SIGNET GROUP PLC
Form 6-K
April 06, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Special Report of Foreign Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

The Securities and Exchange Act of 1934

For the date of April 6, 2005

SIGNET GROUP plc

(Translation of registrant s name into English)

Zenith House

The Hyde

London NW9 6EW

England

(Address of principal executive office)

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

Form 20-F x Form 40-F ¨

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 x

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

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

Date: April 6, 2005

By: /s/ Walker Boyd

Name: Walker Boyd
Title: Group Finance Director

Embargoed until 12.30 p.m. (BST) 6 April 2005

Signet Group plc (LSE: SIG, NYSE: SIG)

Preliminary results for year ended 29 January 2005

Signet Reports Further Advance

Proposed Final Dividend Up 21.5%

	Reported Basis	At Constant Exchange Rates[1]
Group profit before tax: £210.3m	**up 5%**	**up 12%**
Group sales: £1,614.4m	**up 1%**	**up 8%**
Group like for like sales	**up 5%**	
Earnings per share: 8.2p	**up 9%**	**up 16%**
Total dividend per share: 3.0p	**up 20%**	

(1) *See note 10 for reconciliation.*

Operational highlights

US:
- Increase in operating margin to 13.4%
- Increase in market share to 7.2% of speciality sector
- Kay Jewelers becomes leading speciality retail jewellery brand by sales

UK:
- Operating margin broadly maintained at 15.2%
- Diamonds now 28% of product mix
- 142 stores trading in new format

Terry Burman, Group Chief Executive, commented: The 12% increase in profit before tax at constant exchange rates further extends the Group s growth record and reflects the consistent success of our strategies on both sides of the Atlantic. Reported profit before tax increased by 5% despite being adversely affected by the weaker US dollar.

The US business again out-performed its main competition and gained further market share with like for like sales up by 5.9%. The UK division saw like for like sales up by 3.0%, a good performance in an increasingly difficult market place.

In the year to date, Group like for like sales growth has been in low single digits after taking account of the change in the timing of Easter. This reflects a US like for like increase a little ahead of the fourth quarter last year, partly offset by negative mid single digit like for like sales in the UK following a marked deterioration in the general trading environment. Both businesses were up against particularly strong prior year comparatives.

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Signet operated 1,758 speciality retail jewellery stores at 29 January 2005; these included 1,156 stores in the US, where the Group trades as Kay Jewelers , Jared The Galleria Of Jewelry , and under a number of regional names. At that date Signet operated 602 stores in the UK, where the Group trades as H.Samuel , Ernest Jones , and Leslie Davis .

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Chairman s Statement

Group Results

In the year to 29 January 2005 the Group further extended its growth record. On a reported basis profit before tax rose by 5.3% to £210.3 million (2003/04: £199.8 million restated, see note 10) reflecting an underlying increase of 12.1% at constant exchange rates. Like for like sales advanced by 5.0%. Total sales rose by 7.8% at constant exchange rates: reported sales were broadly unchanged at £1,614.4 million (2003/04: £1,604.9 million restated). The tax rate fell to 32.9% from 35.1%. Earnings per share were 8.2p (2003/04: 7.5p restated), up by 9.3% on a reported basis and 15.5% at constant exchange rates.

These results reflect the continuing successful implementation of the Group s strategies on both sides of the Atlantic. However the full extent of the Group s progress has not been reflected in the reported results due to further weakening of the average US dollar exchange rate from $1.68/£1 to $1.86/£1. This had a significant adverse impact on the translation of the US division s sales and operating profit into sterling, thereby affecting Group profit before tax by some £12 million. The results also included a restructuring charge in the UK of £1.7 million.

The US division had a very strong start to 2004/05 with an excellent performance during the Valentine s Day period. Although the retail environment became less predictable as the year progressed, the business had a strong fourth quarter with like for like sales up by 4.7%. For the year as a whole the division again out-performed its main competition and gained further market share. 2004 saw the Group s nationwide Kay chain become the largest speciality retail jewellery brand by sales in the US.

The UK division also had a particularly strong first quarter but faced a softening trend in the trading environment during the rest of the year. Annual like for like sales increased by 3.0%; a good performance in an increasingly difficult market place. The Christmas period proved to be particularly challenging and both H.Samuel and Ernest Jones did well to out-perform the general retail market.

The Group continued to utilise its cash flow and strong balance sheet to invest in the growth of the business. £159.1 million was invested in fixed and working capital during the year. There was an acceleration in new store space growth in the US and a major store refurbishment programme in the UK. Gearing (net debt to shareholders funds) at 29 January 2005 was 11.3% (31 January 2004: 11.8% restated).

Accounting Standards Developments

A period of significant and rapid change in accounting is currently taking place with UK Generally Accepted Accounting Principles (GAAP) being replaced by International Financial Reporting Standards (IFRS), and both converging with US GAAP. The process this year has resulted in a restatement relating to the revenue recognition of extended service agreements in the US and the replacement in 2005/06 of UK GAAP by IFRS. Both are explained in more detail in the financial review.

Dividend

The Board is pleased to recommend a 21.5% increase in the final dividend to 2.625p per share (2003/04: 2.16p), the total for the year being 3.0p per share (2003/04: 2.501p). The dividend cover is 2.7 times (2003/04: 3.0 times). The Board will continue to review regularly its distribution policy taking into account earnings, cash flow, gearing and the needs of the business. See note 5 regarding dividends to US holders of ordinary shares and ADSs.

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Current Trading

In the year to date Group like for like sales growth has been in low single digits after taking account of the change in the timing of Easter. This reflects a US like for like increase a little ahead of the fourth quarter last year partly offset by negative mid single digit like for like sales in the UK following a marked deterioration in the general trading environment. Both businesses were up against particularly strong prior year comparatives.

Chief Executive s Review

Group

Group operating profit rose to £218.9 million from £210.2 million (restated), an increase of 11.3% at constant exchange rates or 4.1% on a reported basis. The operating margin increased to 13.6% (2003/04: 13.1% restated), and the return on capital employed (ROCE) was 26.5% (2003/04: 25.9% restated).

The Group s medium term objectives are to set leading performance standards in its sector of the jewellery market on both sides of the Atlantic, to increase new store space in the US and store productivity in the UK, and to be broadly cash flow neutral after funding the needs of the business and dividend payments.

US Division

In 2004/05 the business continued to build on its competitive strengths. It again out-performed its main competition and gained further market share. Operating profit rose by 17.1% at constant exchange rates and by 5.7% on a reported basis to £147.3 million (2003/04: £139.3 million restated). The five year annual compound growth was 12.2% at constant exchange rates.

Like for like sales rose by 5.9% and total dollar sales by 10.3%. The mall stores reported solid growth and Jared, the off-mall destination concept, performed particularly strongly. Over the last five years the US division s like for like sales have grown at an annual compound rate of 4.5% and total dollar sales by 11.0%. During the same period, the US division s share of the speciality jewellery market has increased from 5.1% to 7.2%.

New store space rose by 8% during 2004/05 further leveraging both central overhead costs and marketing expenditure. In the last five years new store selling space has increased by some 60%, with the number of Kay stores up by over a third to 742. Over the same period the number of Jared stores has more than tripled to 93.

Growth in new store space and further development of the division s competitive strengths in the critical areas of merchandising, store operations and marketing have contributed significantly to the out-performance of the business and remain key elements of future strategy. Given the continuing consolidation in the speciality jewellery sector, there should be opportunities to gain further market share both organically and, if appropriate, by acquisition. The US division is now targeting organic space growth of 7% 9% in future years (previously 6% - 8%).

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UK Division

Against the background of an increasingly difficult trading environment UK operating profit advanced by 2.1% to £78.2 million (2003/04: £76.6 million), the compound five year annual growth rate being 15.8%. There was a restructuring charge of £1.7 million reflecting the relocation and consolidation of central administration functions to enhance efficiency that should generate future cost savings of about £0.6 million per annum. Like for like sales rose by 3.0%, the compound annual growth rate during the last five years being 6.3%. The business continues to be strongly cash generative and enjoyed a ROCE of over 40% in 2004/05.

The drive to increase diamond sales as a proportion of total sales showed further success and remains central to the future strategy of both H.Samuel and Ernest Jones. Diamonds now account for 28% of the division s product mix compared with 22% five years ago. The objective is to leverage both chains strong market positions by increasing average transaction values which have risen by 42% in H.Samuel and by 29% in Ernest Jones in the last five years.

Central to selling diamonds is the interaction between the customer and the salesperson. The roll-out of the new store format, which facilitates such interaction, was implemented as part of the store refurbishment cycle in 2004/05. The focus on customer service was also evident in the priority given to staff training. The significant changes taking place in the UK business are being supported by increased marketing expenditure. In implementing these initiatives the UK business is able to draw on the US division s best practices.

US Performance Review (68% of Group sales)

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

			Change		
	2004/05	**2003/04**(1)	**Reported**	**At constant exchange rates**(2)	**Like for like change**
	£m	**£m**	**%**	**%**	**%**
Sales	**1,100.0**	1,103.9	-0.4	+10.3	+5.9
Operating profit	**147.3**	139.3	+5.7	+17.1	
Operating margin	**13.4%**	12.6%			
ROCE	**22.4%**	21.3%			

(1) Restated for amendment to FRS 5 by Application Note G Revenue Recognition .
(2) See note 10 for reconciliation.

The operating margin improved on last year, reflecting leverage of like for like sales growth partly offset by the adverse impact of immature store space. Gross margin was maintained at last year s level, as a range of supply chain initiatives and pricing actions counter-balanced commodity cost increases. Commodity costs continue to rise and further initiatives are being implemented in the current year to help again offset the impact. The bad debt charge was towards the bottom of the range of the last five years at 2.9% of total sales (2003/04: 2.8%). The proportion of sales through the in-house credit card was 50.1% (2003/04: 49.3%).

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In the jewellery sector superior customer service and product knowledge are important competitive advantages readily identified by the consumer, and the division now has at least one certified diamontologist in every store. Also during 2004/05 all sales staff were coached using the Ultimate Diamond Presentation training course. Procedures for recruitment were strengthened and staff retention was also improved. The multi-year intitiative to enhance store systems saw the introduction of improved repair and special order services.

In mall stores the upper end of the diamond selection was enhanced and the Leo Diamond range was successfully expanded. The gold category was reinvigorated by the development of fashion gold merchandise in conjunction with the World Gold Council. In Jared sales of loose diamonds, the Leo Diamond range, luxury watches such as Rolex, Tag Heuer and Raymond Weil all performed well. Cartier watches will be tested in certain Jared stores in 2005/06. Average unit selling prices in both the mall stores and Jared increased by some 10% reflecting not only consumer movement to higher value merchandise such as the Leo Diamond range, but also the changes in retail prices implemented during the year. The division s competitive advantage obtained by sourcing loose stones for about 55% of diamond merchandise proved to be particularly beneficial during a period of higher rough diamond costs.

Strong marketing programmes again contributed to the sales growth out-performance. Kay television advertising impressions were increased by 11% over the Christmas period and national radio advertising was successfully introduced. Some 90% of Jared stores benefited from television advertising compared with around 75% in the prior year. The annual gross marketing spend amounted to 6.6% of sales (2003/04: 6.5%) and dollar marketing expenditure has doubled over the last five years.

Kay, with turnover of $1,155.5 million, became the number one speciality jewellery brand by sales during 2004/05 having consistently out-performed its major competitors. Over the last five years the number of Kay stores has increased by almost 200 to a total of 742 and average sales per store have grown to $1.584 million from $1.355 million. Brand name recognition has risen very significantly since the introduction of the Every kiss begins with Kay advertising campaign in 2000/01. It is planned to increase Kay s representation in malls by between 20 and 30 new stores in 2005/06. In addition to mall locations, stores under the Kay brand are currently being opened in lifestyle centres and power strip malls. Ten such stores were opened in 2004/05 and a similar number are planned in 2005/06. In the current year it is anticipated that four stores will be trialled in metropolitan areas.

321 mall stores currently trade under strong regional brand names. Sales in the year were over $450 million, reflecting average sales per store of $1.533 million. The regional stores could provide the potential to develop a second mall brand of sufficient size to justify the cost of national television advertising. This would require about 550 stores which could be achieved in the medium term by a mixture of store openings and acquisitions. In 2005/06 it is planned that 20 to 30 new stores will be opened under the regional brand names.

Jared now has sales of just over $400 million and a portfolio of 93 stores, equivalent in space terms to about 400 mall stores. The Jared concept is the primary vehicle for US space growth and in 2004/05 a further 14 stores were opened. The chain is still relatively immature with some 70% of stores not yet having traded for five full years. Excluding the three prototype stores the 25 Jared stores that have reached maturity achieved, in aggregate, the target level of sales and store contribution (set at the time of investment) in their fifth year of trading. During 2005/06 it is intended to increase the number of Jared openings to 15 - 20 per annum, from the 12 - 15 per annum opened in the last six years.

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The change in store numbers by chain is shown in the following table:

	Total	Kay	Regional	Jared
31 January 2004	**1,103**	717	307	79
Store openings	**68**	34	20	14
Store closures	**(15)**	(9)	(6)	
29 January 2005	**1,156**	742	321	93

In 2004/05 total fixed and working capital investment in the US business was $228.3 million (2003/04: $138.3 million) and new store space increased by a net 8% as planned.

Recent investment in the store portfolio is set out below:

	2004/05	2003/04	2002/03	2001/02	2000/01
Store refurbishments and relocations	**76**	56	71	91	99
New mall stores	**44**	47	36	41	40
New off-mall Kay stores	**10**	10			
New Jared stores	**14**	12	12	12	15
Store fixed capital investment	**$ 53m**	$ 42m	$ 38m	$ 51m	$ 60m
Store total investment(1)	**$ 140m**	$ 98m	$ 92m	$ 96m	$ 107m

(1) Fixed and working capital investment in new space and refurbishments / relocations.

In 2005/06 net new store space growth of 7% - 9% is planned reflecting the increased rate of Jared store openings, an acceleration in the expansion of stores under regional brand names, the continued growth of Kay stores and the closure of some 15 mall stores. Total US fixed capital expenditure is expected to be some $90 to $100 million in 2005/06 (2004/05: $77.6 million), including the refurbishment or relocation of approximately 90 stores. Total store investment, including working capital, is planned to be some $155 million in 2005/06.

UK Performance Review (32% of Group sales)

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

	2004/05	2003/04	Change	Like for like change

	£m	£m	%	%
Sales:				
H.Samuel	**286.5**	285.8	-0.1	+1.9
Ernest Jones	**223.4**	209.4	+6.7	+4.5
Other	**5.5**	5.8		
Total	**514.4**	501.0	+2.7	+3.0
Operating profit	**78.2**[(1)]	76.6	+2.1	
Operating margin	**15.2%**[(1)]	15.3%		
ROCE	**44.7%**	47.1%		

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

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The division s gross margin benefited from the effect of the lower dollar exchange rate on dollar denominated commodity costs. The operating margin at 15.2% was little changed after absorbing a restructuring charge of £1.7 million. Like for like sales were up by 1.9% in H.Samuel, while total sales were similar to last year due to nine net store closures and a significant increase in the number of temporary closures for refurbishment. H.Samuel s sales per store increased to £0.723 million (2003/04: £0.707 million). Ernest Jones had another strong performance with like for like sales up 4.5%, total sales increasing by 6.7% and sales per store reaching £1.15 million (2003/04: £1.101 million).

Diamond jewellery assortments were enhanced during the year and continued to perform strongly, accounting for 20% of sales in H.Samuel and 38% in Ernest Jones. The Leo Diamond range was expanded in Ernest Jones and the Forever Diamond selection is now in all H.Samuel stores. White metal jewellery also proved popular. In H.Samuel the fashion watch range was increased whilst the gift and collectibles selection continued to be rationalised. The average selling price in H.Samuel was £37 (2003/04: £35) and in Ernest Jones £141 (2003/04: £139).

The focus on diamonds requires a higher level of customer service and greater product knowledge by the store staff. New training practices continued to be enhanced in 2004/05 involving a weekly programme of centrally prepared material, regular feedback from supervisors and emphasis on measurable outcomes. Particular benefit from improved staff training was gained in the diamond category. During the year a new incentive scheme, which drew on the Group s US experience, was tested and will be expanded further in 2005/06.

Catalogues remain the main marketing tool, with design and distribution being strengthened during the period. The television advertising test was extended during Christmas 2004 with H.Samuel national coverage increasing to about 65% from around 40% in the prior year. Ernest Jones coverage was doubled to some 60%. It is planned to continue the trial in 2005/06. Ernest Jones successfully launched a customer relationship marketing programme during 2004/05. Over the last five years marketing expenditure has increased at an annual compound rate of 20.0% and now represents 3.0% of sales in 2004/05 (2003/04: 2.5%).

In 2004/05 total fixed and working capital investment in the UK business was £36.3 million (2003/04: £27.5 million), a significant increase reflecting the roll-out of the new store format. At the year end, 142 stores, mostly H.Samuel, traded in the new format, accounting for about 30% of the UK division s sales over the Christmas period. There were seven Ernest Jones and two H.Samuel new store openings. 11 H.Samuel stores were closed. At the year end there were 602 stores (398 H.Samuel and 204 Ernest Jones).

Recent investment in the store portfolio is set out below:

	2004/05	**2003/04**	**2002/03**	**2001/02**	**2000/01**
Store refurbishments and relocations	**81**	32	42	93	24
New H.Samuel stores	**2**		4	10	9
New Ernest Jones stores	**7**	5	8	9	3
Store fixed capital investment	**£ 23m**	£ 13m	£ 14m	£ 15m	£ 6m

A similar pattern of store investment is planned for 2005/06 with total capital expenditure expected to be some £30 to £35 million in 2005/06 (2004/05: £28.8 million). This reflects the continued roll-out of the new store format with about 90 stores planned to be refurbished or relocated during 2005/06, again predominantly H.Samuel.

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Group Financial Review

Operating Margin and ROCE

Operating margin (operating profit to sales ratio) was 13.6% (2003/04: 13.1% restated) and ROCE was 26.5% (2003/04: 25.9% restated). Capital employed is based on the average of the monthly balance sheets and at 29 January 2005 included US in-house credit card debtors amounting to £319.0 million (31 January 2004: £292.9 million).

Group Costs

Group central costs amounted to £6.6 million (2003/04: £5.7 million), the increase reflecting costs associated with the new corporate governance standards in both the UK and the US as well as a net property provision of £0.4 million. In 2005/06 a further increase in Group costs is anticipated.

Net Interest Payable

Net interest payable and similar charges amounted to £8.6 million (2003/04: £10.4 million), the reduction being primarily due to exchange translation and an increase in the net interest credit on the UK defined benefit pension scheme.

Taxation

The charge of £69.1 million (2003/04: £70.2 million restated) represents an effective tax rate of 32.9% (2003/04: 35.1%). It is anticipated that the effective tax rate will be approximately 34.0% in 2005/06.

Profit for the Financial Period

Profit for the year increased by 9.0% to £141.2 million (2003/04: £129.6 million restated); at constant exchange rates the increase was 16.0%.

Liquidity and Capital Resources

Cash generated from operating activities amounted to £172.6 million (2003/04: £203.8 million), reflecting an increase in working capital investment, primarily associated with the new store expansion. It is anticipated that in 2005/06 there will be a further rise in working capital investment due to planned store openings. Net financing costs of £9.8 million (2003/04: £11.0 million) and tax of £56.5 million (2003/04: £69.0 million) were paid. Cash flow before investing activities was £106.3 million (2003/04: £123.8 million).

Group capital expenditure was £70.5 million (2003/04: £50.9 million, £47.7 million at constant exchange rates). The level of capital expenditure was some 1.7 times (2003/04: 1.3 times) the depreciation charge of £41.3 million (2003/04: £39.3 million). Capital expenditure in 2005/06 is expected to be £80 - £90 million, most of which will be store related.

Dividends of £43.8 million (2003/04: £36.7 million) were paid in the year.

Net Debt

Net debt at 29 January 2005 was £83.5 million (31 January 2004: £79.9 million, £73.9 million restated at constant exchange rates). Group gearing at the year end was 11.3% (31 January 2004: 11.8% restated). Excluding the facility secured on the receivables, net cash was £49.3 million (31 January 2004: £58.0 million).

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Prior Year Adjustment - Extended Service Agreements

Following an amendment to FRS 5 Reporting the substance of transactions in the form of Application Note G - Revenue Recognition , the Group, after discussions with its auditors, changed its accounting policy to spread the revenue arising from extended service agreements in the US over the anticipated period of claims. Previously the revenue from such agreements was recognised at the date of sale with provision being made for the estimated cost of future claims arising. As a consequence of this change in policy, previously reported 2003/04 results were restated at the time of the interim results announcement in September 2004 and reflected a reduction in profit before tax of £7.2 million, but with no impact on cash flows.

In view of the continuing trend towards conforming interpretation of UK and IAS GAAP methodologies to those of US GAAP, the Group has now decided to further update its accounting policy in respect of US extended service agreements to conform with that of US GAAP. Consequently it reassessed the level of incremental costs set against initial revenues and will now recognise revenues from such agreements in proportion to anticipated claims arising. Therefore the prior year adjustment to 2003/04 now amounts to a restatement in profit before tax of £12.1 million to £199.8 million. The effect on reserves brought forward at 31 January 2004 is a reduction of £52.7 million net of deferred tax, with shareholders funds at that date restated to £674.9 million.

Following the further update in accounting policy, the reduction in the profit before tax for the year 2004/05 is £4.0 million higher than the estimate of £5.8 million indicated at the time of the interim results in September 2004. There is no impact on like for like sales figures or cash flows.

International Financial Reporting Standards (IFRS)

Signet currently prepares its primary financial statements under UK Generally Accepted Accounting Principles (UK GAAP). For financial years commencing on or after 1 January 2005 the Group is required to report in accordance with International Accounting Standards (IAS) and IFRS as adopted by the European Union. Therefore Signet will in future prepare its results under IFRS, commencing with the 13 weeks to 30 April 2005. This announcement will contain comparative information for the year ended 29 January 2005 prepared under IFRS. IFRS may continue to be revised and be subject to new interpretations. Based on current expectations of the standards an overview of the changes from UK GAAP to IFRS for the Signet accounts for the year ended 29 January 2005 is set out below.

Overview of impact in 2004/05

	UK GAAP	**IFRS**
	£m	**£m**
Sales	1,614.4	1,606.1
Operating profit	218.9	215.5
Profit on ordinary activities before tax	210.3	203.9
Profit for the financial period	141.2	134.8

Earnings per share	8.2p	7.8p
Net assets	739.1	769.2

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The most significant elements contributing to the change in financial information are:

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

These changes have no impact on the Group s historical or future net cash flow, the timing of cash received or the timing of payments.

Transitional Arrangements

The rules for the first time adoption of IFRS are set out in IFRS 1 First-time Adoption of International Reporting Standards . In general, a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. A number of exceptions from retrospective application are allowed to assist companies as they move to reporting under IFRS. Where Signet has taken advantage of the exemptions they are noted below.

Changes in Accounting Policies

IFRS 2 Share-based Payments

In accordance with IFRS 2, Signet has recognised a charge to income in respect of the fair value of outstanding employee share options. The fair value has been calculated using the binomial options valuation model and is charged to income over the relevant option vesting period. The optional transitional arrangements, which allow companies to apply IFRS 2 fully retrospectively to all options granted but not fully vested at the relevant reporting date, have been used. The operating profit impact in 2004/05 is a charge of £3.9 million.

IFRS 3 Business Combinations

IFRS 3 requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable. Under the transitional arrangements Signet will apply IFRS 3 prospectively from the transition date. As a result, all prior business combination accounting is frozen at the transition date of 31 January 2004, and the value of goodwill is frozen, subject to exchange rate movements, at £16.8 million with amortization previously reported under UK GAAP for 2004/05 of £1.0 million not charged for IFRS presentation.

IAS 10 Proposed Dividend

Under IAS 10 a dividend is not provided for until it is approved. As a result net assets are increased by the value of the proposed final dividend which is £45.5 million.

IAS 12 Income Tax

The application of IAS 12 requires the separate disclosure of deferred tax assets and liabilities on the Group s balance sheet. Opening balance sheet adjustment will be made to reclassify these assets and liabilities.

IAS 17 Leasing

IAS 17 requires that where operating leases include clauses in respect of predetermined rent increases, those rents are charged to the profit and loss account on a straight line basis over the lease term. Furthermore, any construction period or other rental holidays are

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included in the determination of the straight-line expense period. Such lease terms are commonly found in the US and will result in an acceleration of lease charges for accounting purposes from the later to the earlier years of the lease term. In addition Standard Interpretations Committee (SIC) 15 requires inducements to enter into a lease to be recognised over the lease term rather than over the period to the next rent review as under UK GAAP.

These will result in an additional charge to the profit and loss account of £3.5 million and a decrease of £17.9 million in net assets before deferred tax. There will be no impact on cash flows.

IAS 18 Revenue Recognition

IAS 18 requires that revenue is only recognised when all significant risks of ownership have been transferred to the buyer. There is no impact on profit before tax for 2004/05 although net assets are reduced by £6.0 million before deferred tax.

There are a number of other presentational changes that do not have an impact on the profit or net assets of the Group. Insurance income and voucher promotions in the US and only the commission element of warranty sales in the UK, will be recognised in sales. Interest receivable relating to US credit card receivables will be classified as other operating income.

IAS 32 and 39 Financial Instruments

The Group has taken the exemption not to restate comparatives for IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement . As a result, the comparative information in the 2005/06 accounts will be presented on the existing UK GAAP basis. IAS 32 and IAS 39 will apply from the start of the financial year ending 28 January 2006. The Group intends to apply the hedge accounting provisions of IAS 39 as they relate to forward currency and commodity contracts to the extent practically and economically appropriate in order to minimise future volatility arising from its implementation.

Reconciliation of UK GAAP sales and profit before tax to IFRS sales and profit before tax for the 52 weeks ended 29 January 2005