof include any such payments that are linked to the turnover of any member of the Group).

“ **Responsible Officer** ” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the subject matter of the relevant portion of this Agreement.

“ **Securities Act** ” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ **Senior Financial Officer** ” means the executive chairman, managing director, finance director or chief accounting officer of the Company.

“**Series A Notes**” is defined in Section 1.1.

“**Series B Notes**” is defined in Section 1.1.

“**Series C Notes**” is defined in Section 1.1.

“ **Sterling** ”, “ **Pounds Sterling** ” or “ **£** ” means lawful money of the United Kingdom.

“ **Sterling Jewelers Receivables Conduit Facility** ” means the facility entered into by certain U.S. Subsidiaries on May 18, 2001 and which comprises the securitization of Receivables for a fluctuating amount.

“ **Sterling Jewelers Receivables Master Note Trust, Series 2001-2** ” means the facility entered into by certain of the U.S. Subsidiaries on November 2, 2001 which comprises the securitization of Receivables for fixed amounts.

“ **Subsidiary** ” means, as to any Person, any corporation or other business entity at least a majority of the combined voting power of all Voting Shares of which is owned, directly or indirectly, by such Person. Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“ **Subsidiary Guarantee** ” is defined in Section 1.2.

“ **Subsidiary Guarantor** ” is defined in Section 1.2.

“ **SVO** ” means the Securities Valuation Office of the NAIC or any successor to such Office.

“ **Swap Contract** ” means (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, without limitation, any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement.

“ **Swap Termination Value** ” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement

relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amounts(s) determined as the mark-to-market values(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

“ **Tax** ” means any tax (whether income, documentary, sales, stamp, registration, issue, capital, property, excise or otherwise), duty, assessment, levy, impost, fee, compulsory loan, charge or withholding.

“ **Taxing Jurisdiction** ” is defined in Section 13.

“ **U.S. Subsidiary** ” means any member of the Group that is incorporated in any state of the United States.

“ **USA Patriot Act** ” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ **Voting Shares** ” means share capital of any class or classes of a corporation having power under ordinary circumstances to vote for the election of members of the board of directors of such corporation, or persons performing similar functions (irrespective of whether at the time shares of any class or classes shall have or might have special voting power or rights by reason of the happening of any contingency).

“ **Wholly-Owned Subsidiary** ” means, at any time, any Subsidiary all of the combined voting power of all Voting Shares of which is owned by the Company or by one or more Wholly-Owned Subsidiaries of the Company.

Disclosure Materials

None.

Subsidiaries of the Company and Ownership of Subsidiary Stock

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Checkbury Limited	England	Yes	Yes	100%	Signet Trading Limited	W G Boyd S L Cashman
C L Edwards & Sons Limited	England	No	No	100%	Signet Holdings Limited	W G Boyd S L Cashman J A Edwards D Edwards
Collingwood the County Jewellers Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
E J Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
Ernest Jones Limited	England	Yes	Yes	100%	Signet Trading Limited	W G Boyd S L Cashman

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Ernest Jones & Co (London) Limited	England	No	No	100%	Ernest Jones (Jewellers) p.l.c.	W G Boyd S L Cashman
Ernest Jones (Jewellers) p.l.c.	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
H. Samuel Limited	England	Yes	Yes	100%	Signet Trading Limited	W G Boyd S L Cashman
H Samuel (I.O.M.) Limited	Isle of Man	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
James Walker, Goldsmith & Silversmith, Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
James Walker Guernsey Limited	Guernsey	No	No	100%	James Walker, Goldsmith & Silversmith, Limited	W G Boyd RBC Directorship Services (Guernsey) Ltd

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Kay Acquisition Inc.	Delaware, USA	No	No	100%	Sterling Jewelers Inc.	R D Trabucco G S Frankovich G F Lavelle
Leslie Davis Limited	England	No	No	100%	Signet Trading Limited	W G Boyd S L Cashman
Marcus Jewel Galleries Inc.	New York, USA	No	No	100%	Sterling Jewelers Inc.	T L Burman R D Trabucco G S Frankovich
Ratners Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S J Taylor
Ratners Property Developments Limited	England	No	No	100%	Signet Holdings Limited	W G Boyd S L Cashman S J Taylor
Ratners Trustees Limited	England	No	No	100%	Signet UK Dormants Limited	J McAdam W G Boyd
Saphena Limited	England	No	No	100%	Ernest Jones (Jewelers) p.l.c.	W G Boyd S L Cashman

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Signet Card Services Limited	England	No	No	100%	Signet Trading Limited	W G Boyd S L Cashman
Signet Group Finance Limited	England	No	No	100%	Signet UK Cayman Limited	W G Boyd S L Cashman
Signet Group QUEST Limited	England	No	No	100%	Signet Group plc	W G Boyd A Longstaffe C Banszky
Signet Group Services Limited	England	No	No	100%	Signet Holdings Limited	W G Boyd S L Cashman
Signet Holdings Limited	England	Yes	Yes	100%	Signet Group plc	W G Boyd S L Cashman
Signet Jewellery Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
Signet Jewellery Group Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Signet Trading Limited	England	No	Yes	100%	Signet Holdings Limited	W G Boyd S L Cashman
Signet UK Cayman Limited	Cayman Islands	No	No	100%	Signet Holdings Limited	W G Boyd S L Cashman
Signet UK Dormants Limited	England	No	No	100%	Signet Holdings Limited	W G Boyd S L Cashman
Signet US Finance Limited	England	No	No	100%	Signet US Holdings Inc.	W G Boyd S L Cashman
Signet US Holdings Inc.	Delaware, USA	No	Yes	100%	Signet Holdings Limited	T L Burman W G Boyd R D Trabucco G S Frankovich D J Puglisi R M Lavelle
Stephen's Jewellers Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Sterling of Ohio Inc.	Ohio, USA	No	No	100%	Sterling Inc.	T L Burman W G Boyd R D Trabucco G S Frankovich
Sterling Inc.	Ohio, USA	Yes	Yes	100%	Sterling Jewelers Inc.	T L Burman M Light R D Trabucco G S Frankovich
Sterling Jewelers Inc.	Delaware, USA	Yes	Yes	100%	Signet US Holdings Inc.	T L Burman W G Boyd R D Trabucco G S Frankovich
Sterling Jewelers LLC	Delaware, USA	No	No	100%	Sterling Jewelers Inc (50%) and Sterling Inc. (50%)	None – decisions are taken by the members.
Sterling Jewelers Insurance Agency Inc.	Delaware, USA	No	No	100%	Sterling Jewelers Inc.	T L Burman W G Boyd R D Trabucco G S Frankovich
Sterling Jewelers of Puerto Rico Inc.	Puerto Rico	No	No	100%	Sterling Jewelers Inc.	T L Burman R D Trabucco G S Frankovich

Company Name	Jurisdiction	Subsidiary Guarantor	Material Subsidiary	Percentage ownership within Group	Immediate parent company	Directors
Sterling Jewelers Receivables Corp.	Delaware, USA	No	No	100%	Sterling Jewelers Inc.	R D Trabucco G S Frankovich O Figueroa
Sterling Jewelers Reinsurance Ltd.	Turks and Caicos Islands	No	No	100%	Sterling Jewelers Inc.	T L Burman W G Boyd R D Trabucco G S Frankovich
Terry's (Jewellers) Limited	England	No	No	100%	Signet UK Dormants Limited	W G Boyd S L Cashman
Time (Jersey) Limited	Jersey	No	No	100%	James Walker, Goldsmith & Silversmith, Limited	W G Boyd R Thomas

Financial Statements

1. Signet Group plc Annual Report and Audited Financial Statements for the fiscal year ended 29 January 2005.
 2. Signet Group plc Annual Report and Audited Financial Statements for the fiscal year ended 29 January 2004.
 3. Signet Group plc Annual Report and Audited Financial Statements for the fiscal year ended 29 January 2003.
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Existing Financial Indebtedness and Liens

Item	Amount Drawn / Outstanding
Existing Bank Credit Facility – \$390,000,000 Multicurrency Revolving Credit Facility	\$0
<ul style="list-style-type: none"> Description of the obligors: Signet Group plc, H. Samuel Limited, Sterling Inc, Sterling Jewelers Inc, Checkbury Limited, Signet Holdings Limited and Ernest Jones Limited Description of the obligees: Barclays Bank plc, HSBC Bank plc, The Royal Bank of Scotland plc, Wachovia Bank, N.A., Fifth Third Bank, Mizuho Corporate Bank, Ltd, National City Bank Collateral: None Guaranty: provided each of the obligors as guarantors Signed: 28 September 2004 Termination: 28 September 2009 	
Existing Securitisation – Notes of Sterling Jewelers Receivables Master Note Trust	\$251,000,000
<ul style="list-style-type: none"> Description of the obligors: Sterling Jewellers Inc. Description of the obligees: Sheffield Receivable Corporation, Mutual of New York (MONY), TIAA-CREF, Mutual of Omaha Principal amount outstanding: ¹ \$201,000,000 Class A Notes owned by Sheffield Receivable Corporation \$30,500,000 Class B Notes owned by Mutual of New York (MONY), TIAA-CREF, Mutual of Omaha \$19,500,000 Class C Notes owned by Mutual of Omaha Collateral: \$251,000,000 of accounts receivable Guaranty: None. Investors have direct security on the underlying accounts receivables balances up to the amount of \$251,000,000 Signed: 2 November 2001 Final repayment: 2 November 2006 	

¹ Class D Note Principal balance of \$26,358,100 is retained by the Company.

The constitutional documents of certain members of the Group (including, for the avoidance of doubt, the Company) contain restrictions on the creation of, or permitting to subsist, Liens, Financial Indebtedness and guarantees and/or indemnities (including Guarantees).

[FORM OF SERIES A NOTE]

SIGNET GROUP plc

5.95% SENIOR NOTE, SERIES A, DUE 2013

No. RA-[_____]

U.S.\$[_____]

PPN: 82668L A* 5

New York, New York

[Date]

FOR VALUE RECEIVED, the undersigned, SIGNET GROUP plc (Registered No. 00477692), a public limited company incorporated under the laws of England and Wales (herein called the “**Company**”), hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on May 23, 2013, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 5.95% per annum from the date hereof, payable semiannually on May 23 and November 23 in each year, commencing with the May 23 or November 23 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount or Modified Make-Whole Amount (as respectively defined in the Note Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 7.98% per annum and (ii) 2% over the rate of interest publicly announced by Citibank, N.A. from time to time in The City of New York as its “base” or “prime” rate.

Payments of principal of, interest on and any Make-Whole Amount or Modified Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Citibank, N.A. in The City of New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement dated as of March 30, 2006 (as from time to time amended, the “**Note Agreement**”) between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. This Note is also entitled to the benefits of one or more Subsidiary Guarantees executed and delivered from time to time pursuant to the Note Agreement. Each holder of this Note that is not one of the Purchasers named in the Note Agreement, by its acceptance hereof, shall be deemed to have agreed to the confidentiality provisions set forth in Section 21 of the Note Agreement.

This Note is a registered Note and, as provided in the Note Agreement, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note of the same series for a like principal amount (or, if less, the then unpaid principal amount) will be issued to, and registered in the name of, the transferee. Prior to due

presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment in whole or from time to time in part, at the times and on the terms specified in the Note Agreement, but not otherwise.

If an Event of Default, as defined in the Note Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Agreement.

This Note shall be construed and enforced in accordance with, and shall be governed by, the laws of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SIGNET GROUP plc

By _____
Title:

By _____
Title:

[FORM OF SERIES B NOTE]

SIGNET GROUP plc

6.11% SENIOR NOTE, SERIES B, DUE 2016

No. RB-[_____]
 U.S.\$[_____]
 PPN: 82668L A@ 3

New York, New York
 [Date]

FOR VALUE RECEIVED, the undersigned, SIGNET GROUP plc (Registered No. 00477692), a public limited company incorporated under the laws of England and Wales (herein called the “**Company**”), hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on May 23, 2016, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.11% per annum from the date hereof, payable semiannually on May 23 and November 23 in each year, commencing with the May 23 or November 23 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount or Modified Make-Whole Amount (as respectively defined in the Note Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.11% per annum and (ii) 2% over the rate of interest publicly announced by Citibank, N.A. from time to time in The City of New York as its “base” or “prime” rate.

Payments of principal of, interest on and any Make-Whole Amount or Modified Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Citibank, N.A. in The City of New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement dated as of March 30, 2006 (as from time to time amended, the “**Note Agreement**”) between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. This Note is also entitled to the benefits of one or more Subsidiary Guarantees executed and delivered from time to time pursuant to the Note Agreement. Each holder of this Note that is not one of the Purchasers named in the Note Agreement, by its acceptance hereof, shall be deemed to have agreed to the confidentiality provisions set forth in Section 21 of the Note Agreement.

This Note is a registered Note and, as provided in the Note Agreement, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note of the same series for a like principal amount (or, if less, the then unpaid principal amount) will be issued to, and registered in the name of, the transferee. Prior to due

presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment in whole or from time to time in part, at the times and on the terms specified in the Note Agreement, but not otherwise.

If an Event of Default, as defined in the Note Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Agreement.

This Note shall be construed and enforced in accordance with, and shall be governed by, the laws of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SIGNET GROUP plc

By _____
Title:

By _____
Title:

[FORM OF SERIES C NOTE]

SIGNET GROUP plc

6.26% SENIOR NOTE, SERIES C, DUE 2018

No. RC-[_____]

U.S.\$[_____]

PPN: 82668L A# 1

New York, New York

[Date]

FOR VALUE RECEIVED, the undersigned, SIGNET GROUP plc (Registered No. 00477692), a public limited company incorporated under the laws of England and Wales (herein called the “**Company**”), hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on May 23, 2018, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.26% per annum from the date hereof, payable semiannually on May 23 and November 23 in each year, commencing with the May 23 or November 23 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount or Modified Make-Whole Amount (as respectively defined in the Note Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.26% per annum and (ii) 2% over the rate of interest publicly announced by Citibank, N.A. from time to time in The City of New York as its “base” or “prime” rate.

Payments of principal of, interest on and any Make-Whole Amount or Modified Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Citibank, N.A. in The City of New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement dated as of March 30, 2006 (as from time to time amended, the “**Note Agreement**”) between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. This Note is also entitled to the benefits of one or more Subsidiary Guarantees executed and delivered from time to time pursuant to the Note Agreement. Each holder of this Note that is not one of the Purchasers named in the Note Agreement, by its acceptance hereof, shall be deemed to have agreed to the confidentiality provisions set forth in Section 21 of the Note Agreement.

This Note is a registered Note and, as provided in the Note Agreement, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note of the same series for a like principal amount (or, if less, the then unpaid principal amount) will be issued to, and registered in the name of, the transferee. Prior to due

presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment in whole or from time to time in part, at the times and on the terms specified in the Note Agreement, but not otherwise.

If an Event of Default, as defined in the Note Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Agreement.

This Note shall be construed and enforced in accordance with, and shall be governed by, the laws of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SIGNET GROUP plc

By _____
Title:

By _____
Title:

[Form of Subsidiary Guarantee]

GUARANTEE AGREEMENT (this “**Guarantee**”) dated as of _____, 20__, by the undersigned guarantors (each a “**Guarantor**” and collectively the “**Guarantors**” , which term shall include on any date all Other Guarantors theretofore becoming a party to this Guarantee as below provided), in favor of the Purchasers referred to below and the holders from time to time (each a “**Holder**” and collectively the “**Holders**”) of the 5.95% Senior Notes, Series A, due 2013 (the “**Series A Notes**”), 6.11% Senior Notes, Series B, due 2016 (the “**Series B Notes**”) and 6.26% Senior Notes, Series C, due 2018 (the “**Series C Notes**” and, together with the Series A Notes and the Series B Notes, the “**Notes**”) of Signet Group plc, a public limited company incorporated under the laws of England and Wales (Registered No. 00477692) (the “**Company**”), issued pursuant to the Note Purchase Agreement dated as of March 30, 2006 (as the same may be supplemented or amended from time to time, the “**Agreement**” and terms defined therein and not otherwise defined herein are used herein as so defined) entered into by the Company with the institutional investors named in Schedule A thereto (the “**Purchasers**” and, together with the Holders, sometimes individually an “**Obligee**” and collectively the “**Obligees**”).

WHEREAS, it is a condition precedent to the purchase of Notes by the Purchasers that certain Subsidiaries of the Company existing on the date hereof execute and deliver this Guarantee or a separate Guarantee substantially in the form of this Guarantee; and

WHEREAS, the Company is also obligated under Section 9.6 of the Agreement to cause certain other Subsidiaries of the Company to become a party to this Guarantee or execute and deliver a separate guarantee substantially in the form of this Guarantee (as to any Guarantor party to this Guarantee, the other Guarantors party to this Guarantee and any of such other guarantees are sometimes collectively the “**Other Guarantors**” and such other guarantees are sometimes collectively the “**Other Guarantees**”).

NOW, THEREFORE, in consideration of the foregoing, the Guarantors hereby jointly and severally agree as follows:

1. GUARANTEE.

1.1. Obligations Guaranteed

The Guarantors jointly and severally hereby absolutely, unconditionally and irrevocably guarantee, as primary obligors and not merely as sureties,

(a) the punctual payment when due, whether at stated maturity, by prepayment, by acceleration or otherwise, of all obligations of the Company arising under the Agreement and the Notes, whether for principal, interest (including without limitation, to the extent permitted by law, interest on any overdue principal, Make-Whole Amount, Modified Make-Whole Amount and interest at the rates specified in the Notes and interest accruing or becoming owing both prior to and subsequent to the commencement of any bankruptcy, insolvency, examinership, reorganization,

moratorium or similar proceeding involving the Company), Make-Whole Amount, Modified Make-Whole Amount, fees, expenses, indemnification or otherwise, and

(b) the due and punctual performance and observance by the Company of all covenants, agreements and conditions on its part to be performed and observed under the Agreement and the Notes

(all such obligations are called the “Guaranteed Obligations”). [The aggregate liability of the Guarantors hereunder in respect of the Guaranteed Obligations shall not exceed at any time the lesser of (1) the amount of the Guaranteed Obligations and (2) the maximum amount for which the Guarantor is liable under this Guarantee Agreement without causing such liability to be deemed a fraudulent transfer under applicable Debtor Relief Laws (as hereinafter defined), as determined by a court of competent jurisdiction. As used herein, the term “**Debtor Relief Laws**” means any applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar debtor relief laws affecting the rights of creditors generally from time to time in effect.]*

Without limiting the generality of the foregoing, this Guarantee guarantees, to the extent provided herein, the payment of all amounts which constitute part of the Guaranteed Obligations and would be owed by any other Person to any Obligor but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization, moratorium or similar proceeding involving such Person.

1.2. Character of Guarantee

This Guarantee constitutes a present and continuing guarantee of payment and not of collection and each Guarantor guarantees that the Guaranteed Obligations will be paid and performed strictly in accordance with the terms of the Agreement and the Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Company with respect thereto. The obligations of each Guarantor under this Guarantee are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guarantee, irrespective of whether any action is brought against the Company, any Other Guarantor or any other Person liable for the Guaranteed Obligations or whether the Company, any Other Guarantor or any other such Person is joined in any such action or actions. To the extent permitted by law, the liability of each Guarantor under this Guarantee shall be primary, absolute, irrevocable, and unconditional irrespective of:

(a) any lack of validity or enforceability of any Guaranteed Obligation, the Agreement, the Notes, any Other Guarantee or any agreement or instrument relating thereto;

* Here insert limiting language, if any, required under local law in order for this Guarantee to be enforceable to the maximum extent legally possible.

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Agreement, the Notes or any Other Guarantee;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure by any other Person liable, or any other guarantee, for all or any of the Guaranteed Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral or any other assets of the Company or any Other Guarantor;

(e) any change, restructuring or termination of the corporate structure or existence of the Company or any Other Guarantor; or

(f) any other circumstance (including without limitation any statute of limitations) that might otherwise constitute a defense, offset or counterclaim available to, or a discharge of, the Company or any Other Guarantor.

If any event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing and such acceleration (and the effect thereof on the Guaranteed Obligations) shall at such time be prevented by reason of the pendency against the Company or any other Person of a case or proceeding under a bankruptcy or insolvency law, each Guarantor agrees that, for purposes of this Guarantee and such Guarantor's obligations under this Guarantee, the maturity of the principal amount of the Notes shall be deemed to have been accelerated (with a corresponding effect on the Guaranteed Obligations) with the same effect as if the Holders had accelerated the Notes in accordance with the terms of the Agreement, and such Guarantor shall forthwith pay such principal amount, any interest thereon, any Make-Whole Amounts or Modified Make-Whole Amounts and any other amounts guaranteed hereunder without further notice or demand.

1.3. Waivers

Each Guarantor hereby irrevocably waives, to the extent permitted by applicable law:

(a) promptness, diligence, presentment, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guarantee;

(b) any requirement that any Obligor or any other Person protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Company or any other Person or any collateral;

(c) any defense, offset or counterclaim arising by reason of any claim or defense based upon any action by any Obligor;

(d) any duty on the part of any Obligee to disclose to such Guarantor any matter, fact or thing relating to the business, operation or condition of any Person and its assets now known or hereafter known by such Obligee; and

(e) any rights by which it might be entitled to require suit on an accrued right of action in respect of any of the Guaranteed Obligations or require suit against the Company or such Guarantor or any other Person.

2. SUBROGATION, ETC.

2.1. Subrogation and Contribution

No Guarantor shall assert, enforce, or otherwise exercise (a) any right of subrogation to any of the rights, remedies, powers, privileges or Liens of any Obligee or any other beneficiary against the Company or any other Guarantor on the Guaranteed Obligations or any collateral or other security, or (b) any right of recourse, reimbursement, contribution, indemnification, or similar right against the Company or any other Guarantor in respect of the Guaranteed Obligations, and each Guarantor hereby waives any and all of the foregoing rights, remedies, powers, privileges and the benefit of, and any right to participate in, any collateral or other security given to any Obligee or any other beneficiary to secure payment of the Guaranteed Obligations, in each case, until such time as the Guaranteed Obligations have been indefeasibly paid in full.

2.2. Reinstatement

Each Guarantor agrees that its obligations under this Guarantee shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company or one or more Other Guarantors is rescinded or must be otherwise restored by any Obligee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid.

2.3. Separate Claims, etc.

Each default in the payment or performance of any of the Guaranteed Obligations shall give rise to a separate claim and cause of action hereunder, and separate claims or suits may be made and brought, as the case may be, hereunder as each such default occurs. Each Guarantor will from time to time deliver, upon the reasonable request of any Obligee, a satisfactory acknowledgment of such Guarantor's continuing liability hereunder to the extent provided herein.

3. REPRESENTATIONS AND WARRANTIES.

Each Guarantor represents and warrants as to itself as follows:

(a) Such Guarantor is a company or other legal entity duly organized and validly existing in good standing (to the extent that the concept of good standing is recognized in the jurisdiction in which such Guarantor is organized) under the laws of the

jurisdiction in which it is organized and has all requisite power and authority to execute, deliver and perform its obligations under this Guarantee.

(b) The execution and delivery of this Guarantee has been duly authorized by all necessary corporate action on the part of such Guarantor and this Guarantee has been executed and delivered by one or more duly authorized officers of such Guarantor. This Guarantee constitutes, subject to any general principles of law referred to in any legal opinions delivered to the Purchasers, a legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except that the enforceability hereof may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) the time-barring of claims.

(c) The execution, delivery and performance by such Guarantor of this Guarantee does not and will not

(i) violate any applicable law or regulation of any Governmental Authority, or official or judicial order of a court of competent jurisdiction binding on such Guarantor or any of its properties;

(ii) conflict with the Memorandum and Articles of Association or other constitutive or constating documents of such Guarantor;

(iii) conflict with any agreement or document to which such Guarantor is a party or that is binding upon any such Guarantor or any of its properties; or

(iv) result in the creation or imposition of any Lien on any of the properties of any such Guarantor pursuant to the provisions of any agreement or document.

(d) Such Guarantor is executing and delivering this Guarantee and incurring its obligations hereunder for its own benefit and for the purpose of its business and such Guarantor is able to pay its debts and will not become unable to pay its debts as a consequence of incurring such obligations.

(e) The payment obligations of such Guarantor under this Guarantee will rank *pari passu* in right of payment with all other unsecured and unsubordinated Financial Indebtedness of such Guarantor, except for obligations mandatorily preferred by law applying to companies generally.

(f) Under the law of such Guarantor's jurisdiction of incorporation it is not necessary that this Guarantee be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to this Guarantee or the transactions contemplated by this Guarantee.

4. TAX INDEMNIFICATION.

All payments whatsoever under this Guarantee will be made by each Guarantor in lawful currency of the United States of America free and clear of, and without liability for withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any jurisdiction other than the United States (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a **“Taxing Jurisdiction”**), unless the withholding or deduction of such Tax is compelled by law.

If any deduction or withholding for any Tax of a Taxing Jurisdiction shall at any time be required in respect of any amounts to be paid by any Guarantor under this Guarantee, such Guarantor will pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon and pay to each Obligor such additional amounts as may be necessary in order that the net amounts paid to such Obligor pursuant to the terms of this Guarantee after such deduction, withholding or payment (including without limitation any required deduction or withholding of Tax on or with respect to such additional amount), shall be not less than the amounts then due and payable to such Obligor under the terms of this Guarantee before the assessment of such Tax, provided that no payment of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such Obligor (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such Obligor, if such Obligor is an estate, trust, partnership or corporation or any Person other than the Obligor to whom the Guaranteed Obligations or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, other than the mere holding of the relevant Guaranteed Obligations or the receipt of payments in respect thereof, including without limitation such Obligor (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in a trade or business therein or having or having had an establishment, office, fixed base or branch therein, provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for such Guarantor, after the date of this Guarantee, opening an office in, or moving an office to, reincorporating in, or changing the Taxing Jurisdiction from or through which payments on account of this Guarantee or the Notes are made to, the Taxing Jurisdiction imposing the relevant Tax; or

(b) any Tax that would not have been imposed but for the delay or failure by such Obligor (following a written request by the Company or any Guarantor) in the filing with the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes, provided that the filing of such Forms would not (in such Obligor's reasonable judgment) result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such Obligor, and provided further that such Obligor shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms as may

be specified in a written request of the Company or any Guarantor no later than 60 days after receipt by such Obligor of such written request (accompanied by copies of such Forms and related instructions, if any, all in the English language or with an English translation thereof); or

(c) any combination of clauses (a) and (b) above;

and provided further that in no event shall any Guarantor be obligated to pay such additional amounts to any Obligor (i) not resident in the United States of America [or any other jurisdiction in which an original Purchaser is resident for tax purposes on the date of the Closing] in excess of the amounts that such Guarantor would be obligated to pay if such Obligor had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction, (ii) registered in the name of a nominee if under the law of the relevant Taxing Jurisdiction (or the current regulatory interpretation of such law) securities held in the name of a nominee do not qualify for an exemption from the relevant Tax and the Company or such Guarantor shall have given timely notice of such law or interpretation to such Obligor, (iii) resident in the United States of America or such other jurisdiction in which such original Purchaser is resident for tax purposes on the date of the Closing but not eligible for the benefits of such applicable double taxation treaty on such date or (iv) which is a Non-Exempt UK Lender.

By acceptance of any Note, an Obligor agrees, subject to the limitations of clause (b) above, that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company or any Guarantor all such forms, certificates, documents and returns provided to such Obligor by the Company or such Guarantor (collectively, together with instructions for completing the same, "Forms") required to be filed by or on behalf of such Obligor in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction and (y) provide any Guarantor with such information with respect to such Obligor as the Company or such Guarantor may reasonably request in order to complete any such Forms or in the case of an Obligor which is resident in the United Kingdom or established or constituted under the laws of the United Kingdom, provide the Guarantor with such information as it may reasonably request in order to be able to pay interest to such a holder without any deduction or account of any Taxes, provided that nothing in this Section 4 shall require any Obligor to provide information with respect to any such Form or otherwise if in the good faith opinion of such Obligor such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such Obligor, and provided further that each such Obligor shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such Obligor to the Company or such Guarantor or mailed to the appropriate taxing authority (which in the case of a United Kingdom Inland Revenue Form FD13 or any similar Form shall be deemed to occur when such Form is submitted to the United States Internal Revenue Service in accordance with instructions contained in such Form), whichever is applicable, within 60 days following a written request of the Company or such Guarantor (which request shall be accompanied by copies of

such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

Concurrently with the delivery of this Guarantee each Guarantor will furnish each Obligor with copies of the appropriate Form currently required to be filed in the relevant Taxing Jurisdiction of such Guarantor as of the date of this Agreement pursuant to clause (b) of the first paragraph of this Section 4, if any, and in connection with the transfer of any Note the Company or such Guarantor will furnish the transferee of such Note with copies of any Form and English translation then required.

If any payment is made by a Guarantor to or for the account of any Obligor after deduction for or on account of any Tax, and increased payments are made by such Guarantor pursuant to this Section 4, then, if such Obligor in its sole discretion determines that it has received or been granted a refund of such Taxes, such Obligor shall, to the extent that it can do so without prejudice to the retention of the amount of such refund, reimburse to such Guarantor such amount as such Obligor shall, in its sole discretion, determine to be attributable to the relevant Tax or deduction or withholding. Nothing herein contained shall interfere with the right of any Obligor to arrange its tax affairs in whatever manner it thinks fit and, in particular, no Obligor shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or (other than as set forth in clause (b) above) obligate any Obligor to disclose any information relating to its tax affairs or any computations in respect thereof.

Each Guarantor will furnish the Obligors, promptly and in any event within 60 days after the date of any payment by such Guarantor of any Tax in respect of any amounts paid under this Guarantee, the original tax receipt issued by the relevant taxation or other authorities involved for all amounts paid as aforesaid (or if such original tax receipt is not available or must legally be kept in the possession of such Guarantor, a duly certified copy of the original tax receipt or any other reasonably satisfactory evidence of payment), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any Obligor.

If any Guarantor is required by any applicable law, as modified by the practice of the taxation or other authority of any relevant Taxing Jurisdiction, to make any deduction or withholding of any Tax in respect of which such Guarantor would be required to pay any additional amount under this Section 4, but for any reason does not make such deduction or withholding with the result that a liability in respect of such Tax is assessed directly against an Obligor, and such Obligor pays such liability, then the Guarantors jointly and severally agree to promptly reimburse such Obligor for such payment (including any related interest or penalties to the extent such interest or penalties arise by virtue of a default or delay by any Guarantor) upon demand by such Obligor accompanied by an official receipt (or a duly certified copy thereof) issued by the taxation or other authority of the relevant Taxing Jurisdiction.

If any Guarantor makes payment to or for the account of any Obligor and such Obligor is entitled to a refund of the Tax to which such payment is attributable upon the making of a filing (other than a Form described above), then such Obligor shall, as soon as practicable after receiving written request from the Company or such Guarantor (which shall specify in

reasonable detail and supply the refund forms to be filed) use reasonable efforts to complete and deliver such refund forms to or as directed by the Company or such Guarantor, subject, however, to the same limitations with respect to Forms as are set forth above.

The obligations of the Guarantors under this Section 4 shall survive the payment or transfer of any Note and the provisions of this Section 4 shall also apply to successive transferees of the Notes.

5. MISCELLANEOUS.

5.1. Amendments

No amendment or waiver of any provision of this Guarantee and no consent to any departure by the Guarantors therefrom shall in any event be effective unless the same shall be in writing and signed by the Majority Holders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all Obligees, or as contemplated by Section 9.6 of the Agreement, (a) limit the liability of or release any Guarantor hereunder, (b) postpone any date fixed for, or change the amount of, any payment hereunder or (c) change the percentage of the unpaid principal amount of the Notes the holders of which are required to take any action hereunder.

5.2. Notices

All notices and other communications provided for hereunder shall be in writing, shall be hand delivered, sent by confirmed facsimile transmission (hard copy to be provided by overnight courier on the date of such transmission) or sent by an overnight courier of international standing and shall be addressed:

(a) if to a Guarantor, at the address set forth for such Guarantor in Annex 1 hereto, or at such other address as such Guarantor may hereafter designate by notice to each Obligee, or

(b) if to a Purchaser, at such Purchaser's address as set forth in Schedule A to the Agreement or at such other address as such Purchaser may hereafter designate by notice to the Guarantors, or

(c) if to any other Holder, at the address of such Holder as it appears on the register maintained by the Company pursuant to the Agreement.

Any notice or other communication herein provided to be given to all Holders shall be deemed to have been duly given if sent as aforesaid to each of the registered holders of the Notes at the time outstanding at the address for such purpose of such registered holder as it appears on such register.

5.3. Governing Law

This Guarantee shall be governed by, and construed and enforced in accordance with, the law of the State of New York, United States of America, excluding choice-of-law principles of the laws of such State that would require the application of the laws of a jurisdiction other than such State.

5.4. No Waiver

No failure on the part of any Obligor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

5.5. Jurisdiction; Service Of Process; Waiver of Jury Trial.

(a) Each Guarantor irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Guarantee. To the fullest extent it may effectively do so under applicable law, each Guarantor irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the in personam jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each Guarantor agrees, to the fullest extent it may effectively do so under applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in paragraph (a) of this Section 5.5 brought in any such court shall be conclusive and binding upon it, subject to rights of appeal and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) Each Guarantor consents to process being served in any suit, action or proceeding of the nature referred to in paragraph (a) of this Section 5.5 by mailing a copy thereof by registered or certified or priority mail, postage prepaid, return receipt requested, or delivering a copy thereof in the manner for delivery of notices specified in Section 5.2, to CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as such Guarantor's agent for the purpose of accepting service of any process in the United States. Each Guarantor agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the full extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any overnight courier of international standing.

(d) Nothing in this Section 5.5 shall affect the right of any Obligor to serve process in any manner permitted by law, or limit any right that the Obligors may have to bring

proceedings against any Guarantor in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) Each Guarantor hereby irrevocably appoints CT Corporation System, 111 Eighth Avenue, New York, NY 10011, to receive for it, and on its behalf, service of process in the United States.

(f) EACH GUARANTOR WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS GUARANTEE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH.

5.6. Judgment Currency

Any payment on account of an amount that is payable hereunder by a Guarantor in Dollars which is made to or for the account of any Obligee in any other currency, whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of such Guarantor, shall constitute a discharge of such Guarantor's obligation under this Guarantee only to the extent of the amount of Dollars which such Obligee could purchase in the foreign exchange markets in London, England with the amount of such other currency in accordance with normal banking procedures at the rate of exchange prevailing on the London Banking Day following receipt of the payment first referred to above. If the amount of Dollars that could be so purchased is less than the amount of Dollars originally due to such Obligee, the Guarantors jointly and severally agree, to the full extent permitted by law, to indemnify and save harmless such Obligee from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall, to the fullest extent permitted by law, constitute an obligation separate and independent from the other obligations contained in this Guarantee, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by such Obligee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

5.7. Severability

In case any one or more of the provisions contained in this Guarantee, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein, and any other application thereof, shall not in any way be affected or impaired thereby.

5.8. Counterparts

This Guarantee may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the Guarantors.

IN WITNESS WHEREOF each Guarantor has [executed this instrument as its deed the date and year/caused this Guarantee to be executed on its behalf as of the date]** first above written.

[GUARANTOR]
(Registered No. _____)

By _____
Title: _____

By _____
Title: _____

[GUARANTOR]
(Registered No. _____)

By _____
Title: _____

By _____
Title: _____

[GUARANTOR]
(Registered No. _____)

By _____
Title: _____

By _____
Title: _____

[GUARANTOR]
(Registered No. _____)

By _____
Title: _____

By _____
Title: _____

** This clause may vary as appropriate to accommodate formalities of execution in any jurisdiction.

ANNEX 1

[NAMES AND ADDRESSES OF GUARANTORS]

[Composite Opinions of Special U.S. Counsel and English
Legal Advisors to the Company]

[TO COME]

Form of Opinion of Willkie Farr & Gallagher LLP

May __, 2006

Re: Signet Group plc
5.95% Senior Notes, Series A, due 2013
6.11% Senior Notes, Series B, due 2016
6.26% Senior Notes, Series C, due 2018

To each of the Purchasers listed in Schedule A to
the within-mentioned Note Agreement

Ladies and Gentlemen:

We have acted as your special counsel in connection with the issuance by Signet Group plc (the "Company") of its 5.95% Senior Notes, Series A, due 2013 in an aggregate principal amount of \$100,000,000 (the "Series A Notes"), its 6.11% Senior Notes, Series B, due 2016 in an aggregate principal amount of \$150,000,000 (the "Series B Notes") and its 6.26% Senior Notes, Series C, due 2018 in an aggregate principal amount of \$130,000,000 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes") and the purchases by you pursuant to the Note Purchase Agreement made by you with the Company under date of March 30, 2006 (the "Note Agreement") of Notes of the series and in the respective aggregate principal amounts set forth in Schedule A to the Note Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Agreement.

We have examined such corporate records of the Company, agreements and other instruments, certificates of public officials and of officers and representatives of the Company, and such other documents, as we have deemed necessary in connection with the opinions hereinafter expressed. In such examination, we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals and the conformity with the authentic originals of all documents submitted to us as copies. As to questions of fact material to such opinions we have, when relevant facts were not independently established, relied upon the representations set forth in the Note Agreement and upon certifications by officers or other representatives of the Company. We have also assumed the due authorization, execution and delivery by the Company of the Note Agreement and the Notes purchased by you today.

In addition, we attended the closing held today at our office at which you purchased and made payment for Notes of the series and in the respective aggregate principal amounts to be purchased by you, all in accordance with the Note Agreement.

Based upon the foregoing and having regard for legal considerations that we deem relevant, we render our opinion to you pursuant to Section 4.4(b) of the Note Agreement as follows:

1. The Note Agreement constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

2. The Notes being purchased by you today constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

3. No consent, approval or authorization of, or registration, filing or declaration with, any New York or federal Governmental Authority is required to be obtained or made as a condition to the validity of the execution and delivery by the Company of the Note Agreement or said Notes or for the performance by the Company of its obligations thereunder.

4. It was not necessary in connection with the offering, sale and delivery of said Notes, under the circumstances contemplated by the Note Agreement, to register said Notes under the Securities Act of 1933, as amended, or to qualify an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended.

5. The opinions of Herbert Smith LLP, U.S. special counsel and English legal advisors for the Company, each dated today and delivered to you pursuant to Section 4.4(a) of the Note Agreement, are satisfactory to us in form and scope with respect to the matters respectively specified therein and we believe that you are justified in relying thereon.

The opinions expressed above are subject to the exception that the enforceability of any agreement or instrument may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and (b) general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion as to (a) Section 23.8 of the Note Agreement insofar as said Section relates to (i) the subject matter jurisdiction of a United States Federal District Court sitting in the Borough of Manhattan, The City of New York to adjudicate any controversy relating to the Note Agreement, the Notes or any other document related thereto, (ii) the waiver of inconvenient forum with respect to proceedings in any such United States Federal District Court or (iii) the waiver of the right to jury trial or (b) Section 23.9 of the Note Agreement.

We are members of the bar of the State of New York and do not herein intend to express any opinion as to any matters governed by any laws other than United States federal laws and the laws of the State of New York.

This opinion is given solely for your benefit, and for the benefit of other institutional investor holders from time to time of the Notes purchased by you today, in connection with the closing held today of the transactions contemplated by the Note Agreement, and may not be relied upon by any other person for any purpose without our prior written consent.

Very truly yours,

Documents to Be Delivered by each Additional Subsidiary Guarantor

(a) a copy of the memorandum and articles of association and certificate of incorporation of the Subsidiary Guarantor.

(b) a copy of a resolution of the board of directors of the Subsidiary Guarantor:

(i) approving the terms of, and the transactions contemplated by, the Subsidiary Guarantee and resolving that it execute the Subsidiary Guarantee;

(ii) authorizing a specified person or persons to execute and deliver the Subsidiary Guarantee; and

(iii) authorizing a specified person or persons on its behalf, to sign and/or dispatch all documents to be signed and/or dispatched by it under or in connection with this Agreement and the Subsidiary Guarantee.

(c) a certificate of a director of the Subsidiary Guarantor certifying that execution and delivery of the Subsidiary Guarantee would not cause any borrowing limit binding on it to be exceeded.

(d) a specimen of the signature of each person authorized by the resolutions referred to in paragraph (b) above.

(e) a certificate of an authorized signatory of the Subsidiary Guarantor certifying that each document specified in this Exhibit is correct, complete and in full force and effect.

(f) any other document not listed in (a) through (e) above that is required to be delivered pursuant to Clause 25.2 of the Existing Bank Credit Facility or any similar requirement of any other Bank Credit Facility.

AMENDMENT NO. 1 TO AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This **AMENDMENT** (this “**Amendment**”) is entered into as of January 12, 2006 by and among Sterling Jewelers Inc., a Delaware corporation (the “**Company**”) and Terry Burman (the “**Executive**”). Any capitalized term used but not defined herein shall have the meaning ascribed thereto in the Prior Agreement (as hereinafter defined), except as otherwise provided.

WHEREAS, the Company is a wholly-owned subsidiary of Signet Group plc, (“**Signet**”); and

WHEREAS, the Company and the Executive entered into an Employment Agreement, dated as of December 20, 2000 (as amended to the date hereof, the “**Prior Agreement**”); and

WHEREAS, the parties hereby desire to make certain additional amendments to the Prior Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, including, without limitation, the covenants of Signet contained herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 2(a) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:

With effect from January 12, 2006 and during the Term of Employment, the Executive shall serve as Chief Executive Officer of Signet (the “Group Chief Executive”) and Chairman of the Board of Directors of the Company. As Group Chief Executive, the Executive shall be the most senior officer of Signet, with all supervisory authority and power over the other senior officers of Signet and any of its affiliates and with such other powers, duties and responsibilities with respect to the business of Signet as are customary to his offices and positions or as the Board of Directors of Signet (the “Board of Signet”) may request consistent therewith, including, but not limited to, the development and presentation to the Board of Signet of strategy, medium term plans and budgets, compliance with legal and corporate governance requirements, recommendations on the appointment and remuneration of senior executives and management development. The Executive shall devote such time as may be necessary to perform the role of Group Chief Executive to the satisfaction of the Board of Signet.

2. Section 2(b) of the Prior Agreement is hereby deleted in its entirety.
3. Section 2(c) of the Prior Agreement is hereby amended to delete the reference to Section 2(b).
4. Section 3(a) of the Prior Agreement is hereby amended as follows:

- a. The reference to “\$1,000,000” is hereby deleted and replaced with “\$1,354,000”.
 - b. The reference to “May 1, 2001” is hereby deleted and replaced with “April 1, 2006”.
5. Section 3(b) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:
- an annual short-term bonus, payable in accordance with certain performance goals relating to Signet Group plc and its subsidiaries (the **“Group”**) to be established by the Remuneration Committee of the Board of Signet (the **“Performance Goals”**), in an amount from 0% to 100% of Base Salary (the **“Short-Term Bonus”**). The Short-Term Bonus will be paid on the 30th of April following the end of Signet’s applicable fiscal year;
6. Section 3(c) of the Prior Agreement is hereby amended to delete the reference to “70% of Base Salary” and to replace it with “160% of Base Salary”.
7. Section 3(d) of the Prior Agreement is hereby amended to delete the phrase “approximately six times Base Salary” and to replace it with the phrase “up to a maximum of four times Base Salary”.
8. Section 3(k) is hereby amended to add the phrase “or Signet” after the phrase “by the Company”.
9. The third sentence of Section 4(a) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:
- The Short-Term Bonus will be paid on the 30th of April following the end of Signet’s applicable fiscal year.
10. The last sentence of Section 4(b) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:
- The Short-Term Bonus will be paid on the 30th of April following the end of Signet’s applicable fiscal year.
11. Section 4(c)(iv) of the Prior Agreement is hereby amended to reflect that (i) all references to “the Company” shall also include “Signet or any subsidiaries or affiliates of the Company or Signet” and (ii) any reference to “the Board of Directors” shall include both “the Board of Directors of the Company and the Board of Directors of Signet”.
12. Section 4(d)(i) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:
- to pay the Executive his Short-Term Bonus (whether or not vested) for the fiscal year in which Executive’s employment under his Agreement is terminated, pro rated to the effective date of termination, to be paid on the 30th of April following the end of Signet’s applicable fiscal year (the **“Termination Year Short-Term Bonus”**) and

13. The last sentence of the first paragraph of Section 4(e) of the Prior Agreement is hereby amended to insert the words “and Signet” after the phrase “shall cooperate fully with the Company”.
14. The second paragraph of Section 4(e) of the Prior Agreement is hereby amended as follows:
 - a. Clause (i) is hereby amended to insert the phrase “or Signet” after the phrase “by the Company”.
 - b. Clause (i) is hereby amended to reflect that all references to the “Board of Directors of the Company” shall also include “the Board of Directors of Signet”.
 - c. Clause (ii) is hereby amended to remove the phrase “and Chief Executive Officer”.
15. Section 4 of the Prior Agreement is hereby amended to add a new subsection (h) as follows:

Termination Pursuant to Section 21. If Signet and/or the Company reduces, pursuant to the provisions of Section 21(a), or eliminates its directors and officers liability insurance that covers the Executive (during his employment by the Company or Signet or during his service as a member of the Board of the Company or the Board of Signet) such that the Executive does not have coverage which meets at least the £100 million aggregate coverage limits and £50 million Side A aggregate dedicated coverage limits as specified in Section 21(a), Executive shall be permitted, upon ninety (90) days’ written notice to Signet and the Company, to terminate his employment hereunder. In the event of such termination, the Company shall have no further obligations hereunder, except (1) under Sections 4(f) 9 (b), 21 and 22 and (2) to pay the Executive his Base Salary prorated to the effective date of his termination and his Termination Year Short-Term Bonus and to provide any benefits to which the Executive may otherwise have been entitled prorated to the effective date of his termination. In such event, Executive shall continue to have the obligations provided for in Section 6 hereof but shall not have the obligations provided for in Section 7. Any of the Executive’s Stock Options outstanding as of the effective date of his termination shall be treated under the terms of the relevant share option plan, and the Executive’s entitlement to payment under the LTIP will be governed by the applicable Rules of the LTIP. For the avoidance of doubt, such termination shall not be considered a Constructive Termination and shall not entitle the Executive to any payments and benefits under any other subsection of this Section 4.
16. The first sentence of Section 6(b) of the Prior Agreement is hereby amended to reflect that all references to “the Company” shall also include “Signet, or any of the subsidiaries or affiliates of Signet or the Company”.
17. The first sentence of Section 7 of the Prior Agreement is hereby amended to delete the phrase “written consent of the Company” and to replace it with the phrase “written consent of Signet”.

18. The second sentence of Section 8 of the Prior Agreement is hereby amended to delete the phrase “will not provide adequate remedy to the Company” and to replace it with the phrase “will not provide adequate remedy to any such entity”.

19. Section 9(b) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:

It is intended that you will not be liable for additional income tax liability by reason of your continuing to serve as Group Chief Executive and as Chairman of the Company than you would have been liable for had you also continued as Chief Executive Officer of the Company. If you do incur any additional income tax liability as a result thereof, the Company will reimburse you for the difference grossed up at the applicable rate of income tax.

20. A new Section 21 titled “Indemnification” is hereby added after Section 20 “Counterparts” in the Prior Agreement (with any subsequent sections to be renumbered) as follows:

(a) Signet shall, or shall cause the Company to, maintain directors and officers’ liability insurance to protect the Executive from claims as long as the Executive continues to be employed by the Company or Signet or a member of the Board of the Company or the Board of Signet. Such insurance shall (i) provide aggregate coverage limits in an amount equal to £100 million or, in the event the premium cost for such coverage exceeds three (3) times the 2006 premium cost for such coverage, such other amount that the Board may determine, acting reasonably and prudently, reflecting prevailing market conditions and reflecting coverage limits of English publicly traded companies that have significant business operations in the United States or a listing on a US stock exchange; (ii) include a Side A coverage with aggregate dedicated coverage limits of £50 million or, in the event the premium cost for such coverage exceeds three (3) times the 2006 premium cost for such coverage, such other amount that the Board may determine, acting reasonably and prudently, reflecting prevailing market conditions and reflecting coverage limits of English publicly traded companies that have significant business operations in the United States or a listing on a US stock exchange; and (iii) provide the Executive post-employment coverage (with aggregate coverage limits in an amount equal to £100 million or such other amount that the Board may determine, acting reasonably and prudently, reflecting prevailing market conditions and reflecting coverage limits of English publicly traded companies that have significant business operations in the United States or a listing on a US stock exchange and having side A coverage with aggregate coverage limits of £50 million or such other amount that the Board may determine, acting reasonably and prudently, reflecting prevailing market conditions and reflecting coverage limits of English publicly traded companies that have significant business operations in the United States or a listing on a US stock exchange) relating to the Executive’s service with Signet and the Company, including the purchase of run-off coverage with respect to the term of the Executive’s service with Signet and the Company, until all applicable statutes of limitations for claims against the Executive in all jurisdictions have expired.

(b) Signet shall, or shall cause the Company to, indemnify, and keep indemnified, the Executive (to the full extent permitted by applicable law) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that the Executive is or was a director, officer or

employee of Signet or the Company, or, while a director, officer or employee of Signet or the Company, is or was serving at the request of Signet or the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such indemnity shall not be greater than and shall be restricted to the level of indemnification pursuant to the Fourth Amended and Restated Certificate of Incorporation of the Company, as may be amended from time to time, (the **"Company Certificate"**), as may be limited by and amended as set forth in the next two sentences of this clause. Notwithstanding the foregoing, the Executive shall be entitled to the indemnification as set forth under the Company Certificate, the Articles of Association of Signet, and the Deed of Indemnity dated June 10, 2005, by Signet Group plc in favor of the indemnified parties set forth therein, except, in the case of the Company Certificate, as such indemnification may be limited by, and amended to conform to, applicable laws of England and the Rules of the United Kingdom Listing Authority. Signet and the Company shall each use its reasonable best endeavors, but shall in no event be required to propose or obtain a resolution for adoption by the shareholders of Signet, to obtain the prompt approval of the United Kingdom Listing Authority to the form of amendment to the charter of the Company substantially in the form attached hereto as Exhibit A and incorporated by reference herein.

21. The following Section 22 is hereby added after Section 20 **"Counterparts"** of the Prior Agreement and after new Section 21 **"Indemnification"**:

Section 409A Compliance. The parties intend that any severance or other compensation under this Agreement (or under any plan or program maintained by Signet or the Company in which the Executive participates, including, without limitation, the Deferred Compensation Plan, LTIP, Short-Term Bonus, and Stock Options) be paid in compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and all regulations, guidance, and other interpretative authority thereunder (**"Section 409A"**) such that there are no adverse tax consequences, interest, or penalties as a result of the payments. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment (for the minimum period of time delay necessary to comply with Section 409A) of the severance or other compensation, or both, to the extent necessary to comply with Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth in this Section 22, if in connection with any payment or distribution by Signet or the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a **"Payment"**), the Executive is subject to, or is notified by the Internal Revenue Service that he is or will be subject to, penalty taxes imposed by Section 409A or if any interest or penalties are incurred by the Executive with respect to such penalty taxes (such penalty taxes together with any such interest and penalties, are hereinafter collectively referred to as the **"Section 409A Tax"**), then the Executive shall be entitled to receive an additional payment (a **"Section 409A Gross-Up Payment"**) in an amount such that after payment by the Executive of all Section 409A Tax and all income taxes (and any interest and penalties imposed with respect thereto) imposed upon the Section 409A Gross-Up Payment, the Executive retains an amount of the 409A Gross-Up Payment equal to the Section 409A Tax imposed upon the Payment; provided, however, that the Company and Signet shall only be responsible to make a Section 409A Gross-Up Payment with respect to the Section 409A

Tax if the Section 409A Tax relates to or results from (i) the Company's or Signet's failure to operate a "nonqualified deferred compensation plan" (as such term is defined in Section 409A) (a "**NQDC**") in compliance with Section 409A on and after January 1, 2005; or (ii) the lack of compliance of any Signet or Company NQDC document or documentation with Section 409A; or (iii) the payment or distribution by Signet or the Company (or by any Signet or Company NQDC) of any NQDC amount if such payment or distribution is not in compliance with Section 409A. For the avoidance of doubt, neither the Company nor Signet shall be responsible to make any Section 409A Gross-Up Payment if, (1) after a timely notice or request by the Company or Signet to the Executive, the Executive refuses or fails to make a timely election to alter the timing of payment or distribution or (2) the Executive in his capacity as Group Chief Executive of the Company, causes the Company to take any action, or causes the Company to fail to take any action, which causes the Executive to be subject to a Section 409A Tax.

(b) Determinations required to be made under this Section 22 regarding the amount of the Section 409A Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by (i) a certified public accounting firm selected by the Executive and reasonably acceptable by the Company, or (ii) if the parties shall not have agreed upon an accounting firm within five (5) business days of receipt of notice from the Executive, by Ernst & Young (in either case, such firm selected being referred to as the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within thirty (30) business days of the receipt of notice from the Executive that he is subject to a Section 409A Tax, or such earlier time as is reasonably requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Section 409A Gross-Up Payment, as determined pursuant to this Section 22, shall be paid by the Company to the Executive within thirty (30) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive.

22. Section 15 of the Prior Agreement "Notices" is hereby amended (i) to replace the name "Doug Warner, Esq." with the name "Wayne Rapozo, Esq." and to require the mailing of any notice to Signet at the following address:

Signet:

Signet Group plc
Zenith House
The Hyde
London
NW9 6EW
Fax: 44(208) 242-8587

Attn: Mark A. Jenkins

and (ii) to replace the name and address of "Troy & Gould" and "Bill Gould, Esq." with the following names and address:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, OH 44114-1304
Fax: (216) 479-8788

Attn: Carl A. Draucker, Esq.

23. Miscellaneous Provisions.

(a) As amended hereby, the Prior Agreement is ratified and confirmed in all respects and the Prior Agreement as so supplemented by this Amendment shall be read, taken and construed as one and the same instrument.

(b) Any term or provision of this Amendment that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(c) The Prior Agreement as amended by this Amendment constitutes the complete and exclusive understanding between the parties, and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, regarding the subject matter herein.

(d) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(e) No amendment of any provision of this Amendment shall be valid unless the same shall be in writing and signed by the Company and the Executive.

(f) This Amendment shall be governed by and construed in accordance with the domestic laws of the State of Ohio, as such laws are applied to agreements made, entered into, performed entirely within Ohio by Ohio residents without regard to the actual residence or domicile of the parties and without giving effect to any choice or conflict of law provision or rule (whether of the State of Ohio or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Ohio.

[The balance of this page was intentionally left blank.]

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date first above written.

STERLING JEWELERS INC.

By: /s/ W. G. Boyd

Name: W. G. Boyd
Title: Director

/s/ Terry Burman

TERRY BURMAN
Title:

Signet agrees to the covenants and undertaking made by Signet as set forth in this Amendment.

SIGNET GROUP, plc

By: /s/ James McAdam

Name: James McAdam
Title: Chairman

EXHIBIT A

TO

AMENDMENT NO. 1 TO

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

Form of Amendment to Charter of Sterling Jewelers Inc.:

Notwithstanding anything in this Certificate to the contrary, the Company shall not in respect of each director indemnify any Relevant Liabilities in excess of the Relevant Amount. For the purpose of this section:

- (a) “Relevant Liabilities” means any liability attaching to a director in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company in respect of which an indemnity would be void under the UK Companies Act 1985 if the Company were a company incorporated in England and Wales;
- (b) “Relevant Amount” means \$[*The cap will be the lower of: (a) less than 5 per cent. of the market capitalisation of Signet Group plc; and (b) less than 25 per cent. of the average profits of Signet Group plc for the last three financial years, each as calculated in accordance with the UK Listing Rules published by the UK Financial Services Authority (as amended)]*; and
- (c) “indemnity” shall mean an indemnity, exemption, release or discharge.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (“Agreement”), dated as of August 6, 2004 (the “Execution Date”), is made between STERLING JEWELERS INC., a Delaware corporation (the “Company”), and MARK S. LIGHT (the “Executive”).

WHEREAS, the Company is engaged in the business of operating a chain of retail jewelry stores in the United States (the “Business”); and

WHEREAS, the Company and the Executive entered into an Employment Agreement, dated as of April 26, 2002 and as amended, to the date hereof (the “Original Agreement”); and

WHEREAS, the parties hereby desire to make certain additional amendments to the Original Agreement and, in connection therewith, to amend and restate the Original Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and obligations hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment and Term.

(a) The Company hereby employs the Executive, and the Executive hereby accepts employment by the Company, in the capacities and on the terms and subject to the conditions set forth herein from the Execution Date until the date this Agreement is terminated by the Company or by the Executive pursuant to the terms of this Agreement (the “Term of Employment”).

(b) The Company may terminate this Agreement at any time by notifying the Executive in writing. In the event the Company terminates this Agreement pursuant to this Section 1(b), the Company shall be obligated to (i) pay the Executive his Base Salary (as defined in Section 3 below) in effect at the effective date of termination prorated to such date of termination, (ii) pay the Executive for any Annual Bonus (as defined in Section 3 below) (which amount shall be paid within 30 days following the preliminary announcement by Signet Group plc ("Signet") of its results for the related fiscal year) and/or Long Term Bonus (as defined below in Section 3 below) (which amount shall be paid in accordance with the long term incentive plan for executive officers then in effect, as approved by the Signet Remuneration Committee) earned by Executive for a completed fiscal year (or, in the case of the Long Term Bonus, a completed three-year fiscal period) prior to the effective date of such termination but which remain unpaid as of the date of termination, (iii) pay the Executive the pro-rata portion of the Annual Bonus for which he was then eligible as of the date of termination for the then current fiscal year (which amount shall be paid within 30 days following the preliminary announcement by Signet of its results for such fiscal year), (iv) pay the Executive for any vacation days for the current year earned but not used by the Executive and (v) continue to pay to the Executive his Base Salary in effect on the last date of Executive's employment for twelve (12) months following such last date of employment, in accordance with the Company's standard payroll practices for executive officers. The Executive shall continue to have the obligations provided for in Sections 6 and 7 hereof.

(c) The Term of Employment may also be terminated by the Executive at any time upon three hundred sixty (360) days' prior written notice to the Company.

Upon such termination, the Company shall have no further obligations hereunder except to (i) pay the Executive his Base Salary in effect at the effective date of such termination prorated to such date of termination, (ii) pay the Executive for any Annual Bonus (as defined in Section 3 below) (which amount shall be paid within 30 days following the preliminary announcement by Signet Group plc (“Signet”) of its results for the related fiscal year) and/or Long Term Bonus (as defined below in Section 3 below) (which amount shall be paid in accordance with the long term incentive plan for executive officers then in effect, as approved by the Signet Remuneration Committee) earned by the Executive for a completed fiscal year (or, in the case of the Long Term Bonus, a completed three-year fiscal period) prior to the effective date of such termination but which remain unpaid as of the date of termination, and (iii) pay the Executive for any vacation days for the current year earned but not used by the Executive. The Executive shall continue to have the obligations provided in Sections 6 and 7 hereof.

2. Duties . During the Term of Employment, the Executive shall serve as President and Chief Operating Officer of the Company. The Executive shall report to the Chief Executive Officer of the Company. The Executive shall serve the Company faithfully and to the best of his ability in such capacities, as determined by the Chief Executive Officer of the Company, devoting substantially all of his business time, attention, knowledge, energy and skills to such employment. In addition, if elected, the Executive shall also serve during any part of the Term of Employment as any other officer or a director of the Company or any subsidiary corporation or parent corporation of the Company, without any compensation therefor other than as specified in this Agreement.

3. Compensation and Benefits . As full and complete compensation to the Executive for his execution and delivery of this Agreement and performance of the services required hereunder, the Company shall pay, grant or provide to the Executive, and the Executive agrees to accept:

(a) (i) a base salary, payable in accordance with the Company's standard payroll practices for executive officers, of \$540,000 per annum ("Base Salary"); (ii) an annual bonus (the "Annual Bonus") of up to 70% of Base Salary, in accordance with the bonus plan then in effect for executive officers of the Company, as approved by the Signet Remuneration Committee, which Annual Bonus shall be paid within 30 days following the preliminary announcement by Signet of its results for the related fiscal year; (iii) a long-term incentive bonus of up to 45% of Base Salary, payable in accordance with the long-term incentive plan for executive officers then in effect as approved by the Signet Remuneration Committee (the "Long Term Bonus") and (iv) option awards, as determined in the sole discretion of the Signet Remuneration Committee, in accordance with the option plan then in effect as approved by the Signet Remuneration Committee; provided, however, that notwithstanding that (x) this Agreement is dated as of the Execution Date, (y) the Term of Employment hereunder commences on the Execution Date and (z) for the period from April 26, 2002 to the Execution Date the Executive was employed by the Company under the Original Agreement that was terminated by the Executive and the Company as of the Execution Date, the Executive shall be paid his Base Salary effective as of May 1, 2004 (and in lieu of any other base salary payable under the Original Agreement for the period from May 1, 2004 to the Execution Date); and, provided further, that on or prior to each May 1 of

each year (beginning on May 1, 2005), the Board of Directors of the Company or the Signet Remuneration Committee shall review the amount of the Executive's Base Salary then in effect and, in the absolute discretion of the Board or such committee, the Base Salary may be increased, but not decreased, from such amount, based upon the performance of the Executive and other factors as may be considered by the Board or such committee to be relevant from time to time;

(b) the payment or reimbursement by the Company for membership dues in the country club in which the Executive is a member on the date hereof (or in a replacement club at comparable cost), the membership therein to be used to further the ordinary and necessary business purposes of the Company;

(c) medical/dental, long-term disability and life insurance benefits made available generally from time to time by the Company to executive officers that are comparable with, but no less favorable to the Executive than, those benefits in effect as of the date of this Agreement with respect to the Executive;

(d) such deferred compensation benefits as may be made available generally from time to time by the Company to executive officers of the Company upon the authorization and approval of the Signet Remuneration Committee;

(e) A lease by the Company of an automobile having monthly lease payments not to exceed \$1,050.00 per month in addition to: (i) the payment or reimbursement by the Company of all of the Executive's costs for gas, repairs, maintenance and insurance premiums relating to such automobile; (ii) an additional amount (the "Gross-Up Payment") such that, after reduction for all federal, state and local income taxes, if any, payable by the Executive in respect of the reimbursement or

payment by the Company to the Executive of an expense described in this subsection (e) (a “Covered Expense”) and the Gross-Up Payment, the Executive shall retain an after-tax amount equal to the amount of such Covered Expense; and (iii) an annual adjustment equal to the percentage change in the Consumer Price Index, All Urban Consumers, published by the Bureau of Labor Statistics of the U.S. Department of Labor during the preceding twelve (12) months, or any successor index published by the U.S. Government (reasonably adjusted from time to time using suitable conversion factors in the event of any change in the base year used to calculate the index); and

(f) such other perquisites and benefits as may be made available generally from time to time by the Company to executive officers of the Company.

For purposes of subsection (e) of this Section 3, the federal, state and local income taxes payable by the Executive in respect of a reimbursement or payment by the Company to the Executive of a Covered Expense or Gross-Up Payment shall be determined by taking into account all deductions allowable to the Executive for federal, state or local income tax purposes in respect of the payment of a Covered Expense and any tax payable on a reimbursement or payment made under this subsection to the maximum extent thereof.

4. Termination.

(a) Disability. In the event of any physical or mental disability during the Term of Employment which renders the Executive incapable of performing the services required of him for any period or periods aggregating six months during any twelve-month period, the Company shall have the right, upon written notice to the Executive, to terminate the Executive’s employment hereunder, effective upon the giving of such

notice (or such later date as shall be specified in such notice). Upon such termination, the Company shall have no further obligations hereunder, except to (i) pay the Executive his Base Salary to the effective date of termination, (ii) pay the Executive for any Annual Bonus (which amount shall be paid within 30 days following the preliminary announcement by Signet of its results for the related fiscal year) and/or Long Term Bonus (which amount shall be paid in accordance with the long term incentive plan for executive officers then in effect, as approved by the Signet Remuneration Committee) earned by Executive for a completed fiscal year (or, in the case of the Long Term Bonus, a completed three-year fiscal period) prior to the effective date of such termination but which remain unpaid as of the date of termination, (iii) pay the Executive the pro-rata portion of the Annual Bonus for which he was then eligible through the date of termination for the then current fiscal year (which amount shall be paid within 30 days following the preliminary announcement by Signet of its results for such fiscal year) and (iv) provide the Executive any other benefits to which the Executive may otherwise have been entitled. For purposes of this Section 4(a), the Executive's physical or mental disability shall be determined in accordance with any disability plan of or applicable to the Company that is then in effect. The Executive shall continue to have the obligations provided for in Sections 6 and 7 hereof.

(b) Death. In the event of the death of the Executive during the Term of Employment, this Agreement shall automatically terminate and the Company shall have no further obligations hereunder, except to (i) pay the Executive's estate the Base Salary in effect at the time of the Executive's death through the date of death and for six (6) months following such date, (ii) pay the Executive's estate for any Annual Bonus (which

amount shall be paid within 30 days following the preliminary announcement by Signet of its results for the related fiscal year) and/or Long Term Bonus (which amount shall be paid in accordance with the long term incentive plan for executive officers then in effect, as approved by the Signet Remuneration Committee) earned by Executive for a completed fiscal year (or, in the case of the Long Term Bonus, a completed three-year fiscal period) prior to the date of death but which remain unpaid as of the date of death and (iii) pay the Executive's estate the pro rata portion of the Annual Bonus for which he was then eligible through the date of death for the then current fiscal year (which amount shall be paid within 30 days following the preliminary announcement by Signet of its results for such fiscal year).

(c) Cause. The Company shall have the right, upon written notice to the Executive, to terminate the Executive's employment under this Agreement for Cause (as hereinafter defined), effective upon the giving of such notice (or such later date as shall be specified in such notice), and the Company shall have no further obligations hereunder, except to pay the Executive his Base Salary prorated to the effective date of termination, and the Executive shall continue to have the obligations provided in Sections 6 and 7 hereof.

For purposes of this Agreement, "Cause" means:

(i) fraud, embezzlement, gross insubordination on the part of the Executive or any act of moral turpitude or misconduct (which misconduct adversely affects the business or reputation of the Company) by the Executive;

(ii) conviction of or the entry of a plea of nolo contendere by the Executive for any felony; or

(iii) a material breach of, or the willful failure or refusal by the Executive to perform and discharge, his duties, responsibilities or obligations under this Agreement.

5. Resignation upon Termination. Upon the termination of the Executive's employment hereunder for any reason, the Executive shall immediately be deemed to resign, and shall resign, from all offices and directorships held by him in the Company or any of its subsidiaries or affiliates and shall execute any and all documents reasonably necessary to effect such resignations as requested by the Company.

6. Confidentiality; Ownership of Developments. (a) During the Term of Employment and for any time thereafter, the Executive shall keep secret and retain in strictest confidence and not divulge, disclose, discuss, copy or otherwise use or suffer to be used in any manner, except in connection with the Business of the Company and of any of the subsidiaries or affiliates of the Company, any trade secrets, confidential or proprietary information and documents or materials owned, developed or possessed by the Company or any of the subsidiaries or affiliates of the Company pertaining to the Business of the Company or any of the subsidiaries or affiliates of the Company; provided, however, that such information referred to in this Section 6(a) shall not include information that is or has become generally known to the public or the jewelry trade without violation of this Section 6.

(b) The Executive acknowledges that all developments, including, without limitation, inventions (patentable or otherwise), discoveries, improvements, patents, trade secrets, designs, reports, computer software, flow charts and diagrams, data, documentation, writings and applications thereof relating to the Business or planned

business of the Company or any of the subsidiaries or affiliates of the Company that, alone or jointly with others, the Executive may create, make, develop or acquire during the Term of Employment (collectively, the “Developments”) are works made for hire and shall remain the sole and exclusive property of the Company and the Executive hereby assigns to the Company all of his right, title and interest in and to all such Developments.

(c) The provisions of this Section 6 shall, without any limitation as to time, survive the expiration or termination of the Executive’s employment hereunder, irrespective of the reason for any termination.

7. Covenants Not to Solicit and Not to Compete. The Executive agrees that during the Term of Employment and for a period of one year commencing upon the last date of Executive’s employment (the “Non-Competition Period”), the Executive shall not, directly or indirectly, without the prior written consent of the Company:

(a) solicit, entice, persuade or induce any employee, consultant, agent or independent contractor of the Company or of any of the subsidiaries or affiliates of the Company to terminate his or her employment or engagement with the Company or such subsidiary or affiliate, to become employed by any person, firm or corporation other than the Company or such subsidiary or affiliate or approach any such employee, consultant, agent or independent contractor for any of the foregoing purposes; or

(b) directly or indirectly own, manage, control, invest or participate in any way in, consult with or render services to or for any person or entity (other than for the Company or any of the subsidiaries or affiliates of the Company) which is engaged in the retail jewelry business; provided, however, that the restrictions of this Section 7(b) shall not extend to the ownership, management or control of a retail jewelry business by

the Executive following the termination of his employment with the Company provided that such activity is no less than sixty (60) miles distant from any retail jewelry store of the Company at the time of such termination of employment and provided, further, however, that the restrictions of this Section 7(b) shall not extend to the ownership of publicly traded securities in a company engaged in the retail jewelry business, provided that such ownership does not exceed 1% of the outstanding voting securities of such company.

Notwithstanding anything to the contrary contained herein, in the event Executive terminates his employment upon less than three hundred sixty (360) days notice to the Company as required by Section 1(c), the Non-Competition Period shall be extended by an amount of time equal to three hundred sixty (360) days less the amount of notice actually given by the Executive to the Company; provided, however, if such termination by Executive upon less than three hundred sixty (360) days notice is within sixty (60) days following a Change in Control (as defined below), Executive's obligations pursuant to clause (b) above shall continue for the Non-Competition Period without giving effect to the extension of time provided for herein. For purposes of this Agreement, a "Change in Control" shall mean: (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization (other than the Signet Group plc ("Signet") or an affiliate of Signet or the Company), if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization more than fifty percent (50%) of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect

parent corporation of such continuing or surviving entity or (ii) any person or group of related persons (other than Signet or an affiliate of Signet or the Company) shall acquire beneficial ownership of more than fifty percent (50%) of the voting power of all classes of stock of the Company. A transaction shall not constitute a “Change in Control” if its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction.

8. Specific Performance . The Executive acknowledges that the services to be rendered by the Executive are of a special, unique and extraordinary character and, in connection with such services, the Executive will have access to confidential information vital to the Company’s Business and the subsidiaries and affiliates of the Company. By reason of this, the Executive consents and agrees that if the Executive violates any of the provisions of Sections 6 or 7 hereof, the Company and the subsidiaries and affiliates of the Company would sustain irreparable injury and that monetary damages will not provide adequate remedy to the Company and that the Company shall be entitled to have Sections 6 or 7 specifically enforced by any court having equity jurisdiction. Nothing contained herein shall be construed as prohibiting the Company or any of the subsidiaries or affiliates of the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive.

9. Entire Agreement . This Agreement embodies the entire agreement of the parties with respect to the Executive’s employment and supersedes any other prior oral or written agreements, arrangements or understandings between the Executive and

the Company. This Agreement may not be changed or terminated orally but only by an agreement in writing signed by the parties hereto.

10. Governing Law; Jurisdiction. (a) This Agreement shall be subject to, and governed by, the laws of the State of Ohio applicable to contracts made and to be performed therein.

(b) Any action to enforce any of the provisions of this Agreement shall be brought in a court of the State of Ohio located in Summit County or in a Federal court located in Cleveland, Ohio. The parties consent to the jurisdiction of such courts and to the service of process in any manner provided by Ohio law. Each party irrevocably waives any objection which it may now or hereafter have to the venue of any such suit, action or proceeding brought in such court.

(c) The prevailing party in any action to enforce any of the provisions of this Agreement shall be entitled to reimbursement from the other party for its or his costs and expenses (including attorneys fees and expenses) incurred in connection with such action.

11. Assignability. The obligations of the Executive may not be delegated and the Executive may not, without the Company's written consent thereto, assign, transfer, convey, pledge, encumber, hypothecate or otherwise dispose of this Agreement or any interest herein. Any such attempted delegation or disposition shall be null and void and without effect. The Company and the Executive agree that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company to any successor to the Company.

12. Severability . If any provision of this Agreement or any part thereof, including, without limitation, Sections 6 and 7, as applied to either party or to any circumstances shall be adjudged by a court of competent jurisdiction to be void or unenforceable, the same shall in no way affect any other provision of this Agreement or remaining part thereof, which shall be given full effect without regard to the invalid or unenforceable part thereof, or the validity or enforceability of this Agreement.

If any court construes any of the provisions of Section 6 or 7, or any part thereof, to be unreasonable because of the duration of such provision or the geographic scope thereof, such court may reduce the duration or restrict or redefine the geographic scope of such provision and enforce such provision as so reduced, restricted or redefined.

13. Notices . All notices to the Company or the Executive permitted or required hereunder shall be in writing and shall be delivered personally, by telecopier or by courier service providing for next-day delivery or sent by registered or certified mail, return receipt requested, to the following addresses:

The Company:

Sterling Jewelers Inc.
375 Ghent Road
Akron, Ohio 44313
Fax: (330) 668-5191
Attn: Chief Financial Officer

with a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Fax: (212) 310-8007
Attn: Michael Kam

The Executive:

Mark S. Light
Sterling Jewelers Inc.
375 Ghent Road

Either party may change the address to which notices shall be sent by sending written notice of such change of address to the other party. Any such notice shall be deemed given, if delivered personally, upon receipt; if telecopied, when telecopied; if sent by courier service providing for next-day delivery, the next business day following deposit with such courier service; and if sent by certified or registered mail, three days after deposit (postage prepaid) with the U.S. mail service.

14. Paragraph Headings. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

STERLING INC.

By: /s/ Terry Burman

Name: Terry Burman

Title: CEO

/s/ Mark S. Light

Mark S. Light

AMENDMENT NO. 1 TO AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This **AMENDMENT** (this “**Amendment**”) is entered into as of January 12, 2006 by and among Sterling Jewelers Inc., a Delaware corporation (the “**Company**”) and Mark S. Light (the “**Executive**”). Any capitalized term used but not defined herein shall have the meaning ascribed thereto in the Prior Agreement (as hereinafter defined), except as otherwise provided.

WHEREAS, the Company is a wholly-owned subsidiary of Signet Group plc, (“**Signet**”); and

WHEREAS, the Company and the Executive entered into an Employment Agreement, dated as of August 6, 2004 (as amended to the date hereof, the “**Prior Agreement**”); and

WHEREAS, the parties hereby desire to make certain additional amendments to the Prior Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 2 of the Prior Agreement is hereby deleted in its entirety and replaced with the following:

(a) With effect from January 12, 2006 and during the Term of Employment, the Executive shall serve as Chief Executive Officer of the Company. The Executive shall report to the Chairman of the Board of Directors of the Company (the “**Board of the Company**”) or such other person designated by the Board of Directors of Signet (the “**Board of Signet**”). As Chief Executive Officer, the Executive shall be the most senior officer of the Company, with all supervisory authority and power over the other senior officers of the Company and with such other powers, duties and responsibilities with respect to the business of the Company as are customary to his offices and positions or as the Board of the Company may request consistent therewith. The Executive shall serve the Company faithfully and to the best of his ability in such capacities, devoting substantially all of his business time, attention, knowledge, energy and skills to such employment.

(b) The Executive shall be appointed to the Board of Signet and shall, during the Term of Employment, serve as a director of the Board of Signet, subject to shareholder approval of such appointment and subject to the obligation of the Executive to resign as a director of the Board of Signet as set forth in the Deed, dated January 12, 2006 by the Executive to Signet. In addition, if elected, the Executive shall also serve during any part of the Term of Employment as any other officer or director of the Company or any subsidiary corporation or parent corporation of the Company, without any compensation therefor other than as specified in this Agreement.

2. Section 3(a) of the Prior Agreement is hereby deleted in its entirety and replaced with the following:

(a)(i) a base salary, payable in accordance with the Company's standard payroll practices for executive officers, of \$700,000 per annum ("Base Salary"); (ii) an annual bonus (the "Annual Bonus") of up to 80% of Base Salary, in accordance with the bonus plan then in effect for executive officers of the Company, as approved by the Signet Remuneration Committee, which Annual Bonus shall be paid on the 30th of April following the end of Signet's applicable fiscal year; (iii) a long-term incentive bonus of up to 100% of Base Salary, payable in accordance with the long-term incentive plan for executive officers then in effect as approved by the Signet Remuneration Committee (the "Long Term Bonus") and (iv) option awards, as determined in the sole discretion of the Signet Remuneration Committee, in accordance with the option plan then in effect as approved by the Signet Remuneration Committee; provided, that on or prior to each May 1 of each year (beginning on May 1, 2007), the Board of Directors of the Company or the Signet Remuneration Committee shall review the amount of the Executive's Base Salary then in effect and, in the absolute discretion of the Board or such committee, the Base Salary may be increased, but not decreased, from such amount, based upon the performance of the Executive and other factors as may be considered by the Board or such committee to be relevant from time to time;

3. Sections 1(b) and 1(c) and Section 4 are hereby amended to replace all instances of the phrase "(which amount shall be paid within 30 days following ...of its results for the related fiscal year)" with "(which Annual Bonus shall be paid on the 30th of April following the end of Signet's applicable fiscal year)".
4. A new Section 9 titled "Indemnification" is hereby added to the Prior Agreement (with any subsequent sections to be renumbered) as follows:

(a) The Company shall, or shall cause Signet to, maintain directors and officers' liability insurance as long as the Executive continues to be employed by the Company or Signet or a member of the Board of the Company or the Board of Signet.

(b) The Company shall, or shall cause Signet to, indemnify the Executive in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that the Executive is or was a director, officer or employee of Signet or the Company, or, while a director, officer or employee of Signet or the Company, is or was serving at the request of Signet or the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permitted by law. Notwithstanding the foregoing, the Executive shall be entitled to the indemnification as set forth under the Fourth Amended and Restated Certificate of Incorporation of the Company, as may be amended from time to time, (the "Company

Certificate”), the Articles of Association of Signet, and the Deed of Indemnity dated June 10, 2005, by Signet in favor of the indemnified parties set forth therein, except, in the case of the Company Certificate, as indemnification may be limited by, and amended to conform to, applicable laws of the United Kingdom and the Rules of the United Kingdom Listing Authority.

5. The following Section 17 is hereby added at the end of Section 15 “ Counterparts ” of the Prior Agreement:

Section 409A Compliance. The parties intend that any severance or other compensation under this Agreement be paid in compliance with Section 409A of the Internal Revenue Code of 1986, as amended, (“Section 409A”) such that there are no adverse tax consequences, interest, or penalties as a result of the payments. The parties agree to modify this Agreement, the timing (but not the amount) of the severance or both to the extent necessary to comply with Section 409A.

6. Section 13 of the Prior Agreement “ Notices ” is hereby amended to replace the address of Weil, Gotshal & Manges LLP with:

One South Place
London EC2M 2WG
England

and the name “Michael Kam” with the name “Wayne Rapozo”.

7. Miscellaneous Provisions.

(a) As amended hereby, the Prior Agreement is ratified and confirmed in all respects and the Prior Agreement as so supplemented by this Amendment shall be read, taken and construed as one and the same instrument.

(b) Any term or provision of this Amendment that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(c) The Prior Agreement as amended by this Amendment constitutes the complete and exclusive understanding between the parties, and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, regarding the subject matter herein.

(d) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(e) No amendment of any provision of this Amendment shall be valid unless the same shall be in writing and signed by the Company and the Executive.

(f) This Amendment shall be governed by and construed in accordance with the domestic laws of the State of Ohio, as such laws are applied to agreements made, entered into, performed entirely within Ohio by Ohio residents without regard to the actual residence or domicile of the parties and without giving effect to any choice or conflict of law provision or rule (whether of the State of Ohio or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Ohio.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date first above written.

STERLING JEWELERS INC.

By: /s/ Terry Burman

Name: Terry Burman
Title: Chairman

MARK S. LIGHT

By: /s/ Mark S. Light

Name: Mark S. Light
Title: President and CEO

**RULES
of the
SIGNET GROUP
2005 LONG-TERM INCENTIVE PLAN**

(Adopted by the Company on 14 December 2005)

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
Tel: 0171 374-8000
Fax: 0171 496-0043
Ref: 30837809/2281
Draft: 14 December 2005

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RULES OF THE SIGNET GROUP PLC

2005 LONG-TERM INCENTIVE PLAN

1. DEFINITIONS

1.1 In this Plan, the following words and expressions shall have, where the context so admits, the meanings set forth below:

“Annual Remuneration”	The annual rate of the Participant’s basic salary (exclusive of bonuses, commissions, benefits in kind and Awards made, paid, vested or exercised under the Plan) from all Participating Companies, as at a date selected by the Remuneration Committee but within the period of 30 days prior to the Release Date.
“Appropriate Period”	The relevant period during which a Share Award may be exercised (or conditionally exercised) under Rules 6.1 to 6.5 inclusive.
“Award”	A contingent right to receive cash (in the form of a Cash Award) and/or a contingent right to be granted an option to acquire Shares (in the form of a Share Award) under the Plan, which is either subsisting or is proposed to be granted.
“Award Value”	The value of the Award which vests comprising any Share Award and/or any Cash Award.
“Board”	The board of directors for the time being of the Company or a duly authorised committee thereof other than the Remuneration Committee

“Cash Award”	That percentage of an Award specified as such under Rule 2.5.2 which has vested pursuant to Rule 4.2 and in respect of which a cash amount is payable pursuant to Rule 4.3.
“the Company”	Signet Group plc (registered no. 477692).
“Control”	The meaning given by Section 840 of the Taxes Act.
“Daily Official List”	The Daily Official List published by the London Stock Exchange.
“Date of Grant”	The date on which an Award is granted.
“Dealing Day”	Any day on which the main market of the London Stock Exchange is open for the transaction of business.
“Eligible Employee”	Any person who at the Date of Grant is an employee of a Participating Company.
“Employees’ Share Scheme”	The meaning given by Section 743 of the Companies Act 1985.
“Executive Share Plan”	A share incentive plan in which individual participation is at the discretion of the Board.
“Exercise”	In relation to a Share Award, exercise in the manner set out in Rule 7 and references to “Exercised” shall be construed accordingly.
“Financial Year”	Any period for which the Company makes up its statutory accounts.
“Grant Period”	The period of 42 days commencing on any of the following: (A) the day on which the Plan is adopted by the Company;

- (B) the day immediately following the day on which the Company makes an announcement of its results for the last preceding Financial Year, half-year or other period;
- (C) any day on which the Remuneration Committee resolves that exceptional circumstances exist which justify the grant of Awards; or
- (D) any day on which any change to the legislation affecting unapproved share option plans or long term incentive plans is proposed or made.

“Group Member”

A Participating Company or a body corporate which is (within the meaning of Section 736 of the Companies Act 1985) the Company’s holding company or any other body corporate nominated by the Board for this purpose which is not under the control of any single person, but is under the control of two or more persons, one of whom being the Company or the Company’s holding company and in relation to which the Company or, as the case may be, the Company’s holding company, is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights.

“Listed”

In relation to a Share: means included in the Official List of the United Kingdom Listing Authority (even if suspended therefrom).

“Listing Rules”

The listing rules made by the United Kingdom Listing Authority, as amended from time to time.

“London Stock Exchange”

the London Stock Exchange plc.

“Market Value”

In relation to a Share on any day:

- (A) if and so long as the Shares are admitted to trading on the main market of the London Stock Exchange, its middle market quotation (as derived from the Daily Official List) on the Dealing Day immediately preceding that day (or such other day as the Remuneration Committee may determine);
- (B) if the Shares are not admitted to trading as in (A) above, its market value as determined by the Board.

“Maximum Percentage”

The percentage of a Participant’s Annual Remuneration which will apply in determining the Award Value at the Release Date, as determined by the Remuneration Committee pursuant to Rule 2.4.

“Participant”

Any Eligible Employee to whom an Award or Share Award has been granted which has not lapsed, or (where the context so admits) the personal representative of any such person.

“Participating Company”

- (A) The Company;
- (B) Any other company which is under the Control of the Company, is a Subsidiary of the Company and which has not been expressly designated by the Board as not being a Participating Company; and
- (C) a Group Member which has not been expressly designated by the Board as not being a Participating Company.

“PAYE Liability”

The amount of all taxes and/or social security contributions which a Participating Company, other

Group Member or any other person (other than the Participant) (hereafter referred to as the “Relevant Payer”) would be required to account for to the Inland Revenue or other taxation or social security authority in respect of an Award, a Share Award or a Cash Award to the extent the same may lawfully be recovered from a Participant.

“Performance Conditions”

The conditions which apply to determine the extent to which an Award vests, imposed pursuant to Rule 2.2.

“Performance Period”

For each Award, a period of at least three consecutive Financial Years as determined by the Remuneration Committee at the Date of Grant.

“Plan”

The Signet Group plc 2005 Long-Term Incentive Plan in its present form or as from time to time amended in accordance with the provisions hereof.

“Release Date”

The date on which the Remuneration Committee notifies a Participant pursuant to Rule 4.2 of whether and, if so, the extent to which an Award has vested in accordance with the Performance Conditions.

“Remuneration Committee”

The remuneration committee of the Board.

“Retirement”

Retirement on or after the Participant’s normal retirement date under his contract of employment (or such other date as the Remuneration Committee may determine).

“Share”

A fully paid ordinary share in the capital of the Company.

“Share Award”

An option to subscribe for Shares granted pursuant to Rule 4.4.

“Subsidiary”

The meaning given by Section 736 of the Companies Act 1985.

“Taxes Act”

The Income and Corporation Taxes Act 1988.

- 1.2 Words and expressions not otherwise defined herein have the same meaning they have in the Taxes Act.
- 1.3 Where the context so admits or requires words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine.
- 1.4 Reference in the rules of the Plan to any statutory provisions are to those provisions as amended, extended or re-enacted from time to time, and shall include any regulations made thereunder. The Interpretation Act 1978 shall apply to these Rules mutatis mutandis as if they were an Act of Parliament.
- 1.5 The headings in the rules of the Plan are for the sake of convenience only and should be ignored when construing the rules.

2. GRANT OF AWARDS

- 2.1 The Remuneration Committee may grant Awards to Eligible Employees at its absolute discretion. If and so long as the Shares are Listed, the Remuneration Committee may only grant Awards during a Grant Period.
- 2.2 The Remuneration Committee shall at the Date of Grant specify the Performance Period applicable to the Award and the Performance Conditions to which the vesting of an Award is subject, as determined by the Remuneration Committee.
- 2.3 The grant of an Award shall be subject to obtaining any approval or consent required under any applicable laws, regulations of governmental authority and the requirements of the United Kingdom Listing Authority, London Stock Exchange and any other securities exchange on which the Shares are traded.
- 2.4 The Remuneration Committee must specify the Maximum Percentage which will apply to determine the maximum value of any Award at the Release Date.

- 2.5 As soon as practicable after grant, the Remuneration Committee shall issue to each Participant a certificate in respect of the Award in such form as the Remuneration Committee may from time to time prescribe. Such certificate must be sealed or executed as a deed and must state:
- 2.5.1 the Maximum Percentage which will apply to determine the maximum value of the Award;
 - 2.5.2 the proportion of the Award Value as at the Release Date which will be received as a Cash Award and the balance of the Award Value as at the Release Date which will be received as a Share Award;
 - 2.5.3 the Performance Conditions;
 - 2.5.4 the Performance Period;
 - 2.5.5 the Date of Grant; and
 - 2.5.6 the date on which a Share Award will lapse pursuant to Rule 5.6.1.
- 2.6 No payment shall be required from a Participant on the grant of an Award.
- 2.7 Subject to the rights of the Participant's personal representatives pursuant to Rules 5.3 and 5.4, every Award shall be personal to the Participant to whom it is granted and shall not be transferable or in any way alienable.
- 2.8 A Participant may surrender his Award in whole or part within the period of 30 days immediately following the Date of Grant and if an Award or any part of an Award is so surrendered, it shall be deemed for all purposes not to have been granted.
- 3. NUMBER OF SHARES IN RESPECT OF WHICH AWARDS MAY BE GRANTED**
- 3.1 The provisions of this Rule 3 will apply only if and so long as the Shares are Listed.
- 3.2 The number of Shares which may be subscribed under the Plan on any day under a Share Award shall not, when added to the aggregate of the number of Shares which have been allocated in the previous ten years under the Plan and under any other Employees' Share Scheme adopted by the Company or any Subsidiary, exceed such
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number as represents ten per cent of the ordinary share capital of the Company in issue immediately prior to that day.

- 3.3 The number of Shares which may be subscribed under the Plan on any day under a Share Award shall not when added to the aggregate of the number of Shares which have been allocated in the previous ten years under the Plan and under any other Executive Share Plan adopted by the Company or any Subsidiary, exceed such number as represents five per cent of the ordinary share capital of the Company in issue immediately prior to that day.
- 3.4 In determining the above limits:
- 3.4.1 any Shares issued to the trustees of any employee trust for the purpose of satisfying Share Awards or any other award over Shares shall be included; and
- 3.4.2 no account shall be taken of any Shares where the right to subscribe for such Shares was released or surrendered or lapsed without being exercised, including pursuant to Rule 2.8 above.
- 3.5 References in this Rule to the “allocation” of Shares shall mean, in the case of any share option plan, the placing of unissued shares under option or the issue of such shares to the trustees of any employee trust for the purpose of satisfying such options and, in relation to other types of Employees’ Share Schemes, shall mean the issue and allotment of shares, provided if, at any time, it is not certain whether unissued shares are to be placed under option, it should be assumed that any Shares to be placed under option will be unissued.
- 4. THE END OF THE PERFORMANCE PERIOD**
- 4.1 At the end of the Performance Period in respect of an Award the Remuneration Committee shall, as soon as practicable, determine the extent to which the Performance Conditions have been satisfied.
- 4.2 The Remuneration Committee shall then (and within no later than 60 days of the Auditors’ signing of the annual accounts in respect of the last Financial Year of the Performance Period) notify each Participant in writing of whether and, if so, the extent to which the Performance Conditions have been satisfied and the extent to

which an Award has vested including its Award Value. The date of such notification shall be the Release Date.

- 4.3 Subject to Rules 5.1 and 5.3, the Remuneration Committee shall procure that any Cash Award is paid to each Participant within 30 days of the Release Date. Any such payment shall be made after deducting any PAYE Liability due.
- 4.4 Subject to Rules 4.6, 5.1 and 5.3, the Remuneration Committee shall as soon as possible procure the grant of a Share Award, such grant to be evidenced by the issue of a certificate in respect of such Share Award (in a form to be determined by the Remuneration Committee). The number of Shares subject to such Share Award shall be calculated as follows:

Where:

$$N = \frac{SA}{MV}$$

N = the number of Shares subject to a Share Award

MV = the Market Value of a Share at the Date of Grant

S A = the value as at the Release Date of any Share Award which has vested.

- 4.5 If a Participant's remuneration comprises either wholly or in part payments in a currency other than pounds sterling ("foreign currency"), for the purpose of calculating "N" in Rule 4.4 above, that foreign currency shall be converted into pounds sterling at the mid-market spot rate for that currency at the close of business published by the Financial Times on the Award Date, or if this is not a Dealing Day, the mid-market spot rate for that currency at the close of business published in the Financial Times on the next preceding Dealing Day.
- 4.6 If at the time that the Remuneration Committee is required to procure the grant of a Share Award under Rule 4.4, such grant would be prohibited by virtue of any restrictions on a directors' dealings imposed by the "Model Code on Directors' Dealings in Securities" included in the Listing Rules or any similar code adopted by the Company, such grant shall be made within ten Dealing Days of the time when such restrictions have ceased to apply.

5. RIGHTS OF EXERCISE AND LAPSE OF AWARDS

- 5.1 Subject to Rules 5.3, 5.4 and Rule 6, an Award shall only vest and become payable at the Release Date if, the Participant is a director or employee of a Group Member at the end of the relevant Performance Period, provided that, if a Participant is a director or employee of a Group Member at the end of the relevant Performance Period but ceases to be such prior to the Release Date he shall in respect of any Cash Award or Share Award due in respect of the relevant Performance Period be treated as if such cessation occurred after the Release Date.
- 5.2 Subject to the provisions of Rules 5.3 to 5.7 and Rule 6, a Participant (or, as the case may be, his personal representatives) may exercise a Share Award at any time on or following the date it is granted pursuant to Rule 4.4.
- 5.3 If a Participant ceases to be a director or employee of a Group Member before the end of the Performance Period, rights under an Award held by him shall lapse on the date of cessation, unless the Participant ceases to be a director or employee of a Group Member by reason of:-
- 5.3.1 death;
 - 5.3.2 injury;
 - 5.3.3 disability;
 - 5.3.4 redundancy;
 - 5.3.5 Retirement;
 - 5.3.6 his employing company or the company with which he holds office ceasing to be a Group Member;
 - 5.3.7 the transfer of the undertaking in which he is employed to a person other than a Group Member; or
 - 5.3.8 any other reason in the discretion of the Remuneration Committee

in which case, at the discretion of the Remuneration Committee, an Award may vest on the Release Date in accordance with Rule 4 to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled; and (ii)

there is a reduction pro rata the period from the Date of Grant to the date of such cessation bears to the relevant Performance Period. If any Share Award is made to such a Participant in accordance with this Rule 5.3, such Share Award must be exercised within a period of (i) three years from the Release Date where cessation is on account of Retirement or disability; and (ii) within a period of 12 months from the Release Date in any other circumstances, unless in exceptional circumstances the Remuneration Committee determines that a longer period, not exceeding three years from the Release Date or until the date of lapse under Rule 5.5 if earlier, should apply.

5.4 If, following the Release Date:-

5.4.1 a Participant ceases to be a director or employee of a Group Member for any reason whatsoever; and

5.4.2 at that date if a Share Award remains to be granted or a Cash Award is unpaid or a Share Award, or any part of a Share Award, remains capable of exercise,

the Participant, or his personal representatives, as the case may be, shall be entitled to exercise such Share Award within a period of (i) three years from the date of cessation where cessation is on account of Retirement or disability; and (ii) within a period of 12 months from the date of cessation in any other circumstances, unless in exceptional circumstances the Remuneration Committee determines that a longer period, not exceeding three years from the date of cessation or until the date of lapse under Rule 5.5 if earlier, should apply.

5.5 Awards and Share Awards shall lapse upon the occurrence of the earliest of the following events:

5.5.1 the day before the fifth anniversary of the Date of Grant (or such later anniversary not exceeding the tenth anniversary as the Remuneration Committee may determine at the Date of Grant);

5.5.2 the expiry of any of the periods specified in Rules 5.3 or 5.4 or determined by the Remuneration Committee, in its discretion, to apply;

5.5.3 the expiry of any of the periods specified in Rules 6.1, 6.3, 6.4 and 6.5 save where a Share Award is released in consideration of the grant of a New Share

Award (during one of the periods specified in Rules 6.1, 6.3 or 6.4) pursuant to Rule 6.6;

- 5.5.4 subject to Rules 5.3 and 5.4 the Participant ceasing to hold an office or employment with a Group Member in any circumstances other than where the cessation of office or employment arises on any ground whatsoever during any of the periods specified in Rule 6 (in which case, an Award shall not lapse unless a Share Award is released in consideration of the grant of a New Share Award during an Appropriate Period pursuant to Rule 6.6);
 - 5.5.5 subject to Rule 6.5, the passing of an effective resolution, or the making of an order by the Court, for the winding-up of the Company; and
 - 5.5.6 the Participant being deprived of the legal or beneficial ownership of the Award by operation of law, or doing or omitting to do anything the doing or omission to do which causes him to be so deprived or being declared bankrupt (or suffering or undergoing any equivalent process in any jurisdiction other than England and Wales)
- 5.6 If a Participant, while continuing to hold an office or employment with a Group Member, is transferred to work in another country and as a result of that transfer the Remuneration Committee considers in the light of advice obtained by it that the Participant will either:
- 5.6.1 become subject to income tax on his remuneration in the country to which he is transferred such that he will suffer any additional tax disadvantage upon the vesting of his Award or being granted or exercising his Share Award or receiving a payment pursuant to a Cash Award; or
 - 5.6.2 become subject to restrictions on his ability to exercise his Share Award or to deal in the Shares that may be acquired upon the exercise of that Share Award by reason of, or in consequence of, the securities laws or exchange control laws of the country to which he is transferred.

the Remuneration Committee may determine that the Award has vested to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled and (ii) there is a reduction pro rata the period from the Date of

Grant to the date which is three months prior to such transfer bears to the relevant Performance Period. The Participant may exercise his Share Award and receive a cash payment pursuant to a Cash Award, in the period commencing three months before and ending three months after the transfer has taken place.

- 5.7 If and so long as the Shares are Listed no Award or Share Award may be granted, exercised, released or surrendered at a time when such grant, exercise, release or surrender would not be in accordance with the “Model Code on Directors’ Dealings in Securities” included in the Listing Rules.

6. TAKEOVER, RECONSTRUCTION AND WINDING-UP

- 6.1 Subject to Rules 6.3 and 6.5 below, if any person obtains Control of the Company as a result of making, either:

6.1.1 a general offer to acquire the whole of the issued ordinary share capital of the Company (other than the ordinary share capital held by the person making the offer or those acting in concert with him for the purposes of the City Code on Take-overs and Mergers) which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or

6.1.2 a general offer to acquire all the shares in the Company which are of the same class as the Shares,

a proportion of an Award shall vest and become payable pursuant to Rule 4 to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled and; (ii) there is a reduction pro-rata the period from the Date of Grant to the date of such change in Control bears to the relevant Performance Period. Any Share Award may be exercised within six months of the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied.

- 6.2 For the purpose of Rule 6.1 a person shall be deemed to have obtained Control of the Company if he and others acting in concert with him (for the purposes of the City Code on Take-overs and Mergers) have together obtained Control of it.
- 6.3 If any person becomes bound or entitled to acquire Shares under Sections 428 to 430F of the Companies Act 1985 an Award shall vest and become payable pursuant to Rule

4 to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled and (ii) there is a reduction pro-rata the period from the Date of Grant to the date on which any person becomes so bound or entitled bears to the relevant Performance Period. Any Share Award may be exercised within 21 days of the commencement of the period during which that person remains so bound or entitled.

- 6.4 Subject to Rule 6.5 below, if under Section 425 of the Companies Act 1985 it is proposed that the Court sanctions a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies or a scheme or arrangement as a result of which another body corporate will obtain Control of the Company, the Company shall give notice thereof to all Participants at the same time as it sends notices to members of the Company calling the meeting to consider such a compromise, arrangement or scheme. The Award shall vest and become payable pursuant to Rule 4 to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled and (ii) there is a reduction pro-rata the period from the Date of Grant to the date on which the Court declares such sanction. Any Share Award may be exercised during the period of six months from the date on which the Court sanctions the compromise, arrangement or scheme.
- 6.5 Rules 6.1 and 6.4 shall not apply where the purpose and effect of the change of control or the compromise or arrangement is a reconstruction whereby the Company becomes a subsidiary of another company, such other company having substantially the same shareholders and approximate shareholdings as those of the Company immediately prior to the change of control or compromise or arrangement taking effect.
- 6.6 If notice is duly given of a resolution for the voluntary winding-up of the Company, the Company shall give notice thereof to all Participants. A proportion of an Award shall vest and become payable pursuant to Rule 4 to the extent that (i) the Remuneration Committee is satisfied that the Performance Conditions have been fulfilled and; (ii) there is a reduction pro-rata period from the Date of Grant to the date of such notice. A Share Award may then be exercised until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die. Any such vesting

of an Award and exercise of a Share Award pursuant to this Rule shall be conditional upon the said resolution being duly passed. If such resolution is duly passed all Share Awards shall, to the extent that they have not been exercised, lapse immediately.

- 6.7 If Share Awards become exercisable pursuant to any of Rules 6.1, 6.3 or 6.4 above and the person obtaining or deemed to obtain Control or becoming entitled or bound to acquire Shares is a body corporate, any Participant may at any time within the Appropriate Period, by agreement with the relevant person, release any Share Award which has not lapsed (“the Old Share Award”) in consideration of the grant to him of an Award (“the New Share Award”) which is equivalent to the Old Share Award but relates to shares in a different company (whether the company which has obtained Control of the Company itself or some other company) provided always that, where Share Awards are conditionally exercisable under Rule 6.7 above, such release and grant shall be made subject to the same conditions and so as to become effective on satisfaction of the conditions which are (or would be) applicable to exercise.
- 6.8 The New Share Award shall be regarded for the purposes of Rule 6.7 as equivalent to the Old Share Award so that the provisions of the Plan shall for this purpose be construed as if:
- 6.8.1 the New Share Award were an award granted under the Plan at the same time as the Old Share Award;
- 6.8.2 except for the purpose of the definition of “Participating Company” in Rule 1 and the reference to “the Company” in Rule 11.2, the reference to Signet Group plc in the definition of “the Company” in Rule 1 were a reference to the different company mentioned in Rule 6.7; and
- 6.8.3 unless the Remuneration Committee determines otherwise, the Performance Conditions have been satisfied.

7. MANNER OF EXERCISE OF SHARE AWARDS

- 7.1 Subject to Rule 5.6, a Share Award may be Exercised in whole or in part.
- 7.2 A Share Award may be exercised in whole or in part by the delivery to the Company Secretary of a Share Award certificate covering at least all the Shares over which the Share Award is then to be Exercised, with the notice of Exercise in such form as

specified by the Remuneration Committee duly completed and signed by the Participant (or by his duly authorised agent). Nothing shall be payable for the Exercise of the Award.

7.3 In the event that any PAYE Liability becomes due on the exercise of a Share Award; unless

7.3.1 the Relevant Payer is able to deduct an amount equal to the whole of the PAYE Liability from the Participant's net pay for the relevant pay period; or

7.3.2 the Participant has paid to the Relevant Payer an amount equal to the PAYE Liability; or

7.3.3 the Board determines otherwise

the Participant will be deemed to have given irrevocable instructions to the Company's brokers (or any other person acceptable to the Company) for the sale of sufficient Shares issued on the exercise of the Share Award to realise an amount equal to the PAYE Liability, and the payment of the amount of the PAYE Liability to the Relevant Payer; or

7.4 The effective date of exercise shall be of the date of delivery of the notice of Exercise referred to in Rule 7.2. For the purposes of this Plan a notice of exercise shall be deemed to be delivered when it is received by the Company.

8. ISSUE OR TRANSFER OF SHARES

8.1 The Board shall issue or procure the transfer of any Shares to be issued or transferred to a Participant (or his nominee) pursuant to the Exercise of a Share Award within 30 days following the date of effective exercise of the Share Award.

8.2 The issue or transfer of any Shares under the Plan shall be subject to obtaining the approval or consent of any body or persons referred to what is required in respect of such transfer in Rule 2.3 above.

8.3 Shares issued pursuant to the Plan to the Participant shall rank pari passu in all respects with the existing issued Shares save as respects to any rights attaching by reference to a record date preceding the effective date of Exercise.

9. ADJUSTMENTS

- 9.1 The number of Shares over which a Share Award is granted (and where a Share Award has been Exercised but no Shares have been issued or transferred to the Participant pursuant to such Exercise, the number of Shares which may be so issued or transferred) shall be adjusted in such manner as the Board shall determine following any demerger, capitalisation issue, any offer or invitation made by way of rights or otherwise, subdivision, consolidation, reduction or other variation in the share capital of the Company.
- 9.2 The Board may take such steps as it may consider necessary to notify Participants of any adjustment made under this Rule 9 and to call in, cancel, endorse, issue or reissue any certificate consequent upon such adjustment.

10. ADMINISTRATION

- 10.1 Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment, and where a notice or other communication is given by post, it shall be deemed to have been received (subject to Rule 7.4 above) 72 hours after it was put into the post properly addressed and stamped.
- 10.2 The Company may distribute to Participants copies of any notice or document normally sent by the Company to the holders of Shares.
- 10.3 In the case of partial Exercise of a Share Award, the Board may in consequence call in, endorse, cancel and reissue, as it considers appropriate, any certificate for the balance of the Shares over which the Share Award may be Exercised.
- 10.4 If any certificate shall be worn out, defaced or lost, it may be replaced on such evidence being provided as the Board may require.
- 10.5 The Board shall procure that sufficient Shares are available for issue or transfer to satisfy all Awards under which Shares may be subscribed.

- 10.6 The Plan shall be administered by the Remuneration Committee. The Remuneration Committee shall have full authority, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt such regulations for administering the Plan and such forms of exercise as it may deem necessary or appropriate. Decisions of the Remuneration Committee shall be final and binding on all parties.

11. ALTERATIONS

- 11.1 Subject to Rules 11.2, 11.4 and 11.7, the Remuneration Committee may at any time alter or add to all or any of the provisions of the Plan in any respect.
- 11.2 Subject to Rule 11.3, if and so long as the Shares are Listed, no alteration or addition to the advantage of Participants shall be made under Rule 11.1 to such of the provisions of the Plan as relate to any of the following:
- 11.2.1 the persons who may be granted an Award;
 - 11.2.2 the limitations on the number or amount of securities, cash or other benefits under an Award;
 - 11.2.3 the maximum entitlement of any one Participant;
 - 11.2.4 the basis for determining a participant's entitlement to an Award and any adjustment of the number of Shares or cash subject to an Award;
 - 11.2.5 the rights attaching to Shares subject to an Award; and
 - 11.2.6 the terms of this Rule 11;
- without the prior approval by ordinary resolution of the members of the Company in general meeting.
- 11.3 Rule 11.2 shall not apply to any minor alteration or addition which is to benefit the administration of the Plan, or is necessary or desirable in order to take account of any change in legislation in any relevant jurisdiction or to obtain or maintain favourable taxation, exchange control or regulatory treatment in any relevant jurisdiction for the Company, or any Subsidiary of the Company or any Participant.

- 11.4 No alteration or addition shall be made under Rule 11.1 which would abrogate or adversely affect the subsisting rights of a Participant unless it is made:
- 11.4.1 with the consent in writing of at least 75 per cent of the Participants, or
 - 11.4.2 by a resolution at a meeting of Participants passed by not less than 75 per cent of the Participants,
- and for the purpose of this Rule 11.4 the provisions of the Articles of Association of the Company relating to shareholder meetings shall apply mutatis mutandis.
- 11.5 Notwithstanding any other provision of the Plan other than Rules 11.1 and 11.7 the Board may, in respect of Awards granted to Eligible Employees who are or who may become subject to taxation outside the United Kingdom on their remuneration amend or add to the provisions of the Plan and the terms of Awards and Share Awards as it considers necessary or desirable to take account of or to mitigate or to comply with relevant overseas taxation, securities or exchange control laws provided that the terms of Awards granted to such Eligible Employees are not overall more favourable than the terms of Awards and Share Awards granted to other Eligible Employees.
- 11.6 As soon as reasonably practicable after any alteration or addition is made under Rules 11.1, 11.2 or 11.5, the Board shall give written notice thereof to any Participant materially affected thereby.
- 11.7 No alteration shall be made to the Plan if following the alteration the Plan would cease to be an Employees' Share Scheme.

12. LEGAL ENTITLEMENT

- 12.1 Nothing in the Plan or in any instrument executed pursuant to it will confer on any person any right to continue in employment, nor will it affect the right of any Group Member to terminate the employment of any person wrongfully or otherwise without liability at any time with or without cause, nor will it impose upon the Board (or if so delegated, the Remuneration Committee) or any other person any duty or liability whatsoever (whether in contract, tort or otherwise) in connection with:
- 12.1.1 the lapsing of any Award pursuant to the Plan;
 - 12.1.2 the failure or refusal to exercise any discretion under the Plan; and/or

- 12.1.3 a Participant ceasing to be a person who has left employment or ceases to hold office with any Group Member for any reason whatever.
- 12.2 Awards shall not (except as may be required by taxation law) form part of the emoluments of individuals or count as wages or remuneration for pension or other purposes.
- 12.3 Any person who ceases to have the status or relationship of an employee with any Group Member as a result of the termination of his employment for any reason wrongful or otherwise and however that termination occurs, whether lawfully or otherwise, shall not be entitled and shall be deemed irrevocably to have waived any entitlement by way of damages for dismissal or by way of compensation for loss of office or employment or otherwise to any sum, damages or other benefits to compensate that person for the loss of alteration of any rights, benefits or expectations in relation to any Award, the Plan or any instrument executed pursuant to it.
- 12.4 The benefit of this Rule 12 is given to the Company for itself and as trustee and agent of each Group Member. To the extent that this Rule benefits any company which is not a party to the Plan, the benefit shall be held on trust and as agent by the Company for such company and the Company may, at its discretion, assign the benefit of this Rule 12 to any such company.
- 13. GENERAL**
- 13.1 The Plan shall terminate on 14 December 2015 or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan shall be without prejudice to the subsisting rights of Participants.
- 13.2 Any Subsidiary of the Company may provide money to any other person to enable them or him to subscribe for Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent and permitted by Section 153 (and, where applicable, Section 154) of the Companies Act 1985. Nothing in the Plan shall be deemed to give any employee of any Participating Company any right to participate in the Plan.

13.3 These Rules shall be governed by and construed in accordance with the laws of England.

CERTIFICATION

I, Walker Boyd, certify that:

1. I have reviewed this annual report on Form 20-F of Signet Group plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 4, 2006

By: /s/ Walker Boyd

Name: Walker Boyd

Title: Group Financial Director

CERTIFICATION

I, Terry Burman, certify that:

1. I have reviewed this annual report on Form 20-F of Signet Group plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 4, 2006

By: /s/ Terry Burman

Name: Terry Burman
Title: Chief Executive Officer

**CERTIFICATION
PURSUANT TO 18 USC SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Walker Boyd, as Group Financial Director of Signet Group plc (the “Company”), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the accompanying Annual Report on Form 20-F for the period ending January 28, 2006, as filed with the U.S. Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2006

By: /s/ Walker Boyd

Name: Walker Boyd
Title: Group Financial Director

A signed original of this written statement required by Section 906 has been provided to Signet Group plc and will be retained by Signet Group plc and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION
PURSUANT TO 18 USC SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Terry Burman, as Chief Executive Officer of Signet Group plc (the “Company”), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the accompanying Annual Report on Form 20-F for the period ending January 28, 2006, as filed with the U.S. Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2006

By: /s/ Terry Burman

Name: Terry Burman
Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Signet Group plc and will be retained by Signet Group plc and furnished to the Securities and Exchange Commission or its staff upon request.

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Signet Group plc

We consent to the incorporation by reference in the registration statements (No. 333-12304, 333-09634 and 333-08964) on Form S-8 of Signet Group plc of our report dated 5 April 2006, with respect to the consolidated balance sheets of Signet Group plc and subsidiaries as at 28 January 2006 and 29 January 2005, and the related consolidated income statements, consolidated cash flow statements and consolidated statements of recognised income and expense for each of the 52 week periods ended 28 January 2006 and 29 January 2005, which report appears in the Annual Report on Form 20-F of Signet Group plc for the 52 weeks ended 28 January 2006.

Our report refers to a change in the method of accounting for certain financial instruments with effect from 30 January 2005, upon the adoption of International Accounting Standards 32 and 39.

/s/ KPMG Audit Plc

KPMG Audit Plc
London, England
May 4, 2006
