

SIGNET GROUP PLC
Form 6-K
September 05, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO
RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the date of 5 SEPTEMBER 2008

Commission File Number 001-32349

SIGNET GROUP PLC

(Translation of registrant's name into English)

15 GOLDEN SQUARE, LONDON W1F 9JG, ENGLAND

(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____ .

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNET GROUP PLC

(Registrant)

Date 5 September 2008

By: /s/ Walker Boyd

Name: Walker Boyd

Title: Authorised Signatory and Group Finance Director

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Exhibit Index

- 99.1 Prospectus dated 5 September 2008 relating to the application for admission to trading of the common shares of Signet Jewelers Limited on the London Stock Exchange

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Exhibit 99.1

A copy of this document, which comprises a prospectus relating to Signet Jewelers Limited (the **Company**) prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (as amended) (**FSMA**), has been filed with the Financial Services Authority (**FSA**) and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. This document has been approved as a prospectus by the FSA under section 87A of FSMA.

The Company and the Directors (whose names appear on page 27 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Applications will be made to the UK Listing Authority (**UKLA**) and to the London Stock Exchange for the common shares in the capital of the Company (**Common Shares**) to be admitted to the Official List of the UKLA (the **Official List**) and to trading on the London Stock Exchange's main market for listed securities (together **LSE Admission**) by way of a secondary listing. Admission to the Official List, together with admission to trading on the London Stock Exchange's main market for listed securities, constitutes admission to trading on a regulated market. It is expected that the LSE Admission will become effective and that dealings on the London Stock Exchange's main market for listed securities in the Common Shares will commence at 8.00 a.m. (London time) on 11 September 2008. LSE Admission will be by way of a secondary listing pursuant to Chapter 14 of the Listing Rules and, as a consequence, Chapters 6 to 13 (inclusive) of the Listing Rules will not apply to the Company.

An application has also been made to the New York Stock Exchange (**NYSE**) for the Common Shares to be admitted to trading on the New York Stock Exchange (**NYSE Admission**). It is expected that NYSE Admission will become effective and that dealings on the NYSE in the Common Shares will commence at 2.30 p.m. (London time) on 11 September 2008.

As at the date of this document, no Common Shares are admitted to trading on a regulated market. It is intended that 85,277,091 Common Shares be admitted to the Official List and the NYSE pursuant to the LSE Admission and the NYSE Admission (together, the **Admissions**). The Company is not offering any Common Shares in connection with the Admissions and will not receive any proceeds from the Admissions. No Common Shares have been marketed to, nor are available for purchase by, the public in the United Kingdom, the United States or elsewhere in connection with the introduction of the Common Shares to the Official List and the NYSE. This document does not constitute an offer or invitation for any person to subscribe for or purchase any securities in the Company.

This document has been prepared in connection with a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 to introduce a new Bermuda domiciled holding company, the Company, as the parent company of the Group (the **Scheme) and has been prepared on the assumption that the Scheme will become effective in accordance with its current terms. A summary of the Scheme and other proposals (including a proposed Share Capital Consolidation on a 1 for 20 basis, which is intended to take effect immediately following the Scheme becoming effective and prior to the Admissions) are set out in Part III of this document. If the Scheme does not become effective the Share Capital Consolidation and the Admissions will not occur. You should read this document in its entirety and in particular the risk factors set out in the section of this document headed **Risk Factors**. This document includes forward-looking statements that are based on certain assumptions and reflect the current expectations of the Group. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Please see Part V of this document for further information.**

SIGNET JEWELERS LIMITED

(Incorporated and registered in Bermuda under the Bermuda Companies Act with registered number 42069)

Prospectus

relating to admission of 85,277,091 Common Shares of \$0.18 each to the Official List

and to trading on the London Stock Exchange

Financial adviser to the Company

Lazard & Co., Limited

EXPECTED COMMON SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

	Authorised		Issued and fully paid	
Number		Amount	Number	Amount
500,000,000		\$90,000,000.00	85,277,091	\$15,349,876.38

The distribution of this document in or into certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken nor will be taken in any jurisdiction that would permit possession or distribution of this document, or any other publicity material relating to the Common Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, neither this document nor any other material in relation to the Common Shares may be distributed or published in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

Shareholders and prospective Shareholders should rely solely on the information contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company or the Directors. In particular, the content of the Website does not form part of this document and Shareholders and prospective Shareholders should not rely on it.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus, neither the publishing of this document, nor the Admissions, shall under any circumstances create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct at any time subsequent to the date of this document.

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The contents of this document should not be construed as legal, business or tax advice. Each Shareholder or prospective Shareholder should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

References to time in this document are to London time, unless otherwise stated.

Lazard & Co., Limited (**Lazard**), which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for the Company and Signet Group plc (**Signet**) and no-one else in connection with the Scheme and the Admissions and will not be responsible to anyone other than the Company and Signet for providing the protections afforded to clients of Lazard nor for providing advice in relation to the Scheme, the Admissions or any other matter referred to herein.

The issuance of Common Shares will not be registered under the Securities Act in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. In reliance on the pre-emption attached to NYSE listing, the issuance of Common Shares will not be registered under the securities laws of any state or other jurisdiction of the United States. From the Scheme Effective Date, Common Shares will be freely transferable without restriction under the Securities Act, other than by certain affiliates of the Company as described in Section 8.1 of Part III of this document.

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PART I

SUMMARY

The following summary is extracted from, and should be read as an introduction to, and in conjunction with the full text of this document. Although the Company is not making any offer to sell, or the solicitation of an offer to subscribe for or buy the Common Shares or other securities of the Company, any assessment of the Common Shares or the Company should be based on the consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, a claimant investor might, under the national legislation of an EEA State, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

1. Background and Reasons for the Scheme

On 10 July 2008, following a review of the most appropriate primary stock listing and domicile for the Group, the board of directors of Signet (the **Signet Board**) announced that it had unanimously approved a proposal (the **Proposal**) to:

move the primary listing of the parent company of the Group from the Official List to the NYSE;

reorganise the Group pursuant to a Court approved scheme of arrangement so that Signet becomes a wholly-owned subsidiary of the Company, a new company incorporated in Bermuda, and former Signet Shareholders and Signet ADS holders become shareholders of the Company;

implement a one-for-twenty share capital consolidation (also known as a reverse stock split) to take effect immediately following the Scheme of Arrangement becoming effective; and

apply for a secondary listing on the Official List.

The board of directors of the Company (the **Board**) believes that a US primary listing on the NYSE is in the best interests of Shareholders and is the natural next step in the evolution of the parent company of the Group's Shareholder base which has seen a steady growth in US ownership since 2003, including a significant increase over the last 12 months with almost 50 per cent of Signet's voting securities now being beneficially owned by US residents.

The Proposal will align the place of listing with the business activities of the Group, which are predominantly based in the US, and where the Board expects the majority of the Group's future growth to take place. Currently over 70 per cent of the Group's sales, operating profit and net assets are in the US. The Board considers there to be a potentially larger pool of investors in the US than in the UK who are more familiar with the Group's business model, have a better understanding of the underlying economic environment in the US and a lower exposure to foreign exchange movements impacting the value of their investment. In addition, the Board expects that the parent company of the Group would benefit from its primary listing being amongst a more appropriate public company peer group.

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The Scheme, which was approved by Signet Shareholders on 19 August, is expected to become effective and dealings in the Common Shares on the London Stock Exchange's main market for listed securities are expected to commence at 8.00 a.m. on 11 September 2008. Dealings in the Common Shares on the NYSE are expected to commence at 2.30 p.m. on 11 September 2008. If the Scheme does not become effective, the Share Capital Consolidation and the Admissions will not occur.

2. Industry and Group Background

The Group is the world's largest speciality retail jeweller and operates leading operations in both the US and UK. The US market currently accounts for approximately 50 per cent of worldwide jewellery sales and the UK for around 7 per cent.

The Group is the largest US speciality retail jeweller by sales having an approximate 4.2 per cent share of the \$65.5 billion total jewellery market from 1,399 stores in 50 states at 2 February 2008. Its mall stores trade nationwide as Kay Jewelers, and regionally under a number of well-established and recognised names. Destination superstores trade as Jared The Galleria Of Jewelry.

In the UK, the Group is the largest speciality retailer of fine jewellery with 563 stores at 2 February 2008 and an approximate 12 per cent share of the £4.5 billion total jewellery market. Primarily situated in shopping malls or prime High Street locations (main shopping thoroughfares with high pedestrian traffic), the stores trade as H. Samuel, Ernest Jones and Leslie Davis.

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3. Business Strengths

The Group competes on the quality of its personal customer service; merchandise selection, availability and quality; and the value of its total offering. Brand recognition, trust and store locations are also competitive factors. It does not hold any material patents, licences, franchises or concessions but has a range of trading agreements with suppliers, the most important being in relation to the Leo Diamond and luxury watches. The established trademarks and trade names of the divisions are essential to maintaining its competitive position in the retail jewellery industry.

3.1 The US Division

The Board attributes the US division's success to a range of competitive advantages in store operations, human resources, merchandising, marketing, real estate and credit operations. These advantages are reflected in above industry average sales per store and operating profit margin.

3.2 The UK Division

The UK division has a range of advantages in store operations and human resources, real estate, merchandising and marketing compared to competitors within the UK speciality jewellery retail market and has access to the Group's leading US expertise. These advantages are reflected in above industry average sales per store and operating profit margin.

4. Business Strategy

The Group aims to build long term value through focusing on the customer by providing a superior merchandise selection in high quality real estate locations. Effective advertising draws consumers into stores, where they are provided with outstanding service. The operating philosophies that help the Group achieve these aims are:

excellence in execution;

test before we invest;

continuous improvement; and

disciplined investment.

The Group's strategy to deliver shareholder value is to:

continue to achieve sector leading performance standards on both sides of the Atlantic;

increase store productivity in the US and the UK;

grow new store space in the US; and

maintain a strong balance sheet.

5. Summary Financial Information

The summary financial information set forth below for the financial years to 2 February 2008, 3 February 2007 and 28 January 2006 has been derived using US GAAP and has been extracted from the Accountant's Report set out in Part X of this document.

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	52 weeks ended 2 February 2008 \$m	53 weeks ended 3 February 2007 \$m	52 weeks ended 28 January 2006 \$m
Sales	3,665.3	3,559.2	3,154.1
Cost of sales	(2,414.6)	(2,266.3)	(1,990.1)
Gross margin	1,250.7	1,292.9	1,164.0
Selling, general and administrative expenses	(1,000.8)	(979.6)	(876.8)
Other operating income, net	108.8	91.5	83.3
Operating income	358.7	404.8	370.5
Interest income	6.3	16.7	4.3
Interest expense	(28.8)	(34.2)	(20.5)
Income before income taxes	336.2	387.3	354.3
Income taxes	(116.4)	(134.6)	(116.3)
Net income	219.8	252.7	238.0
Earnings per share basic	12.9c	14.6c	13.7c
diluted	12.8c	14.3c	13.7c

Consolidated balance sheets

	2 February 2008 \$m	3 February 2007 \$m	28 January 2006 \$m
Current assets	2,422.8	2,373.6	1,806.8
Non-current assets	1,176.6	1,134.6	1,056.3
Current liabilities	(646.5)	(650.1)	(594.9)
Non-current liabilities	(631.7)	(630.2)	(205.3)
Shareholders equity	2,321.2	2,227.9	2,062.9

Consolidated statements of cash flow

52 weeks ended 2 February 2008	53 weeks ended 3 February 2007	52 weeks ended 28 January 2006
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	\$m	\$m	\$m
Net cash from operating activities	142.7	201.8	205.9
Capital expenditure (net)	(139.4)	(123.8)	(123.1)
Net cash flows from financing activities	(115.8)	(28.4)	(175.4)
 Movement in cash and cash equivalents	 (112.5)	 49.6	 (92.6)

6. Current Trading, Trends and Prospects

The Group has recently issued its results for the 26 weeks to 2 August 2008 as set out in Part XI of this document. Group sales were down 0.6% at \$1,591.4m and income before income taxes was down 37.8% at \$70.7m. The Group's strong balance sheet and superior operating metrics on both sides of the Atlantic enables the business to continue to implement its proven strategy. Appropriate adjustments in execution are being made to reflect the challenging economic conditions with tight control of costs, inventory, gross merchandise margin and investment in new space. As a result the business will be well positioned when the economy improves. However, in the short term, the consumer environment in both the US and the UK remains very challenging. As always, the results for the year will be significantly influenced by the Group's performance during the important Christmas period.

The results of operations for the 26 weeks to 2 August 2008 are not necessarily indicative of the results that may be expected for the full financial year.

7. Capitalisation and Indebtedness

The Group's capitalisation as at 2 August 2008 was \$2,261.8 million and its net financial indebtedness as at 2 August 2008 was \$433.3 million.

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8. Admission and Dealings

The Company is not offering any new Common Shares nor any other securities in connection with the Admissions.

Application will be made for the LSE Admission following publication of this document. Application for the NYSE Admission was made on 25 July 2008.

The LSE Admission is expected to take place and dealings in the Common Shares are expected to commence on the London Stock Exchange's main market for listed securities at 8.00 a.m. on 11 September 2008. The NYSE Admission is expected to take place and dealings in the Common Shares are expected to commence on the NYSE at 2.30 p.m. on 11 September 2008. These times and dates are indicative only.

9. Dividend Policy

Following implementation of the Proposal, the Company intends to adopt a dividend policy that will continue to take into account the needs of the business including its store development programme, the significant competitive advantages of a strong balance sheet, as well as the wider economic environment. The Board will also take account of the payout ratios of US listed speciality retailers, which are typically lower than in the UK. The Board may also consider the repurchase of shares from time to time.

Signet declared an interim dividend of 0.96 cents per share when it announced its 6 months results to 2 August 2008 on 3 September 2008. It is intended that this interim dividend distribution by Signet will be passed on to Shareholders by the Company in November 2008. A final dividend will be considered by the Company at the time of the full year results for 2008/09 in March 2009.

In subsequent years the Board intends to declare quarterly dividends.

10. Risk Factors

Risks relating to the Group and its business include (but are not limited to):

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

The ability of the Group to recruit, train and retain suitably qualified sales staff is important in determining sales and profitability.

Short term variations in consumer preferences, merchandise selection, inventory and pricing have an important influence in determining sales performance and achieved gross margin.

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The ability to differentiate the Group's stores from competitors by its branding, marketing and advertising programmes is a factor in attracting consumers.

Long term changes in consumer attitudes to jewellery influence the level of Group sales.

The Group's results are dependent on a number of factors relating to its stores.

If the Group falls behind competitors the Group's operating results or financial condition could be adversely affected.

The abrupt loss or disruption of any significant supplier during the three month period leading up to the Christmas season could result in a material adverse effect on the Group's business.

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's business is highly seasonal, with a very significant proportion of its sales and operating profit generated during its fourth quarter.

Social, ethical and environmental 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.

The Group is dependent on the suitability, reliability and durability of its systems and procedures, including its accounting, information technology, warehousing and distribution systems.

In March 2008, a class action lawsuit for an unspecified amount was filed against a subsidiary of the Group in the New York federal court.

Regulations govern various areas of business activity and changes in regulations can therefore influence the Group's performance.

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The presentation of the Group's accounts can be affected by changes to generally accepted accounting principles.

The Group may in future make acquisitions or be involved in a business combination.

In the UK, the Group operates a defined benefit pension scheme. The valuation of the Group Scheme's assets and liabilities partly depends on assumptions based on the financial markets as well as longevity and staff retention rates.

The Group is dependent upon the availability of equity and debt financing to fund its operations and growth.

Any decrease in the weighted average value of the US dollar against the pound sterling could increase reported revenues and operating profit and any appreciation in the weighted average value of the US dollar against the pound sterling could decrease reported revenues and operating profit.

The loss of one or more key executive officers or employees or the inability to attract and retain other talented personnel could have a material adverse effect on the Group's ability to conduct its business.

The Share Capital Consolidation and Admissions are conditional on the Scheme becoming effective.

The Company's share price may be significantly affected by short term changes in financial condition or results of operations as reflected in its quarterly earnings reports, and other factors unrelated to the Group's performance.

Sales or potential sales of large numbers of Common Shares in public markets could decrease the trading price of the Common Shares.

An increase in the number of Common Shares in the capital of the Company in the market through further issues by the Company could result in the voting power of the Company's existing shareholders being diluted.

Depository Interest Holders do not have the rights which Bermuda law and the Bye-laws confer on holders of Common Shares and there can be no assurance that the Depository Nominee (in which these rights will vest) will pass on and exercise such rights for the benefit of Depository Interest Holders.

If the Bermuda Monetary Authority subsequently withdraws its consent to the free transferability of the Common Shares, then the admission and trading of those Common Shares on both the NYSE and the LSE's main market for listed securities may be suspended.

The Company has no Takeover Code protection.

The Company cannot be certain that it will not be subject to any Bermuda tax in the future.

The proposed secondary listing is subject to UKLA approval.

As a result of the secondary listing certain provisions of the Listing Rules will not apply to the Company.

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It may be more difficult for investors to effect service of process on the directors of the Company in the UK or to enforce in the UK judgments obtained in UK courts against the Company or those directors.

The Company will be subject to more extensive US regulation if it no longer satisfies the definition of a foreign private issuer under the rules and regulations of the SEC.

11. Directors and Officers Details

The current board of directors of the Company is as follows:

Directors	Sir Malcolm Williamson	Chairman (non-executive)
	Terry Burman	Group Chief Executive
	Walker Boyd	Group Finance Director
	Mark Light	US Chief Executive and Executive Director
	Robert Blanchard	Non-executive Director
	Dale W. Hilpert	Non-executive Director
Officers	Russell Walls	Non-executive Director
	Mark Jenkins	Group Company Secretary
	Susie Grant	Company Secretary

It is the intention that further directors will be added when identified, particularly those with experience of the US market and that additional UK directors may also be added.

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PART II

RISK FACTORS

The following risks and uncertainties should be carefully considered in addition to the other information set out in this document. If any of the following risks actually materialises, the Group's business, financial condition or operating or financial results could be materially adversely affected and the value of the Common Shares could decline. The risks and uncertainties described below are not the only ones the Group faces. Additional risks and uncertainties not presently known to the Directors or that the Directors currently deem immaterial may also have a material adverse effect on the Group's business, financial condition or operating or financial results and could negatively affect the price of the Common Shares.

1. Risk Factors

1.1 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 and income available for discretionary expenditure, business conditions, interest rates, consumer debt and asset values, 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 does vary, occasions when jewellery is purchased – engagements, weddings and events such as Christmas, wedding anniversaries, birthdays, Valentine's Day and Mother's Day – occur on a regular basis. Approximately 45 per cent of sales in the US are in the bridal related category; which is thought to be less sensitive to changes in general economic conditions than other classifications of jewellery, while in the UK only 20 per cent 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 and the level of net bad debt charge as a percentage of credit sales in the Group's US division in 2007/08 was at the high end of the range of recent years. In the first half of 2008/09 the net bad debt charge has increased further, although this is expected to be somewhat offset by increased income from the credit portfolio.

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Adverse general economic conditions may also constrain the Group's ability to make distributions to shareholders as the Directors believe it is an important competitive advantage to maintain a strong balance sheet and financial flexibility so as to be able to take advantage of the long term growth opportunities such as those provided by Kay, Jared and the rough diamond initiative.

1.2 Staff

The Group's operating experience suggests that the top three factors in determining where consumers buy jewellery are the level of service provided to the customer, the quality, together with the selection of merchandise offered, and the reputation of the retailer.

In speciality jewellery retailing, the level and quality of customer service is a key competitive factor as nearly every in-store transaction involves the sales associate taking a piece of jewellery or a watch out of a display case and presenting it to the potential customer. Therefore the ability of the Group to recruit, train and retain suitably qualified sales staff is important in determining sales and profitability. The support and systems 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.

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1.3 Short term variations in consumer preferences, merchandise selection, inventory and pricing

The Group's sales performance depends on consumer fashions, preferences for jewellery in general and the demand for particular products. The consumer's preference for jewellery over other product categories varies over time and influences the total size of the jewellery market. For example, in 2000 jewellery was very popular with consumers, while in recent years electronic products was a strong category and jewellery comparatively weaker. 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 products of the appropriate quality and price correctly and implement effective purchasing procedures, all have an important influence in determining sales performance and achieved gross margin.

The price of jewellery compared to other products influences the proportion of consumers' expenditure that is spent on jewellery. The comparative price, particularly of easily comparable pieces of jewellery, of the same quality, sold through similar stores impacts the Group's share of jewellery sales. However the Directors believe price, so long as it is broadly comparable to other speciality jewellery retailers, is not the primary factor in determining the jewellery retailer chosen by consumers. Other factors, such as customer service, are relevant in consumers' decision and discounting may therefore increase sales, but not profit. If the factors influencing the consumers' decision changed it would require the Group to adapt its business model. Therefore market research of consumer attitudes is carried out, merchandising trends are closely monitored and different pricing strategies are tested.

If any significant price changes are implemented across a wide range of merchandise, as occurred in the US division in early 2008/09, the impact on sales will depend on, among other factors, the pricing by competitors of similar products and the response by the consumer to higher prices. Such a price increase may result in disruption to sales and may have to be amended.

1.4 Reputation and marketing

Primary factors in determining customer buying decisions in the jewellery sector include customer confidence in the retailer 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. A similar index was tested in the UK division in 2007/08 and is expected to be rolled out to all stores in 2008/09.

The ability to differentiate the Group's stores from competitors by its branding, marketing and advertising programmes is a factor in attracting consumers. These programmes are therefore carefully tested and their success monitored by methods such as market research.

The Diamond Trading Company (**DTC**), a subsidiary of De Beers Consolidated Mines Limited, promotes diamonds and diamond jewellery in the US. The level of support provided by the DTC and the success of the promotions influence the size of the total jewellery market in that country. As the DTC's market share has significantly reduced it is changing its approach from generic marketing support of diamonds to one more closely associated with its own efforts to develop a brand such as the Forevermark .

1.5 Long term changes in consumer attitudes to jewellery

Consumer attitudes to diamonds, gold and other precious metals and gemstones also influence the level of Group sales. Attitudes could be affected by a variety of issues including concern over the source of raw materials; the impact of mining and refining of minerals on the

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environment, the local community and the political stability of the producing country; labour conditions in the supply chain; the availability and consumer attitudes to substitute products such as cubic zirconia, moissanite and of laboratory created diamonds. 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 consumer confidence is 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 such diamonds from the legitimate diamond trade. During 2003 legislation was passed in the European Union and the US, implementing the Kimberley Process. The agreement now extends to more than 70 countries and its effectiveness is regularly reviewed and steps to improve its implementation continue to be taken. 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.

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The Group reviews its procedures and documentation for compliance with the Kimberley Process as well as the World Diamond Council System of Warranties (**System of Warranties**) and makes appropriate amendments. In addition, staff are briefed and suppliers reminded about the procedures. The Group's internal audit function and mystery shopper programmes enable detailed compliance monitoring throughout the business. Reviews by external third parties of the Group's compliance with the Kimberley Process certification system and the System of Warranties were successfully carried out in the US in 2006/07 and as required in the UK in 2007/08.

In order to better address issues relating to social, ethical and environmental matters within the diamond and gold jewellery supply chain, the Group, together with other industry participants founded the Council for Responsible Jewellery Practices (**Council**). This body was set up in May 2005 and Council members are committed to promoting responsible business practices in a transparent and accountable manner throughout the industry from mine to retail.

1.6 Store portfolio

The Group's results are dependent on a number of factors relating to its stores. These include the availability of property, the demographic characteristics of the area around the store, the design and maintenance of the stores, the availability of attractive locations within the shopping centre, the terms of leases and the Group's relationship with major landlords. In the US the Group leases 15 per cent of its store locations from Simon Property Group and 14 per cent from General Growth Management. The Group has no other relationship with any lessor relating to 10 per cent or more of its store locations.

Given the length of property leases that the Group enters into, the Group is dependent upon the continued popularity of particular retail locations. In the US, the Group has historically been dependent on the continued success of enclosed malls as a shopping destination and the ability of enclosed malls, their tenants and other mall features to attract customers. However, the continued growth of Jared and the development of Kay in off-mall locations is reducing the Group's dependence on enclosed malls. Off-mall locations now account for about 40 per cent of the Group's US store space and in 2008/09 will account for all of its net space growth. In the UK, the Group has a more diverse range of store locations, and as a result it has some exposure to smaller retail centres which are losing share to major regional centres. Consequently the Group is gradually closing stores in such locations as leases expire or satisfactory property transactions can be executed.

As well as operational real estate criteria, the Group has established capital expenditure procedures with investment criteria set by the current Signet Board. These criteria are applied to both new store investment and to the renewal of leases. When appraising store investment proposals the Group normally requires a 20 per cent pre-tax internal rate of return over five years, assuming the release of the working capital associated with the store at the end of five years. The Signet Board has regularly reviewed, and the Board will continue to regularly review, actual performance against the investment projections. The projections used for investment decisions are reviewed and adjusted based on experience and economic conditions. Reflecting trading in 2007/08, sales projections have been reduced and a slower rate of net space growth is therefore anticipated in 2008/09 and in 2009/10 than in 2007/08. Future sales growth is partly dependent on the extent and results of the Group's net space expansion and refurbishment strategy. The majority of the investment in additional stores is in inventory and, in the US, the in-house credit receivables, rather than in capital expenditure related to fitting out the store, as the Group normally occupies leased space.

The rate of new store development is dependent on a number of factors including obtaining suitable real estate, the capital resources of the Group, the availability of appropriate staff and management and the level of the financial return on investment required by the Group. 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. In the UK, the Group has a 12.1 per cent share of the jewellery market and is expecting a decrease in store space over time and is therefore focused on improving sales per store to increase sales and profitability.

1.7 Competition

If the Group falls behind competitors the Group's operating results or financial condition could be adversely affected. In the US, the Group has an estimated 8.8 per cent market share of the speciality jewellery sector with one major national competitor that has a 6.4 per cent market share. 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 enclosed mall base, the Group is increasingly competing with independent speciality

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jewellery retailers rather than national or major regional chains. Aggressive discounting by competitors including liquidating excessive inventory levels may impact the Group's sales performance in the short term. In the UK, only three other speciality jewellery chains have more than 100 stores and the Group's main competition is from independent retailers.

The channels through which consumers buy jewellery continually evolve and a major non-speciality retailer could enter the wider jewellery market. The Group monitors the competitive environment and the development of possible new channels of distribution. 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. The Group regularly shops the competition to monitor their merchandising, pricing and service standards.

In both the US and the UK, internet retailers of jewellery have gained market share.

H. Samuel added an e-commerce capability to its website in 2005/06 and both the Ernest Jones and Kay websites introduced e-commerce capabilities during 2006/07. The future success of these websites is uncertain, but their performance to date has been encouraging although their sales are not significant to the Group. While internet sales now account for 7.4 per cent (calendar 2006: 6.4 per cent) of US jewellery sales (source: US Department of Commerce), their primary impact has been on pricing visibility, particularly for certified diamonds, solitaire diamond rings and diamond stud earrings. This can have an adverse impact on gross margins.

1.8 Suppliers

Although the Group believes that alternative sources of supply are available, the abrupt loss or disruption 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. The Group benefits from close commercial relationships with a number of suppliers and landlords. Damage to, or loss of, any of these relationships could have a detrimental effect on the Group's results. The Group holds regular reviews with major suppliers and landlords. The Group's most significant supplier accounts for 6 per cent of merchandise.

The luxury and prestige watch manufacturers and distributors normally grant agencies to sell their ranges on a store by store basis. The watch brands that Ernest Jones and, to a lesser extent, Jared sell help attract customers and build sales in all categories. Therefore the ability to obtain watch agencies for a location can influence the performance of a particular store. In the case of Ernest Jones, it is an important factor in the opening of new stores.

1.9 Raw materials and the supply chain

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 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. However, particularly sharp increases and volatility in commodity costs usually result in a lag before increased commodity costs are fully reflected in retail

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prices. The US dollar price of gold has increased significantly in recent years. In early 2008/09 the US division implemented a wide range of price increases to reflect higher commodity costs. There is no certainty that such price increases will be sustainable so further downward pressure on gross margins may occur. Further increases in commodity costs would also adversely affect gross margin. The Group also seeks to improve the efficiency of its supply chain to partly offset any increase in commodity costs.

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. The cost of raw materials is only part of the costs involved in determining the retail selling price of jewellery with labour costs also being a significant factor.

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. The DTC's share of the diamond supply chain has been decreasing over recent years and this may result in more volatility in rough diamond prices.

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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.

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 over time, although short term fluctuations in price will occur. Significant increases in the prices of larger diamonds than the Group normally sells have occurred and in the future this trend may occur in the size and quality of diamonds sold by the Group. In addition, if the Group continues to increase its market share it will require additional sources of diamonds of consistent quality; the consistency of merchandise being an important element in the Group's selling system. Therefore the Group continually seeks to identify and implement improvements in its supply chain and its ability to obtain diamonds.

In 2005/06, the Group began an initiative to trial the development of a capability to source rough diamonds, and to then cut and polish the stones on a contract basis. This initiative is intended to improve the consistency of supply and quality of diamonds to the Group, as well as further improve the efficiency of the Group's supply chain. The size of the trial was expanded in 2006/07. In 2007/08 it was decided to move from the trial stage to implementation. As a result, investments in management, systems and infrastructure have been made. While this initiative has been carefully planned, it may not be successful. In particular the Group is investing in new staff, skills, procedures and systems to develop this capability. In addition, some of the rough stones purchased and the polished stones produced may be of a higher or lower quality than the Group requires. The access to such stones and the terms on which they are purchased will impact the success of the initiative. The development of this initiative will require additional investment in inventory. The required investment and the associated financing costs have been included in the Group's appraisal of this initiative.

1.10 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 having an impact on a significant number of stores in the last few days immediately before Christmas Day or disruption to warehousing and store replenishment systems. 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 Mother's Day would impact the results of the Group to a lesser extent.

1.11 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. The Group, therefore, is committed to managing the SEE risks and responsibilities facing the Group. This commitment stems from the understanding that the Group'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.

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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 will be made 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.

On 1 February 2007 the Association of British Insurers published updated 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.

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1.12 Internal controls and systems

The Group is dependent on the suitability, reliability and durability of its systems and procedures, including its accounting, information technology, warehousing and distribution systems. As a company registered with the SEC in the US, the Group is subject to section 404 of the Sarbanes-Oxley Act of 2002, and is required to provide an assessment of the effectiveness of internal control over financial reporting. This requires management to perform appropriate due diligence to test the design and operating effectiveness of key internal controls over financial reporting and the safeguarding of assets.

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. The Group has emergency procedures, which are periodically tested, that are designed to help minimise the impact on the business of any disruption.

1.13 Legal actions

In March 2008 a class lawsuit for an unspecified amount was filed against Sterling Jewelers Inc., a subsidiary of Signet, in the New York federal court. The lawsuit alleges that US store-level employment practices are discriminatory as to compensation and promotional activities. The Group denies these allegations and intends to defend them vigorously.

1.14 Regulatory requirements

Regulations govern various areas of business activity and changes in regulations can therefore influence the Group's performance. For example, in the US approximately 50 per cent of sales utilise the Group's in-house credit programmes therefore any change in regulations or the application of regulations relating to the provision of credit and associated services could affect the Group's results.

1.15 US GAAP

The presentation of the Group's accounts can also be affected by changes to generally accepted accounting principles. US GAAP continues to be revised and subject to new interpretations. Such changes may influence the results reported and the valuation of the Group's shares. For guidance, independent external professional advice is available to management and the Audit Committee. The results of the Group are influenced by the application of US GAAP in areas involving significant subjectivity and judgement, such as pensions and share based payments.

1.16 Acquisitions

The Group may in the future make acquisitions or be involved in a business combination. Any difficulty integrating an acquisition or a business combination may result in expected returns and other projected benefits from such an exercise not being realised. A significant transaction could also disrupt the operation of the Group's current activities. The Group's growth strategy does not depend on an acquisition or business combination and a transaction would be intended to accelerate the implementation of that strategy.

1.17 Pensions

In the UK, the Group operates a defined benefit pension scheme (the **Group Scheme**), which ceased to admit new employees in 2004. The valuation of the Group Scheme's assets and liabilities partly depends on assumptions based on the financial markets as well as longevity 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 income statement items relating to this closed Group Scheme are also influenced by these factors. At 2 February 2008 there was a net pension liability of \$5.6 million compared with a net pension asset of \$3.7 million, at the prior year end (3 February 2007).

A triennial valuation of the Group Scheme occurred as at 5 April 2006. As there was a surplus, no additional contributions were required as part of a recovery plan to eliminate a deficit.

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

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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. Following the closure to new entrants of the Group Scheme in 2004, a defined contribution plan was set up for new UK employees of the Group.

The US division also operates defined contribution plans in the form of a 401(k) retirement savings plan and a nonqualified deferred compensation plan.

1.18 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.

The Group's reputation in the financial markets and its corporate governance practices can influence the availability of capital, the cost of capital and its share price. The change in credit market conditions during the past year means that the Group's longer term ability to raise debt has decreased, although, in June 2008 the Group entered into a \$520 million facility to replace a previous \$390 million facility. This facility has, and other longer term borrowings are likely to involve, a greater spread over LIBOR. This could constrain the Group's ability to make distributions to shareholders while taking advantage of the long term growth opportunities such as those provided by Kay, Jared and the rough diamond initiative.

The Group's borrowing agreements include various financial covenants. A material deterioration in the financial performance of the Group in the future could result in a covenant being breached. If the Group were to breach a banking covenant it would have to renegotiate its terms with current lenders or find alternative sources of finance if current lenders required early repayment.

Nothing in the above paragraph is intended to qualify the statement in paragraph 3.4 of Part IX *Operating and Financial Review*.

1.19 Financial market risks

The Group publishes its consolidated annual accounts in US dollars. The Group held approximately 76 per cent of its total assets in US dollars at 2 February 2008 and generated approximately 74 per cent of its sales and 74 per cent of its net operating profit in US dollars for the financial year then ended. The remainder of the Group's assets, sales and operating income are in the UK, therefore in translating the results of its UK operations, the Group's results are subject to fluctuations in the exchange rate between the pound sterling and the US dollar. Accordingly, any decrease in the weighted average value of the US dollar against the pound sterling could increase reported revenues and operating income and any appreciation in the weighted average value of the US dollar against the pound sterling could decrease reported sales and operating income. Historically, the Signet 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 may seek, where appropriate, to finance its UK net assets with borrowings denominated in pounds sterling, as a hedge against the impact of exchange rate fluctuations on its UK operating profit.

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In cases where pounds sterling are used to fund the cash flow requirements of the UK division or at a corporate level, fluctuations in the exchange rate between the pound sterling and the US dollar will 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 division has an exposure to exchange rates on the cost of goods sold. The Group does use hedging operations in respect of purchases of US dollars by its UK division, within treasury guidelines previously approved by the Signet Board.

Cash dividends in respect of the Common Shares will be declared in US dollars. Fluctuations in the exchange rate between the pound sterling and the US dollar will affect the pounds sterling amount received by shareholders who receive payment in pounds sterling.

Fluctuations in the exchange rate between the pound sterling and the US dollar will affect the pound sterling equivalent of the US dollar price of the shares on the New York Stock Exchange and, as a result, are likely to affect the market price of the Common Shares in the UK.

The table below 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. Interest rate exposure is managed through the use of swaps, caps and floors.

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A committee of the Signet Board has been responsible for the implementation of treasury policies and guidelines which are considered to be appropriate by the Signet 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.

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

	Average	High	Low	At period end
Calendar year				
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	1.82	1.99	1.72	1.96
2007	1.97	2.12	1.92	1.99

(1) Based on unweighted data points sourced from Reuters

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 below.

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 below.

The example shown for changes in the fair values of borrowings and associated derivative financial instruments at 2 February 2008 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 per cent (100 basis points) in the specific rate of interest applicable to each class of financial instruments from the levels effective at 2 February 2008 with all other variables remaining constant.

The estimated changes in the fair value for foreign exchange rates are based on an instantaneous 10 per cent weakening of the pound sterling against the US dollar from the levels applicable at 2 February 2008 with all other variables remaining constant.

Fair value changes arising from:

Estimated fair value 2 February	1 per cent decrease in interest rates	10 per cent strengthening in \$ against £	Estimated fair value at 3 February
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	2008	(unfavourable)	(unfavourable)/ favourable	2007
	\$m	\$m	\$m	\$m
Borrowings	(416.3)	(11.5)		(385.5)
Foreign currency receivables	34.7		(3.5)	40.3
Foreign exchange contracts	0.3		8.0	(0.6)
Commodity hedging contracts	9.6			8.1

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

1.20 Loss of one or more key executive officers or employees

The Group's future success will depend substantially upon the ability of its senior management and other key employees to implement the business strategy. While the Group has entered into employment contracts with such key personnel, the retention of their services cannot be guaranteed and the loss of such services or the inability to attract and retain other talented personnel could have a material adverse effect on the Group's ability to conduct its business.

1.21 Implementation of the Proposal

The Scheme was approved by Signet Shareholders on 19 August 2008 but there can be no certainty that the Scheme will be sanctioned by the Court or that the Proposal will otherwise be completed.

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1.22 Market price of Common Shares

The Common Shares are intended to be listed on the NYSE and on the Official List and the market price may be different between them for various reasons, including the characteristics of the markets in which they trade, such as trading volumes and currencies. The Company's share price may be significantly affected by short term changes in its financial condition or results of operations as reflected in its quarterly earnings reports.

Other factors unrelated to the Group's performance that may have an effect on the price of the Common Shares include: the extent of analytical coverage available to investors concerning the Group's business that may be limited if investment banks with research capabilities do not continue to follow or do not commence coverage of the Company's securities; and any lessening in trading volume and general market interest in the Company's securities that may affect an investor's ability to trade significant numbers of Common Shares. As a result of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long term value.

The Signet Shares are currently included in the FTSE 250 list. If, as intended, the Common Shares have a primary listing on the NYSE, they will not be eligible for inclusion in the FTSE 250 list. This may have an effect on the market price of the Common Shares.

As inclusion in the S&P US indices is at the discretion of the S&P Index Committee, there can be no guarantee that despite the listing of the Common Shares on the NYSE, the Company will be included in any S&P US indices.

1.23 Future sales of Common Shares by existing shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future issues of Common Shares. For example, due to the change in primary listing and domicile, certain shareholders may no longer be able to hold shares in the parent company of the Group due to their investment mandates.

1.24 Dilution to Common Shares

As there are no pre-emption rights for shareholders under the Bye-laws or the laws of Bermuda, an increase in the number of Common Shares in the capital of the Company in the market through further issues by the Company could result in the voting power of the Company's existing shareholders being diluted.

1.25 Rights as a Depositary Interest Holder

Depositary Interest Holders do not have the rights which the laws of Bermuda and the Bye-laws confer on legal holders of Common Shares, such as voting rights. In respect of the Common Shares underlying the Depositary Interests, those rights vest in the Depositary Nominee as the legal holder of the relevant Common Shares who will hold those shares as nominee for the Depositary which in turn will hold its interest in the Common Shares on bare trust for the relevant holders. Consequently, if the Depositary Interest Holders want to exercise any of those rights they must rely on the Depositary Nominee and the Depositary to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the deed poll pursuant to which the Depositary Interests are created, the Depositary Nominee and the

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Depository must pass on to and, so far as they are reasonably able, exercise on behalf of the relevant Depository Interest Holders all rights and entitlements which they receive or are entitled to in respect of the underlying Common Shares and which are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised.

1.26 Limitations on the transferability of the Common Shares

Under a general policy of the Bermuda Monetary Authority, the Common Shares may be freely transferred under the Exchange Control Act 1972 of Bermuda and the related regulations following the proposed listing of the Common Shares on the NYSE and the Official List (by way of secondary listing) taking effect. If the Bermuda Monetary Authority subsequently withdraws its consent to the free transferability of the Common Shares, then the admission and trading of those Common Shares on both the NYSE and the Official List and the LSE's main market for listed securities may be suspended. Such suspension would remain in force until the Bermuda Monetary Authority reinstated its consent to the free transferability of the Common Shares.

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1.27 Changes in tax treatment

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of its shares. It cannot be certain that the Company will not be subject to any Bermuda tax in the future.

The Organisation for Economic Cooperation and Development (the **OECD**) has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. In the OECD's report dated 18 April 2002, updated as of June 2004 and September 2006, Bermuda was not listed as a tax haven jurisdiction because it had previously signed a letter committing itself to eliminate harmful tax practices and to embrace international tax standards for transparency, exchange of information and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activity. The Board is not able to predict what changes could arise from this commitment or whether such changes could subject the Company to additional taxes.

1.28 Secondary listing

The proposed secondary listing of the Company on the Official List is subject to the UKLA approving the related application (and, accordingly, in the event that such approval is not forthcoming, the secondary listing of the Company on the Official List may not take effect as intended). The Scheme is not conditional on an application to list the Common Shares on the Official List (by way of secondary listing) having been made or approved.

1.29 Consequences of a secondary listing

It is intended that an application will be made for the Common Shares to be listed on the Official List (by way of secondary listing) pursuant to Chapter 14 of the Listing Rules. As a company with a secondary listing on the Official List, the Company will not be required, and does not intend, to comply with the full provisions of the Listing Rules, including the following:

Chapter 6 of the Listing Rules relating to additional requirements for listings of equity securities;

Chapter 7 of the Listing Rules regarding the listing principles;

Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules;

Chapter 9 of the Listing Rules relating to the continuing obligations of a company after admission (and including the requirements of the Model Code of Directors' Dealings);

Chapter 10 of the Listing Rules relating to significant transactions;

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Chapter 11 of the Listing Rules regarding related party transactions;

Chapter 12 of the Listing Rules regarding purchases by the Company of its own shares; and

Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

The Company believes that Shareholders should be aware that the FSA is currently undertaking a review of, and has published a discussion paper setting out possible changes to, the current UK listing regime. Whilst the review is wide-ranging, in relation to secondary listings, if certain of the options set out for consideration in the discussion paper were implemented they could result in: (1) shares that are listed by way of secondary listing being removed from the Official List (such shares would continue to trade on the LSE and would be subject to directive-minimum requirements which are broadly similar to the Listing Rules currently applicable to a secondary listing); or (2) the current structure being retained but a secondary listing being re-labelled as a Tier 2 Listing. In either of these cases the FSA would continue to have regulatory oversight as the securities would still be admitted to trading on a regulated market. The FSA has also requested comments on whether there should be increased corporate governance control in relation to overseas issuers including restrictions on shares being issued on a non-pre-emptive basis. A feedback statement from the FSA is expected to be published during the third quarter of 2008 (but no date has been set as to when any possible changes may be adopted). The above represents the Company's views and interpretation of the FSA discussion paper in so far as it may affect secondary listings and the Company has not been required by the FSA to make any reference to this review in this document. The full discussion paper is available at the FSA's website at www.fsa.gov.uk/pubs/discussion/dp08_01.pdf.

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As the Company is incorporated and registered in Bermuda, the Takeover Code will not apply to it and investors will not be able to benefit from its provisions. Bermuda law does not, unlike English law, contain any provisions which are designed to regulate the way in which takeovers are conducted. The Bye-laws contain certain takeover protections (as set out in more detail in Part XII of this document), although these will not provide the full protections afforded by the Takeover Code.

1.30 Proceedings against Signet Jewelers Limited

The Board comprises, and is likely to continue to comprise, a greater proportion of non-UK resident directors than the current Signet Board. As a result, should the Proposal be effected it may be more difficult for investors to effect service of process on the directors of the Company in the UK or to enforce in the UK judgments obtained in UK courts against the Company or those directors.

It is doubtful whether courts in Bermuda will enforce judgments obtained by investors in other jurisdictions, including the US and the UK, against the Company or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Company or its directors or officers under the securities laws of other jurisdictions.

1.31 More extensive US regulation of the Company

As of the date of this document, Signet qualifies as a foreign private issuer under the SEC's rules. On 10 January 2008, Signet announced that the proportion of its voting securities held by US residents in mid-December 2007 was just below 50 per cent. Following the implementation of the Proposal, if the percentage of the Company's voting securities held by US residents were to rise above 50 per cent the Company would no longer satisfy the definition of a foreign private issuer under the rules and regulations of the SEC and, on a measuring date specified by the SEC's rules, it and its insiders would become subject to additional US reporting, disclosure and corporate governance requirements. This could arise if the Proposal is not effected but could be more likely after the primary listing of the parent company of the Signet Group is moved from the Official List to the NYSE.

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PART III

THE SCHEME OF ARRANGEMENT AND SHARE CAPITAL CONSOLIDATION

1. Introduction

The Company is a new company incorporated in Bermuda under the Bermuda Companies Act. The Group will reorganise itself pursuant to the Scheme so that Signet becomes a wholly-owned subsidiary of the Company and the former Signet Shareholders (other than the ADS Depository) and Signet American Depositary Share (**Signet ADS**) holders become shareholders of the Company.

On 10 July 2008, following a review of the most appropriate primary stock listing and domicile for the Group, the Signet Board announced that it had unanimously approved a proposal (the **Proposal**) to:

move the primary listing of the parent company of the Group from the Official List to the NYSE;

reorganise the Group pursuant to a Court approved scheme of arrangement so that Signet becomes a wholly-owned subsidiary of the Company, a new company incorporated in Bermuda, and former Signet Shareholders and Signet ADS holders become shareholders of the Company;

implement a one-for-twenty share capital consolidation (also known as a reverse stock split) in respect of the Common Shares issued under the Scheme to take effect immediately following the Scheme of Arrangement becoming effective; and

apply for a secondary listing on the Official List.

The combined effect of the Scheme and the Share Capital Consolidation (if effected in accordance with their respective terms) will be that Signet Shareholders (including the ADS Depository) will receive one Common Share for every twenty Signet Shares they hold at the Scheme Record Time (being 5.00 p.m. on the business day immediately prior to the date of the Scheme Effective Date). Following the Scheme becoming effective and the Share Capital Consolidation being implemented, Signet ADS holders will receive from the ADS Depository one Common Share for every two Signet ADSs.

The Scheme is expected to become effective and dealings in the Common Shares on the London Stock Exchange are expected to commence at 8.00 a.m. on 11 September 2008. Dealings in the Common Shares on the NYSE are expected to commence at 2.30 p.m. on 11 September 2008. If the Scheme does not become effective, the Share Capital Consolidation and the Admissions will not occur.

2. Expected Scheme Timetable

The following indicative timetable sets out the expected dates in respect of the Scheme.

Event	Time and/or date
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The following dates are subject to change

First Court Hearing to sanction the Scheme	8 September 2008
Reduction Record Time	6.00 p.m. on 9 September 2008
Second Court Hearing to confirm Capital Reduction	10 September 2008
Scheme Record Time	5.00 p.m. on 10 September 2008
Effective date of the Scheme	11 September 2008
Effective time for the Share Capital Consolidation	Immediately after the Scheme becomes effective on 11 September 2008
Admission to the Official List and commencement of trading on the LSE in the Common Shares and cancellation of listing on the Official List and cessation of trading of Signet Group plc shares.	8.00 a.m. on 11 September 2008
Commencement of trading on the NYSE in the Common Shares and cancellation of quotation of Signet Group plc ADSs on the NYSE.	2.30 p.m. (9.30 a.m. New York time) on 11 September 2008

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Event	Time and/or date
<p>Crediting of Depositary Interests to CREST accounts in respect of Scheme Shareholders who: (i) hold Signet Shares in uncertificated form at the</p> <p>Scheme Record Time; and (ii) currently hold Signet Shares in certificated form but who complete and execute a CREST Transfer Form and return it to their broker in good time in order to allow the shares to be dematerialised in accordance with Euroclear's procedures</p>	<p>On or about 11 September 2008</p>
<p>Despatch of share certificates in respect of the Common Shares to Scheme Shareholders who currently hold Signet Shares in certificated form and who do not complete and execute a CREST Transfer Form and return it to their broker in good time in order to allow the shares to be dematerialised in accordance with Euroclear's procedures</p>	<p>By 25 September 2008</p>

Note, these times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the associated Capital Reduction as well as the date on which the Court Orders are delivered to the Registrar and the Reduction Court Order is registered by the Registrar.

3. Reasons for the Scheme

The Directors believe that a US primary listing on the NYSE is in the best interests of Signet Shareholders as a whole and is the natural next step in the evolution of the parent company of the Group's shareholder base which has seen a steady growth in US ownership since 2003, including a significant increase over the last 12 months with almost 50 per cent of Signet's voting securities now being beneficially owned by US residents.

The Proposal will align the place of listing with the business activities of the Group, which are predominantly based in the US, and where the Board expects the majority of the Group's future growth to take place. Currently over 70 per cent of the Group's sales, operating profit and net assets are in the US. The Board considers there to be a potentially larger pool of investors in the US than in the UK who are more familiar with the Group's business model, have a better understanding of the underlying economic environment in the US and a lower exposure to foreign exchange movements impacting the value of their investment. In addition, the Board expects that the parent company of the Group would benefit from its primary listing being amongst a more appropriate public company peer group.

To be eligible for inclusion in US domestic stock indices the parent company of the Group could not remain domiciled in England and Wales. It was therefore decided to move the parent company of the Group's domicile to Bermuda as it is a well established jurisdiction for companies traded on US stock exchanges and included in US domestic stock indices such as Standard & Poor's. In addition, a change of domicile of the parent company of the Group to Bermuda will minimise the impact on shareholders by allowing it to have legal, regulatory, capital and financial positions largely consistent with those of Signet today. Furthermore, a change of domicile of the parent company of the Group to the US could have caused adverse US tax consequences – these adverse US tax consequences do not arise where the parent company of the Group's domicile is changed to Bermuda.

4. Principal Features of the Scheme and Share Capital Consolidation

4.1 The Scheme

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On the Scheme becoming effective, the entire issued ordinary share capital of Signet as at the Reduction Record Time will be cancelled and extinguished and New Signet Shares will be issued by Signet to the Company by a capitalisation of the reserves arising from such cancellation, so that Signet becomes a wholly-owned subsidiary of the Company.

Scheme Shareholders (including the ADS Depository) will receive one Common Share for each Signet Share held by them at the Scheme Record Time.

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To become effective, the Scheme requires the approval of: (i) a majority in number of those Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting; and (ii) 75 per cent or more in value of all Signet Shares held by such Scheme Shareholders and voted at that meeting. These approvals were received on 19 August 2008. The Scheme also requires the sanction of the Court and the passing of the special resolution necessary to implement the Scheme at the General Meeting, as well as satisfaction or waiver of the other conditions set out in Section 6 of this Part III.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, including any Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme.

On the Scheme Effective Date, share certificates in respect of Signet Shares will cease to be valid and Signet Shareholders who hold their Signet Shares in certificated form should, if requested to do so by the Company, send such certificates to the Company for cancellation. In addition, on the Scheme Effective Date, entitlements to Signet Shares held within the CREST system will be cancelled.

4.2 Conditions

The Scheme is subject to a number of conditions set out in full in Section 6 of this Part III.

The Scheme can only become effective if all conditions to the Scheme, including the sanction of the Court, have been satisfied or, where appropriate, waived. The Scheme will become effective upon the delivery for registration to the Registrar of copies of the Court Orders and the registration of the Reduction Court Order. Unless the Scheme becomes effective by not later than 31 December 2008, or such later date as Signet and the Company may agree and the Court may allow, the Scheme will lapse and will not proceed.

In addition, the Signet Board will not prior to or after the First Court Hearing take the steps necessary to enable the Scheme and the Capital Reduction to become effective unless, at the relevant time, they consider that the Scheme continues to be in the best interests of Signet Shareholders as a whole.

The Company has agreed to consent to the Scheme and to undertake to be bound by the terms of the Scheme. The First Court Hearing is expected to be held on 8 September 2008 and the Second Court Hearing is expected to be held on 10 September 2008. It is necessary to have two separate Court hearings to allow people who have options over Signet Shares under the Signet Share Plans which will be triggered on the Scheme being sanctioned at the First Court Hearing, to exercise those options in time for their Signet Shares to be issued before the Reduction Record Time and therefore be Scheme Shares which will be cancelled under the Scheme.

If the Scheme is sanctioned by the Court and the conditions to the Scheme are satisfied or waived, it is expected that the Scheme will become effective on 11 September 2008, and that dealings in the Common Shares issued pursuant to the Scheme will commence on the NYSE at 2.30 p.m. (9.30 a.m. New York time) on 11 September 2008 and on the London Stock Exchange at 8.00 a.m. on 11 September 2008.

5. Share Capital Consolidation

As part of the Proposal, it is intended to implement a share capital consolidation (also known as a reverse stock split) on a one-for-twenty basis. This is being proposed to cause the shares of the Company to trade initially on the NYSE at a price more readily comparable to the shares of its peers.

The Share Capital Consolidation will be implemented by consolidating Common Shares issued under the Scheme so that Signet Shareholders will receive one Common Share for every twenty Signet Shares they own (directly or indirectly) at 5.00 p.m. (12.00

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p.m. New York time), as the case may be, on 10 September 2008. This is referred to in this document as the Share Capital Consolidation. The Share Capital Consolidation will take effect immediately after the Scheme becomes effective which is expected to occur on 11 September 2008.

The effect of the Share Capital Consolidation will be to reduce the number of Common Shares in issue, but Signet Shareholders and Signet ADSs holders will own the same proportion of the Company as they did of Signet immediately before the Scheme became effective, subject to fractional entitlements.

A fractional entitlement will arise as a result of the Share Capital Consolidation unless a holding of Common Shares is divisible by twenty. For example, a Signet Shareholder holding 50 Common Shares immediately after the Scheme becomes effective would, after the Share Capital Consolidation, be entitled to 2 Common Shares and a one-half fractional entitlement to a new Common Share. In

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accordance with the Bye-laws, such fractional entitlements will be aggregated, sold in the market and the proceeds will be returned to the relevant Signet Shareholders by cheque to be despatched within 14 days of the Scheme Effective Date.

6. Conditions to Implementation of the Scheme and Share Capital Consolidation

The implementation of the Scheme is conditional on the following having occurred:

- (a) approval of the Scheme by a majority in number of those Scheme Shareholders who are present and vote either in person or by proxy at the Court Meeting on 19 August 2008 and who represent 75 per cent or more in value of all Scheme Shares held by such Scheme Shareholders and which are voted at the Court Meeting;
- (b) the special resolution of Signet being duly passed by the requisite majority at the General Meeting, that, for the purposes of the Scheme:
 - (i) the directors of Signet be authorised to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
 - (ii) the share capital of Signet be reduced by cancelling and extinguishing all of the Scheme Shares;
 - (iii) upon such Capital Reduction taking effect, the authorised capital of Signet be increased to its former amount by the creation of such number of New Signet Shares as shall be equal to the number of Scheme Shares cancelled pursuant to the Capital Reduction and the reserve arising in the books of account of Signet as a result of such Capital Reduction be capitalised and applied in paying up at par these New Signet Shares. These New Signet Shares are to be issued to the Company;
 - (iv) the directors of Signet be authorised to make the allotments referred to above; and
 - (v) the articles of association of Signet be amended to ensure that any Signet Shares issued after the Shareholder Meetings are compulsorily brought within the provisions of the Scheme or, if issued after the Reduction Record Time, are compulsorily transferred to the Company in consideration for and conditionally upon the Company allotting and issuing to such transferor such number of Common Shares as that transferor would have been entitled to had each such Signet Share been a Scheme Share and also taking into account the Share Capital Consolidation (provided that no such Common Shares shall be allotted or issued prior to the Scheme Effective Date);
- (c) the sanction (with or without modification agreed by Signet and the Company) of the Scheme and the confirmation of the Capital Reduction involved therein by the Court and office copies of the Court Orders and the minute of such reduction attached thereto being delivered for registration to the Registrar and, in relation to the Reduction Court Order, being registered; and
- (d) all necessary approvals or consents for the implementation of the Scheme from all relevant authorities having been obtained by the Company, Signet and other Group companies (as relevant).

The conditions described under (a) and (b) above were satisfied on 19 August 2008.

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The Company and Signet have agreed that the Scheme will not be implemented unless prior to the First Court Hearing the listing of the Common Shares on the NYSE has been approved in principle, subject to notice of issuance, by the NYSE. This approval in principle was received in relation to the listing of the Common Shares on the NYSE on 26 August 2008.

The Share Capital Consolidation is conditional upon the Scheme becoming effective in accordance with its terms.

7. Timetable