SIGNET GROUP PLC
Form 6-K
September 05, 2008

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)

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 þ
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 þ

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

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.

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.

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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Consolidated income statements

	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

	$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.

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.

Depositary 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 Depositary Nominee (in which these rights will vest) will pass on and exercise such rights for the benefit of Depositary 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.

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
	Russell Walls	Non-executive Director
Officers	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.

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 c