

**PART XI**  
**INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE**  
**26 WEEK PERIOD ENDED 2 AUGUST 2008**

**Unaudited condensed consolidated income statements**

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007	Notes
	\$m	\$m	\$m	\$m	
Sales .....	768.9	787.4	1,591.4	1,601.8	2
Cost of sales .....	(519.8)	(541.3)	(1,064.6)	(1,081.9)	
Gross margin .....	249.1	246.1	526.8	519.9	
Selling, general and administrative expenses .....	(240.4)	(203.7)	(502.1)	(449.6)	
Other operating income, net .....	28.8	26.1	58.7	53.4	
Operating income .....	37.5	68.5	83.4	123.7	2
Interest income .....	0.8	1.6	2.5	4.0	
Interest expense .....	(7.7)	(7.4)	(15.2)	(14.0)	
Income before income taxes .....	30.6	62.7	70.7	113.7	
Income taxes .....	(10.9)	(21.7)	(25.3)	(39.4)	3
Net income .....	19.7	41.0	45.4	74.3	
Earnings per share—basic .....	1.2c	2.4c	2.7c	4.4c	4
—diluted .....	1.2c	2.4c	2.7c	4.4c	4

All of the above relate to continuing activities attributable to equity shareholders.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## Unaudited condensed consolidated balance sheets

	2 August 2008	4 August 2007	2 February 2008	Notes
	\$m	\$m	\$m	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents .....	66.9	51.8	41.7	
Accounts receivable, net .....	760.8	723.0	848.2	
Other receivables .....	27.0	35.7	40.5	
Other current assets .....	46.3	43.1	38.8	
Deferred tax assets .....	—	1.6	—	
Inventories .....	1,454.5	1,368.3	1,453.6	6
Total current assets .....	<u>2,355.5</u>	<u>2,223.5</u>	<u>2,422.8</u>	
Non-current assets:				
Property, plant and equipment, net of accumulated depreciation of \$695.4 million, \$601.8 million and \$642.8 million respectively .....	498.7	477.1	489.2	
Goodwill .....	556.0	561.2	556.0	
Other intangible assets, net .....	22.8	19.8	22.0	
Other assets .....	41.1	34.1	34.8	
Retirement benefit asset .....	—	6.5	—	
Deferred tax assets .....	74.8	58.6	74.6	
Total assets .....	<u>3,548.9</u>	<u>3,380.8</u>	<u>3,599.4</u>	
<b>Liabilities and Shareholders' equity:</b>				
Current liabilities:				
Loans and overdrafts .....	120.2	26.6	36.3	
Accounts payable .....	82.5	85.7	89.3	
Accrued expenses and other current liabilities .....	231.4	228.8	268.2	
Deferred revenue .....	106.3	102.5	125.3	7
Deferred tax liabilities .....	53.1	27.8	47.9	
Income taxes payable .....	59.3	81.3	79.5	
Total current liabilities .....	<u>652.8</u>	<u>552.7</u>	<u>646.5</u>	
Non-current liabilities:				
Long term debt .....	380.0	380.0	380.0	
Other liabilities .....	112.6	105.4	96.4	
Deferred revenue .....	137.7	134.6	149.7	7
Retirement benefit obligation .....	4.0	—	5.6	
Total liabilities .....	<u>1,287.1</u>	<u>1,172.7</u>	<u>1,278.2</u>	
Commitments and contingencies (note 9)				
Shareholders' equity:				
Common stock of 0.9c par value: authorised 5,929.9 million shares, 1,705.5 million shares issued and outstanding (4 August 2007): 1,705.3 million shares issued and shares outstanding; 2 February 2008: 1,705.5 million shares issued and outstanding) .....	15.3	15.3	15.3	
Deferred stock, £1 par value: authorized 50,000, issued and outstanding 50,000 shares .....	0.1	0.1	0.1	
Additional paid-in capital .....	163.5	157.7	162.5	
Other reserves .....	235.2	235.2	235.2	
Retained earnings .....	1,856.4	1,791.7	1,918.4	
Treasury stock—1.7 million shares, 2.0 million shares and 1.7 million shares, respectively .....	(10.8)	(11.4)	(10.8)	
Accumulated other comprehensive income .....	2.1	19.5	0.5	
Total liabilities and shareholders' equity .....	<u>3,548.9</u>	<u>3,380.8</u>	<u>3,599.4</u>	

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## Unaudited condensed consolidated statements of cash flows

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
	\$m	\$m	\$m	\$m
Cash flows from operating activities:				
Net income .....	19.7	41.0	45.4	74.3
Adjustments to reconcile net income to cash flows provided by operations:				
Depreciation of property, plant and equipment .....	25.5	25.8	52.6	49.8
Amortisation of other intangible assets .....	1.5	1.1	2.8	2.3
Pension expense .....	0.3	(0.4)	0.5	(0.8)
Share-based payments expense .....	0.4	(2.9)	0.7	(1.2)
Deferred taxation .....	–	–	(1.5)	–
Other non-cash movements .....	1.4	0.6	(2.8)	(1.3)
Loss on disposal of property, plant and equipment .....	0.4	–	0.1	–
Changes in operating assets and liabilities:				
Decrease/(increase) in inventories .....	58.1	43.6	9.4	(5.4)
Decrease in trade receivables .....	24.0	11.6	86.0	69.7
(Increase)/Decrease in other receivables .....	(5.9)	(9.4)	(7.0)	0.5
Decrease/(increase) in other current assets .....	0.7	(15.5)	2.7	(10.5)
Decrease in accounts payable .....	(21.6)	(19.7)	(12.8)	(31.4)
Decrease in accrued expense and other liabilities .....	(5.4)	(0.1)	(45.0)	(49.4)
Decrease in income taxes payable .....	(6.1)	(14.1)	(16.1)	(35.9)
Net cash provided by operating activities .....	<u>93.0</u>	<u>61.6</u>	<u>115.0</u>	<u>60.7</u>
Investing activities:				
Purchase of property, plant and equipment .....	(38.0)	(27.8)	(63.1)	(51.9)
Purchase of other intangible assets .....	(2.3)	(2.0)	(3.6)	(6.2)
Proceeds from sale of property, plant and equipment .....	–	–	1.0	–
Net cash flows used in investing activities .....	<u>(40.3)</u>	<u>(29.8)</u>	<u>(65.7)</u>	<u>(58.1)</u>
Financing activities:				
Dividends paid .....	(107.4)	(107.6)	(107.4)	(107.6)
Proceeds from issue of stock .....	–	2.3	–	5.5
Purchase of own stock .....	–	–	–	(29.0)
Proceeds from short term borrowings .....	94.1	15.5	83.7	22.0
Net cash flows used in financing activities .....	<u>(13.3)</u>	<u>(89.8)</u>	<u>(23.7)</u>	<u>(109.1)</u>
Cash and cash equivalents at beginning of period .....	29.2	105.0	41.7	152.3
Increase/(decrease) in cash and cash equivalents .....	39.4	(58.0)	25.6	(106.5)
Effect of exchange rate changes on cash and cash equivalents .....	(1.7)	4.8	(0.4)	6.0
Cash and cash equivalents at end of period .....	<u>66.9</u>	<u>51.8</u>	<u>66.9</u>	<u>51.8</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

### Unaudited condensed statement of consolidated shareholders' equity

	Common Stock at par value	Deferred Stock at par value	Additional paid in capital	Other reserves	Own stock held	Retained earnings	Accumulated Other Comprehensive Income (loss)	Total shareholders equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 2 February 2008 .....	15.3	0.1	162.5	235.2	(10.8)	1,918.4	0.5	2,321.2
Net income .....	-	-	-	-	-	45.4	-	45.4
Foreign currency translation adjustments .....	-	-	-	-	-	-	-	-
Changes in fair value of derivative instruments, net .....	-	-	-	-	-	-	0.4	0.4
Actuarial gains and losses on pension plan, net .....	-	-	-	-	-	-	1.2	1.2
Dividends .....	-	-	-	-	-	(107.4)	-	(107.4)
Share based compensation expense .....	-	-	1.0	-	-	-	-	1.0
<b>Balance at 2 August 2008 .....</b>	<u>15.3</u>	<u>0.1</u>	<u>163.5</u>	<u>235.2</u>	<u>(10.8)</u>	<u>1,856.4</u>	<u>2.1</u>	<u>2,261.8</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

### Unaudited condensed consolidated statements of comprehensive income

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
	\$m	\$m	\$m	\$m
Net income .....	19.7	41.0	45.4	74.3
Foreign currency translation .....	(3.0)	17.3	-	23.3
Changes in fair value of derivative instruments .....	1.5	(4.3)	3.3	(4.8)
Actuarial loss .....	0.5	0.7	1.0	1.3
Prior service cost .....	0.3	-	0.6	-
Deferred tax on items recognised in equity .....	(0.6)	2.3	(3.3)	1.6
Comprehensive income/(loss) .....	<u>18.4</u>	<u>57.0</u>	<u>47.0</u>	<u>95.7</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## NOTES TO THE ACCOUNTS

### 1. Principal Accounting Policies

Signet Group plc (the “**Company**”) and its subsidiary undertakings (collectively, the “**Group**”) is a leading retailer of jewelry, watches and associated services. The Group manages its business as two geographical segments, being the United Kingdom (the “**UK**”) and the United States of America (the “**US**”). The US segment operates retail stores under brands including Kay Jewelers, Jared The Galleria Of Jewelry and various regional brands while the UK segment’s retail stores operate under brands including H. Samuel and Ernest Jones.

#### (a) *Basis of preparation*

These interim financial statements of the Group, and other financial information included in this document, are unaudited. These interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“**US GAAP**”) for interim reporting. They do not include all of the information and footnotes required for complete financial statements. The 2 February 2008 balance sheet was derived from audited financial statements but does not include all disclosures required by US GAAP.

The Group believes that all material adjustments and disclosures necessary for a fair presentation have been made.

These interim financial statements should be read in conjunction with the financial information in Part X of this document.

#### (b) *Use of estimates in interim financial statements*

The preparation of interim financial statements, in conformity with US GAAP regulations for interim reporting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated interim financial statements and reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to valuation of intangible assets, valuation of inventory, depreciation, valuation of employee benefits, income taxes and contingencies.

#### (c) *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 sales and net income.

#### (d) *Accounting pronouncements adopted during the period*

*Statement of Financial Accounting Standard (“SFAS”) FAS No. 159*

On 15 February 2007 the Financial Accounting Standards Board (“**FASB**”) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115” (“**SFAS 159**”). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. The Group adopted SFAS 159 on 3 February 2008. The Group has elected, however, not to use the fair value option for any of its existing financial assets and liabilities and, consequently, adoption had no impact.

*SFAS No. 157*

In September 2006 the FASB issued SFAS No. 157, “Fair Value Measurements” (“**SFAS 157**”), which provides a single definition of fair value, establishes a framework for the measurement of fair value and expands disclosure about the use of fair value to measure assets and liabilities. SFAS 157 is effective for

fiscal years beginning after 15 November 2007, and for interim periods within those fiscal years. In November 2007, the FASB agreed to defer the effective date of Statement 157 for all non financial assets and liabilities by one year. Accordingly, the Group has not applied SFAS 157 to non financial assets and liabilities. The Group adopted the effective provisions of SFAS 157 as of 3 February 2008. There was no impact to the condensed consolidated interim financial statements upon adoption. Note 8 provides the expanded disclosures regarding fair value measurements.

**(e) *New accounting pronouncements to be adopted in future periods***

*SFAS No. 160*

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (“**SFAS 160**”). SFAS 160 establishes new accounting and reporting standards for the non controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements separate from the parent’s equity. The amount of net income attributable to the non controlling interest will be included in consolidated net income on the face of the income statement. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non controlling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2008. Currently the Group does not have any non-controlling interests in its subsidiaries.

*SFAS No. 141(R)*

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), “Business Combinations” (“**SFAS 141(R)**”). SFAS 141(R) will change the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. It also amends the accounting treatment for certain specific items including acquisition costs and non controlling minority interests and includes a number of new disclosure requirements. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 15 December 2008.

*SFAS No. 161*

In March 2008, the FASB issued FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“**SFAS 161**”), which amends FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“Statement 133”). The Statement requires companies with derivative instruments to disclose information that should enable financial statements users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and how derivative instruments and related hedged items affect a company’s financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit risk related contingent features in derivative agreements, counterparty credit risk and a company’s strategies and objectives for using derivative instruments. SFAS 161 expands the current disclosure framework in Statement 133 and is effective prospectively for periods beginning on or after 15 November 2008.

**2. Segmental Information**

The Group’s sales are derived from the retailing of jewelry, watches and associated services. The Group is managed as two geographical operating segments, being the US and UK divisions. These segments represent channels of distribution that offer similar merchandise and service and have similar marketing and distribution strategies. Both divisions are managed by executive committees, which report under IFRS through the Group Chief Executive to the board of directors to the Group. Each divisional executive committee is responsible for operating decisions within guidelines set by the board of directors to the Group. The performance of each segment is regularly evaluated based on sales and operating income. The Group operating segments do not include income taxes or certain Group costs and there are no material transactions between the operating segments.

The accounting policies of the segments are the same as those used by the Group to report under IFRS. Presented below is a reconciliation of IFRS segment performance to the equivalent amounts determined in accordance with US GAAP.

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
	\$m	\$m	\$m	\$m
<b>Sales:</b>				
US .....	575.6	584.6	1,206.7	1,216.9
UK .....	193.3	202.8	384.7	384.9
Consolidated total (IFRS and US GAAP) .....	<u>768.9</u>	<u>787.4</u>	<u>1,591.4</u>	<u>1,601.8</u>
<b>Operating income:</b>				
US .....	49.3	66.4	94.8	126.3
UK .....	1.8	1.3	4.5	(0.6)
Unallocated <sup>(1)</sup> .....	<u>(15.1)</u>	<u>(4.8)</u>	<u>(19.5)</u>	<u>(8.8)</u>
Consolidated total (IFRS) .....	36.0	62.9	79.8	116.9
<b>Adjustments:</b>				
—pensions <sup>(a)</sup> .....	(0.3)	0.4	(0.5)	0.8
—sale and leaseback transactions <sup>(b)</sup> .....	0.3	0.4	0.6	0.8
—share based payment expense <sup>(c)</sup> .....	1.5	4.8	3.0	5.2
—profit on disposal of revalued assets <sup>(f)</sup> .....	—	—	0.5	—
Consolidated total (US GAAP) .....	<u>37.5</u>	<u>68.5</u>	<u>83.4</u>	<u>123.7</u>
		<b>2 August 2008</b>	<b>4 August 2007</b>	<b>2 February 2008</b>
		\$m	\$m	\$m
<b>Total assets:</b>				
US .....	2,227.0	2,072.9	2,298.7	
UK .....	486.8	540.4	496.3	
Unallocated .....	245.9	217.6	229.2	
Consolidated total (IFRS) .....	2,959.7	2,830.9	3,024.2	
<b>Adjustments:</b>				
—goodwill <sup>(d)</sup> .....	525.4	530.6	525.4	
—depreciation of properties <sup>(e)</sup> .....	(4.5)	(5.1)	(4.7)	
—revaluation of properties <sup>(f)</sup> .....	(8.2)	(8.8)	(8.5)	
—commodity derivatives <sup>(g)</sup> .....	23.2	2.0	8.1	
—taxation on reconciling items <sup>(h)</sup> .....	53.3	31.2	54.9	
Consolidated total (US GAAP) .....	<u>3,548.9</u>	<u>3,380.8</u>	<u>3,599.4</u>	

(1) Unallocated principally relates to Group costs and assets that cannot be allocated to specific operating segments.

(a) *Pensions.* Under IFRS actuarial gains and losses are immediately recognised in the Statement of Recognised Income and Expense. Under US GAAP, the Group recognises actuarial gains and losses, outside the 10 per cent corridor, in the income statement using the guidance in SFAS No. 87, “Employers Accounting for Pensions” (“**SFAS 87**”), which provides for the amortisation of these amounts through operating income over the average service lives of the employees. Subsequent to the adoption of SFAS 158, actuarial gains and losses are recorded in other comprehensive income and amortised under the existing SFAS 87 amortisation policy. Additionally, US GAAP expected return on pension asset and interest charges are reported in operating income but are included in finance income and expense under IFRS.

(b) *Sale and leaseback transactions.* Under IFRS, sale and leaseback transactions of freehold and long leasehold properties result in a full gain in the financial year in which the transaction took place whilst under US GAAP the gain is recognised in equal instalments over the life of the lease.

(c) *Share based payment expense.* Certain share schemes are subject to a condition that they may not vest unless the growth in related performance conditions exceeds the scheme target growth adjusted by movements in the relevant UK or US Retail Price Index over the same period. Under IFRS, these awards are treated as equity awards whilst under US GAAP, these awards are treated as liability awards. In addition, under IFRS, employers’ social security liability arising from share-based payment transactions is recognised over the same period or periods as the share-based payment charge. Under US GAAP, employers’ payroll taxes due on the exercise of share options are recognised as an expense when the liability arises, which is generally the option exercise date.

(d) *Goodwill.* This balance represents the unamortised balance of goodwill under US GAAP in excess of the balance under IFRS. As the Group has elected not to restate its prior business combinations on transition to IFRS from UK GAAP, goodwill arising on acquisitions before 1 January 1998 remains fully written-off against equity consistent with the approach under prior UK GAAP, as it stood prior to the transition to IFRS. On acquisitions subsequent to 1 January 1998, until adoption of IFRS, goodwill was amortised over 20 years. Under US GAAP goodwill was amortised over 40 years through 3 February 2002.

- (e) *Depreciation of properties.* This adjustment represents a historical difference between IFRS and US GAAP on certain freehold and long leasehold properties as these properties were not depreciated under UK GAAP and these balances were used on adoption IFRS.
- (f) *Revaluation of properties.* Certain properties were restated on the basis of appraised values on adoption of IFRS as deemed cost. Under US GAAP, historical cost is used.
- (g) *Commodity derivatives.* Under IFRS the fair value of a cash flow hedge on inventory purchases is recorded as a reduction to the inventory. Under US GAAP, the fair value of cash flow hedges is recorded in accumulated other comprehensive income and released to cost of sales when the associated inventory is sold.
- (h) *Deferred taxation.* Represents the deferred tax impact of the adjustments and reclassifications made from IFRS to US GAAP.

### 3. Taxation

As reported in the Group's Annual Report on Form 20-F for the year ended 2 February 2008, on 4 February 2007 the Group adopted FIN 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). The provisions of FIN 48 were applied to all tax positions on adoption of this interpretation. There was no cumulative effect adjustment to the opening balance of retained earnings arising as a result of the adoption of FIN 48 and no adjustments were made to other components of shareholders' equity in the balance sheet.

The Group has business activity in all states within the US and files income tax returns for the US federal jurisdiction and all applicable states. The Group also files income tax returns in the UK and certain foreign jurisdictions. The Group is subject to US federal and state examinations by tax authorities for tax years after 2 November 2002 and is subject to examination by the UK tax authority for tax years after 31 January 2004.

The total amount of unrecognized tax benefits in respect of uncertain tax positions as of 2 February 2008 was \$23.0 million, all of which would favorably affect the effective tax rate if resolved in the Group's favor. These unrecognized tax benefits relate to financing arrangements and intra-group charges which are subject to different and changing interpretations of tax law. There has been no material change in the amount of unrecognized tax benefits in respect of uncertain tax positions during the 26 weeks ended 2 August 2008.

Over the next twelve months management believes that it is reasonably possible that there could be a reduction of substantially all of the unrecognized tax benefits as of 2 February 2008, due to settlement of the uncertain tax positions with the tax authorities.

The Group recognizes accrued interest and penalties related to unrecognized tax benefits within income tax expense. As of 2 February 2008 the Group had accrued interest and penalties of \$3.8m.

### 4. Earnings Per Share

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
Net income (\$ million) .....	19.7	41.0	45.4	74.3
Basic weighted average number of shares in issue (million) .....	1,703.9	1,702.4	1,703.9	1,703.0
Dilutive effect of share options (million) .....	5.2	5.9	5.5	6.8
Diluted weighted average number of shares in issue (million) .....	1,709.1	1,708.4	1,709.4	1,709.8
Earnings per share—basic .....	1.2c	2.4c	2.7c	4.4c
Earnings per share—diluted .....	1.2c	2.4c	2.7c	4.4c
Earnings per ADS—basic .....	11.5c	24.1c	26.6c	43.6c
Earnings per ADS—diluted .....	11.5c	24.1c	26.6c	43.5c

The basic weighted average number of shares excludes shares held by the ESOT as such shares are not considered outstanding and do not qualify for dividends. The effect of this is to reduce the average number of shares in the 13 and 26 week periods ended 2 August 2008 by 1,674,407 (13 week period ended 4 August 2007: 2,096,971; 26 week period ended 4 August 2007: 2,358,026). The calculation of fully diluted EPS for the 13 and 26 week periods ended 2 August 2008 excludes options to purchase 68,246,484 and 69,293,416 shares respectively (13 week period ended 4 August 2007: 29,828,939 share options; 26 week period ended 4 August 2007: 26,893,687 share options) on the basis that their effect on EPS was anti-dilutive.

Each ADS represents ten ordinary shares.

## 5. Dividends

Dividends are not provided for until they are declared and formally approved.

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
	\$m	\$m	\$m	\$m
Final dividend paid of 6.317c per share .....	107.4	107.6	107.4	107.6

## 6. Inventories

	2 August 2008	4 August 2007	2 February 2008
	\$m	\$m	\$m
Raw materials .....	38.3	58.6	16.7
Finished goods .....	1,416.2	1,309.7	1,436.9
Total inventory .....	1,454.5	1,368.3	1,453.6

## 7. Warranty Deferred Revenue

	13 weeks ended 2 August 2008	13 weeks ended 4 August 2007	26 weeks ended 2 August 2008	26 weeks ended 4 August 2007
	\$m	\$m	\$m	\$m
Deferred revenue, beginning of period .....	246.5	236.3	246.6	232.7
Warranties sold .....	33.2	34.7	71.3	74.3
Revenues recognised .....	(37.7)	(35.9)	(75.9)	(71.9)
Deferred revenue, end of period .....	242.0	235.1	242.0	235.1

Deferred revenue represents income under extended service warranty agreements and voucher promotions.

## 8. Fair Value Measurements

SFAS 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS 157 enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1—quoted market prices in active markets for identical assets and liabilities

Level 2—observable market based inputs or unobservable inputs that are corroborated by market data

Level 3—unobservable inputs that are not corroborated by market data

The Group determines fair value based upon quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The methods the Group uses to determine fair value on an instrument specific basis are detailed below.

The following table summarises the valuation of our financial instruments at 2 August 2008 categorised by fair valuation level:

<u>Description</u>	Fair value	Significant other observable inputs (Level 2)
	\$m	\$m
Assets:		
Forward foreign currency contracts and swaps .....	1.1	1.1
Forward commodity contracts .....	0.9	0.9
Liabilities:		
Forward foreign currency contracts and swaps .....	(2.5)	(2.5)
Forward commodity contracts .....	(3.2)	(3.2)

The fair value of the Group's derivative instruments are based on market value equivalents at the balance sheet date.

## **9. Commitments and Contingencies**

### *Litigation*

The Group is not party to any legal proceedings considered to be material to the financial statements. Furthermore, no director, officer or affiliate of the Group or any associate of any such director has been a party adverse to the Group or any of its subsidiaries or has a material interest adverse to the Group or any of its subsidiaries.

A class lawsuit for an unspecified amount has been filed against Sterling Jewelers Inc, a subsidiary of the Company, 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.

## **10. Share Options**

The Group recorded share-based compensation expense of \$0.7 million and \$1.6 million for the thirteen weeks ended 3 May 2008 and 5 May 2007, of which \$1.7 million credit and \$2.4 million credit related to the change in fair value during the period of awards with an inflation condition accounted for as liability awards under SFAS No. 123(R) "Share-Based Payment".