SL GREEN REALTY CORP
Form 10-Q
May 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-13199 (SL Green Realty Corp.)

Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

SL GREEN REALTY CORP.
SL GREEN OPERATING PARTNERSHIP, L.P.
(Exact name of registrant as specified in its charter)

SL Green Realty Corp.	Maryland	13-3956775
SL Green Operating Partnership, L.P.	Delaware	13-3960938
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, New York, New York 10170
(Address of principal executive offices) (Zip Code)

(212) 594-2700
(Registrant's telephone number, including area code)

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

SL Green Realty Corp. YES x NO o SL Green Operating Partnership, L.P. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

SL Green Realty Corp. YES x NO o SL Green Operating Partnership, L.P. YES x NO o

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

SL Green Realty Corp.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

SL Green Operating Partnership, L.P.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

SL Green Realty Corp. YES o NO x SL Green Operating Partnership, L.P. YES o NO x

The number of shares outstanding of SL Green Realty Corp.'s common stock, $0.01 par value, was 95,438,817 as of April 30, 2014. As of April 30, 2014, 876,199 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2014 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership.

The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

The Company owns 96.95% of the outstanding general and limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. As of March 31, 2014, noncontrolling investors held, in aggregate, a 3.05% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one entity. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

Noncontrolling interests in the Operating Partnership, stockholders' equity of the Company and partners' capital of the Operating Partnership are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership not owned by the Company are accounted for as partners' capital in the Operating Partnership’s consolidated financial statements and as noncontrolling interests, within mezzanine equity, in the Company's consolidated financial statements.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Combined reports eliminate duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership; and
- Combined reports create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:

Note 10, Noncontrolling Interest on the Company’s Consolidated Financial Statements;
Note 11, Stockholders' Equity of the Company;
Note 12, Partners' Capital of the Operating Partnership;
Note 14, Accumulated Other Comprehensive Loss of the Company; and
Note 15, Accumulated Other Comprehensive Loss of the Operating Partnership.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the

Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

(i)

SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P.
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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

SL Green Realty Corp.
Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$3,112,013	$3,032,526
Building and improvements	7,767,616	7,884,663
Building leasehold and improvements	1,375,007	1,366,281
Properties under capital lease	27,445	50,310
	12,282,081	12,333,780
Less: accumulated depreciation	(1,695,568)	(1,646,240)
	10,586,513	10,687,540
Assets held for sale	63,925	—
Cash and cash equivalents	447,162	206,692
Restricted cash	154,492	142,051
Investment in marketable securities	32,130	32,049
Tenant and other receivables, net of allowance of $18,627 and $17,325 in 2014 and 2013, respectively	47,296	60,393
Related party receivables	19,947	8,530
Deferred rents receivable, net of allowance of $27,939 and $30,333 in 2014 and 2013, respectively	378,980	386,508
Debt and preferred equity investments, net of discounts and deferred origination fees of $17,751 and $18,593 in 2014 and 2013, respectively, and allowance of $1,000 in 2013	1,493,725	1,304,839
Investments in unconsolidated joint ventures	1,061,704	1,113,218
Deferred costs, net	261,542	267,058
Other assets	815,873	750,123
Total assets	$15,363,289	$14,959,001
Liabilities		
Mortgages and other loans payable	$4,971,022	$4,860,578
Revolving credit facility	—	220,000
Term loan and senior unsecured notes	2,124,397	1,739,330
Accrued interest payable and other liabilities	112,852	114,622
Accounts payable and accrued expenses	140,346	145,889
Deferred revenue	259,929	263,261
Capitalized lease obligations	20,541	47,671
Deferred land leases payable	958	22,185
Dividend and distributions payable	52,471	52,255
Security deposits	65,077	61,308
Liabilities related to assets held for sale	49,704	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	7,897,297	7,627,099

Commitments and contingencies	—	—
Noncontrolling interests in Operating Partnership	298,858	265,476
Series G Preferred Units, $25.00 liquidation preference, 1,902 issued and outstanding at both March 31, 2014 and December 31, 2013	47,550	47,550
Series H Preferred Units, $25.00 liquidation preference, 80 issued and outstanding at both March 31, 2014 and December 31, 2013	2,000	2,000

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SL Green Realty Corp.
Consolidated Balance Sheets (cont.)
(in thousands, except per share data)

	March 31, 2014 (unaudited)	December 31, 2013
Equity		
SL Green stockholders' equity:		
Series I Preferred Stock, $0.01 par value, $25.00 liquidation preference, 9,200 issued and outstanding at both March 31, 2014 and December 31, 2013	221,932	221,932
Common stock, $0.01 par value, 160,000 shares authorized and 98,919 and 98,563 issued and outstanding at March 31, 2014 and December 31, 2013, respectively (including 3,600 and 3,570 shares held in Treasury at March 31, 2014 and December 31, 2013, respectively)	990	986
Additional paid-in-capital	5,049,507	5,015,904
Treasury stock at cost	(320,076)	(317,356)
Accumulated other comprehensive loss	(14,872)	(15,211)
Retained earnings	1,688,211	1,619,150
Total SL Green stockholders' equity	6,625,692	6,525,405
Noncontrolling interests in other partnerships	491,892	491,471
Total equity	7,117,584	7,016,876
Total liabilities and equity	$15,363,289	$14,959,001

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

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SL Green Realty Corp.
Consolidated Statements of Income
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Revenues		
Rental revenue, net	$272,079	$261,675
Escalation and reimbursement	40,383	39,804
Investment income	54,084	52,708
Other income	14,582	5,766
Total revenues	381,128	359,953
Expenses		
Operating expenses, including $3,411 (2014) and $3,889 (2013) of related party expenses	73,486	71,170
Real estate taxes	55,316	52,444
Ground rent	8,033	8,128
Interest expense, net of interest income	80,180	80,775
Amortization of deferred financing costs	3,868	4,463
Depreciation and amortization	89,379	78,623
Transaction related costs, net of recoveries	2,474	1,358
Marketing, general and administrative	23,257	21,067
Total expenses	335,993	318,028
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities and gain (loss) on early extinguishment of debt	45,135	41,925
Equity in net income from unconsolidated joint ventures	6,128	5,073
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	104,640	—
Loss on sale of investment in marketable securities	—	(57)
Gain (loss) on early extinguishment of debt	3	(18,513)
Income from continuing operations	155,906	28,428
Net income from discontinued operations	706	796
Gain on sale of discontinued operations	—	1,113
Net income	156,612	30,337
Net income attributable to noncontrolling interests:		
Noncontrolling interests in the Operating Partnership	(4,729)	(555)
Noncontrolling interests in other partnerships	(1,490)	(2,901)
Preferred units distribution	(565)	(565)
Net income attributable to SL Green	149,828	26,316
Perpetual preferred stock dividends	(3,738)	(7,407)
Net income attributable to SL Green common stockholders	$146,090	$18,909
Amounts attributable to SL Green common stockholders:		
Income from continuing operations	$44,047	$17,055
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	101,359	—
Net income from discontinued operations	684	773
Gain on sale of discontinued operations	—	1,081
Net income	$146,090	$18,909

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SL Green Realty Corp.
Consolidated Statements of Income (cont.)
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Basic earnings per share:		
Income from continuing operations before gains on sale and discontinued operations	$0.46	$0.19
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.07	—
Net income from discontinued operations	0.01	0.01
Gain on sale of discontinued operations	—	0.01
Net income attributable to SL Green common stockholders	$1.54	$0.21
Diluted earnings per share:		
Income from continuing operations before gains on sale and discontinued operations	$0.46	$0.19
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.06	—
Net income from discontinued operations	0.01	0.01
Gain on sale of discontinued operations	—	0.01
Net income attributable to SL Green common stockholders	$1.53	$0.21
Dividends per share	$0.50	$0.33
Basic weighted average common shares outstanding	95,117	91,399
Diluted weighted average common shares and common share equivalents outstanding	98,716	94,302

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

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SL Green Realty Corp.
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended March 31,	
	2014	2013
Net income	$156,612	$30,337
Other comprehensive income:		
Change in net unrealized gain on derivative instruments, including SL Green's share of joint venture net unrealized gain on derivative instruments	168	1,888
Change in unrealized gain on marketable securities	129	1,641
Other comprehensive income	297	3,529
Comprehensive income	156,909	33,866
Net income attributable to noncontrolling interests	(6,784)	(4,021)
Other comprehensive loss (income) attributable to noncontrolling interests	42	(59)
Comprehensive income attributable to SL Green	$150,167	$29,786

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

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SL Green Realty Corp.
Consolidated Statement of Equity
(unaudited, in thousands, except per share data)

	SL Green Realty Corp. Stockholders								
		Common Stock							
	Series I Preferred Stock	Number of Shares	Par Value	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2013	$221,932	94,993	$986	$5,015,904	$(317,356)	$(15,211)	$1,619,150	$491,471	$7,016,876
Net income							149,828	1,490	151,318
Other comprehensive income						339			339
Preferred dividends							(3,738)		(3,738)
DRIP proceeds				15					15
Conversion of units of the Operating Partnership to common stock		168	2	16,581					16,583
Reallocation of noncontrolling interest in the Operating Partnership							(29,464)		(29,464)
Deferred compensation plan and stock award, net		2	—	1,295	(2,720)				(1,425)
Amortization of deferred compensation plan				6,713					6,713
Issuance of common stock		—	—	24					24
Proceeds from stock options exercised		156	2	8,975					8,977
Contributions to consolidated joint venture interest								517	517
								(1,586)	(1,586)

Cash distributions to noncontrolling interests									
Cash distributions declared ($0.50 per common share, none of which represented a return of capital for federal income tax purposes)							(47,565)		(47,565)
Balance at March 31, 2014	$221,932	95,319	$990	$5,049,507	$(320,076)	$(14,872)	$1,688,211	$491,892	$7,117,584

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

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SL Green Realty Corp.
Consolidated Statements of Cash Flows
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Operating Activities		
Net income	$156,612	$30,337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,680	85,146
Equity in net income from unconsolidated joint ventures	(6,128)	(5,073)
Distributions of cumulative earnings from unconsolidated joint ventures	7,669	6,901
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(104,640)	—
Gain on sale of discontinued operations	—	(1,113)
(Gain) loss on early extinguishment of debt	(3)	10,958
Deferred rents receivable	(11,133)	(13,923)
Other non-cash adjustments	(12,792)	(24,028)
Changes in operating assets and liabilities:		
Restricted cash—operations	(10,520)	5,447
Tenant and other receivables	11,899	7,409
Related party receivables	(11,885)	(3,638)
Deferred lease costs	(4,476)	(4,646)
Other assets	(32,949)	(21,185)
Accounts payable, accrued expenses and other liabilities and security deposits	(1,821)	869
Deferred revenue and deferred land leases payable	14,635	16,095
Net cash provided by operating activities	88,148	89,556
Investing Activities		
Acquisitions of real estate property	—	(48,500)
Additions to land, buildings and improvements	(48,213)	(11,617)
Escrowed cash—capital improvements/acquisition deposits	(34,861)	191
Investments in unconsolidated joint ventures	(18,966)	(49,996)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	72,558	5,333
Net proceeds from disposition of real estate/joint venture interest	109,196	5,852
Other investments	(1,573)	(10,146)
Origination of debt and preferred equity investments	(150,464)	(195,004)
Repayments or redemption of debt and preferred equity investments	522	134,811
Net cash used in investing activities	(71,801)	(169,076)

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SL Green Realty Corp.
Consolidated Statements of Cash Flows (cont.)
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Financing Activities		
Proceeds from mortgages and other loans payable	121,216	980,333
Repayments of mortgages and other loans payable	(10,772)	(780,332)
Proceeds from revolving credit facility, term loan and senior unsecured notes	603,000	155,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(440,690)	(199,960)
Proceeds from stock options exercised and DRIP issuance	8,992	4,546
Net proceeds from sale of common stock	24	(24)
Net proceeds from sale of preferred stock	—	(33)
Distributions to noncontrolling interests in other partnerships	(1,586)	(4,879)
Contributions from noncontrolling interests in other partnerships	517	3,110
Distributions to noncontrolling interests in the Operating Partnership	(1,500)	(853)
Dividends paid on common and preferred stock	(51,652)	(38,591)
Deferred loan costs and capitalized lease obligation	(3,426)	(8,677)
Net cash provided by financing activities	224,123	109,640
Net increase in cash and cash equivalents	240,470	30,120
Cash and cash equivalents at beginning of period	206,692	189,984
Cash and cash equivalents at end of period	$447,162	$220,104
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock as deferred compensation	$1,295	$—
Issuance of units in the Operating Partnership	17,314	777
Redemption of units in the Operating Partnership	16,583	17,287
Derivative instruments at fair value	110	128
Tenant improvements and capital expenditures payable	9,898	9,136
Fair value adjustment to noncontrolling interest in the Operating Partnership	29,464	24,016
Capital leased asset	—	6,839
Transfer to net assets held for sale	63,925	—
Transfer to liabilities related to net assets held for sale	49,704	—
Transfer of financing receivable to debt investment	19,675	—

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

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SL Green Operating Partnership, L.P.
Consolidated Balance Sheets
(in thousands, except per unit data)

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$3,112,013	$3,032,526
Building and improvements	7,767,616	7,884,663
Building leasehold and improvements	1,375,007	1,366,281
Properties under capital lease	27,445	50,310
	12,282,081	12,333,780
Less: accumulated depreciation	(1,695,568)	(1,646,240)
	10,586,513	10,687,540
Assets held for sale	63,925	—
Cash and cash equivalents	447,162	206,692
Restricted cash	154,492	142,051
Investment in marketable securities	32,130	32,049
Tenant and other receivables, net of allowance of $18,627 and $17,325 in 2014 and 2013, respectively	47,296	60,393
Related party receivables	19,947	8,530
Deferred rents receivable, net of allowance of $27,939 and $30,333 in 2014 and 2013, respectively	378,980	386,508
Debt and preferred equity investments, net of discount and deferred origination fees of $17,751 and $18,593 in 2013 and 2014, respectively, and allowance of $1,000 in 2013	1,493,725	1,304,839
Investments in unconsolidated joint ventures	1,061,704	1,113,218
Deferred costs, net	261,542	267,058
Other assets	815,873	750,123
Total assets	$15,363,289	$14,959,001
Liabilities		
Mortgages and other loans payable	$4,971,022	$4,860,578
Revolving credit facility	—	220,000
Term loan and senior unsecured notes	2,124,397	1,739,330
Accrued interest payable and other liabilities	112,852	114,622
Accounts payable and accrued expenses	140,346	145,889
Deferred revenue	259,929	263,261
Capitalized lease obligations	20,541	47,671
Deferred land leases payable	958	22,185
Dividend and distributions payable	52,471	52,255
Security deposits	65,077	61,308
Liabilities related to assets held for sale	49,704	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	7,897,297	7,627,099
Commitments and contingencies	—	—
	47,550	47,550

Series G Preferred Units, $25.00 liquidation preference, 1,902 issued and outstanding at both March 31, 2014 and December 31, 2013		
Series H Preferred Units, $25.00 liquidation preference, 80 issued and outstanding at both March 31, 2014 and December 31, 2013	2,000	2,000

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SL Green Operating Partnership, L.P.
Consolidated Balance Sheets (cont.)
(in thousands, except per share data)

	March 31, 2014 (unaudited)	December 31, 2013
Capital		
SLGOP partners' capital:		
Series I Preferred Units, $25.00 liquidation preference, 9,200 outstanding at both March 31, 2014 and December 31, 2013	221,932	221,932
SL Green partners' capital 984 and 979 general partner common units and 94,335 and 94,014 limited partner common units outstanding at March 31, 2014 and December 31, 2013, respectively)	6,636,159	6,506,747
Limited partner interests in SLGOP (3,000 and 2,902 limited partner common units outstanding at March 31, 2014 and December 31, 2013, respectively)	81,824	77,864
Accumulated other comprehensive loss	(15,365)	(15,662)
Total SLGOP partners' capital	6,924,550	6,790,881
Noncontrolling interests in other partnerships	491,892	491,471
Total capital	7,416,442	7,282,352
Total liabilities and capital	$15,363,289	$14,959,001

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

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SL Green Operating Partnership, L.P.
Consolidated Statements of Income
(unaudited, in thousands except per unit amounts)

	Three Months Ended March 31,	
	2014	2013
Revenues		
Rental revenue, net	$272,079	$261,675
Escalation and reimbursement	40,383	39,804
Investment income	54,084	52,708
Other income	14,582	5,766
Total revenues	381,128	359,953
Expenses		
Operating expenses, including $3,411 (2014) and $3,889 (2013) of related party expenses	73,486	71,170
Real estate taxes	55,316	52,444
Ground rent	8,033	8,128
Interest expense, net of interest income	80,180	80,775
Amortization of deferred financing costs	3,868	4,463
Depreciation and amortization	89,379	78,623
Transaction related costs, net of recoveries	2,474	1,358
Marketing, general and administrative	23,257	21,067
Total expenses	335,993	318,028
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities and gain (loss) on early extinguishment of debt	45,135	41,925
Equity in net income from unconsolidated joint ventures	6,128	5,073
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	104,640	—
Loss on sale of investment in marketable securities	—	(57)
Gain (loss) on early extinguishment of debt	3	(18,513)
Income from continuing operations	155,906	28,428
Net income from discontinued operations	706	796
Gain on sale of discontinued operations	—	1,113
Net income	156,612	30,337
Net income attributable to noncontrolling interests in other partnerships	(1,490)	(2,901)
Preferred unit distributions	(565)	(565)
Net income attributable to SLGOP	154,557	26,871
Perpetual preferred unit distributions	(3,738)	(7,407)
Net income attributable to SLGOP common unitholders	$150,819	$19,464
Amounts attributable to SLGOP common unitholders:		
Income from continuing operations	$45,473	$17,555
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	104,640	—
Net income from discontinued operations	706	796
Gain on sale of discontinued operations	—	1,113
Net income	$150,819	$19,464

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SL Green Operating Partnership, L.P.
Consolidated Statements of Income
(unaudited, in thousands except per unit amounts)

	Three Months Ended March 31,	
	2014	2013
Basic earnings per unit:		
Income from continuing operations before gains on sale and discontinued operations	$0.46	$0.19
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.07	—
Net income from discontinued operations	0.01	0.01
Gain on sale of discontinued operations	—	0.01
Net income attributable to SLGOP common unitholders	$1.54	$0.21
Diluted earnings per unit:		
Income from continuing operations before gains on sale and discontinued operations	$0.46	$0.19
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.06	—
Net income from discontinued operations	0.01	0.01
Gain on sale of discontinued operations	—	0.01
Net income attributable to SLGOP common unitholders	$1.53	$0.21
Dividends per unit	$0.50	$0.33
Basic weighted average common units outstanding	98,196	94,086
Diluted weighted average common units and common unit equivalents outstanding	98,716	94,302

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

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SL Green Operating Partnership, L.P.
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended March 31,	
	2014	2013
Net income	$156,612	$30,337
Other comprehensive income:		
Change in net unrealized gain on derivative instruments, including SLGOP's share of joint venture net unrealized gain on derivative instruments	168	1,888
Change in unrealized gain on marketable securities	129	1,641
Other comprehensive income	297	3,529
Comprehensive income	156,909	33,866
Net income attributable to noncontrolling interests	(1,490)	(2,901)
Comprehensive income attributable to SLGOP	$155,419	$30,965

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

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SL Green Operating Partnership, L.P.
Consolidated Statement of Capital
(unaudited, in thousands, except per unit data)

	SL Green Operating Partnership Unitholders							
		General Partner		Limited Partners				
	Series I Preferred Units	Common Units	Common Unitholders	Common Units	Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2013	$221,932	94,993	$6,506,747	2,902	$77,864	$(15,662)	$491,471	7,282,352
Net income	3,738		146,090		4,729		1,490	156,047
Other comprehensive income						297		297
Preferred distributions	(3,738)							(3,738)
Issuance of common units				235	17,314			17,314
DRIP proceeds		168	15					15
Redemption of units		—	16,583	(137)	(16,583)			—
Deferred compensation plan and stock award, net		2	(1,425)					(1,425)
Amortization of deferred compensation plan			6,713					6,713
Contribution to consolidated joint venture interest							517	517
Contributions—net proceeds from common stock offering		—	24					24
Contributions—proceeds from stock options exercised		156	8,977					8,977
Cash distributions to noncontrolling interests							(1,586)	(1,586)
Cash distribution declared ($0.50 per common unit, none of which represented a return of capital for federal income tax purposes)			(47,565)		(1,500)			(49,065)
Balance at March 31, 2014	$221,932	95,319	$6,636,159	3,000	$81,824	$(15,365)	$491,892	$7,416,442

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

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SL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating Activities		
Net income	$156,612	$30,337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,680	85,146
Equity in net income from unconsolidated joint ventures	(6,128)	(5,073)
Distributions of cumulative earnings from unconsolidated joint ventures	7,669	6,901
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(104,640)	—
Gain on sale of discontinued operations	—	(1,113)
(Gain) loss on early extinguishment of debt	(3)	10,958
Deferred rents receivable	(11,133)	(13,923)
Other non-cash adjustments	(12,792)	(24,028)
Changes in operating assets and liabilities:		
Restricted cash—operations	(10,520)	5,447
Tenant and other receivables	11,899	7,409
Related party receivables	(11,885)	(3,638)
Deferred lease costs	(4,476)	(4,646)
Other assets	(32,949)	(21,185)
Accounts payable, accrued expenses and other liabilities and security deposits	(1,821)	869
Deferred revenue and deferred land leases payable	14,635	16,095
Net cash provided by operating activities	88,148	89,556
Investing Activities		
Acquisitions of real estate property	—	(48,500)
Additions to land, buildings and improvements	(48,213)	(11,617)
Escrowed cash—capital improvements/acquisition deposits	(34,861)	191
Investments in unconsolidated joint ventures	(18,966)	(49,996)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	72,558	5,333
Net proceeds from disposition of real estate/joint venture interest	109,196	5,852
Other investments	(1,573)	(10,146)
Origination of debt and preferred equity investments	(150,464)	(195,004)
Repayments or redemption of debt and preferred equity investments	522	134,811
Net cash used in investing activities	(71,801)	(169,076)

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SL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows (cont.)
(unaudited, in thousands)

	Three Months Ended March 31,	
	2014	2013
Financing Activities		
Proceeds from mortgages and other loans payable	121,216	980,333
Repayments of mortgages and other loans payable	(10,772)	(780,332)
Proceeds from revolving credit facility, term loan and senior unsecured notes	603,000	155,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(440,690)	(199,960)
Contributions of proceeds from stock options exercised and DRIP issuance	8,992	4,546
Contributions of net proceeds from sale of common stock	24	(24)
Contributions of net proceeds from sale of preferred stock	—	(33)
Distributions to noncontrolling interests in other partnerships	(1,586)	(4,879)
Contributions from noncontrolling interests in other partnerships	517	3,110
Distributions paid on common and preferred units	(53,152)	(39,444)
Deferred loan costs and capitalized lease obligation	(3,426)	(8,677)
Net cash provided by financing activities	224,123	109,640
Net increase in cash and cash equivalents	240,470	30,120
Cash and cash equivalents at beginning of period	206,692	189,984
Cash and cash equivalents at end of period	$447,162	$220,104
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock as deferred compensation	$1,295	$—
Issuance of units in the Operating Partnership	17,314	777
Redemption of units in the Operating Partnership	16,583	17,287
Derivative instruments at fair value	110	128
Tenant improvements and capital expenditures payable	9,898	9,136
Capital leased asset	—	6,839
Transfer to net assets held for sale	63,925	—
Transfer to liabilities related to net assets held for sale	49,704	—
Transfer of financing receivable to debt investment	19,675	—

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

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements
March 31, 2014
(unaudited)

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation, a consolidated variable interest entity. All of the management, leasing and construction services with respect to the properties that are wholly-owned by us are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of March 31, 2014, noncontrolling investors held, in the aggregate, a 3.05% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 10, "Noncontrolling Interests on the Company's Consolidated Financial Statements."

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of the Operating Partnership.

As of March 31, 2014, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban properties:

Location	Type	Consolidated Number of Properties		Consolidated Square Feet	Unconsolidated Number of Properties	Unconsolidated Square Feet	Total Number of Properties	Total Square Feet	Weighted Average Occupancy(1)	
Commercial:										
Manhattan	Office	23		17,306,045	10	6,465,415	33	23,771,460	94.3	%
	Retail	7	(2)	389,317	8	432,250	15	821,567	93.0	%
	Development/Redevelopment	10		973,790	4	1,261,482	14	2,235,272	55.0	%
	Fee Interest	2		961,400	—	—	2	961,400	100.0	%
		42		19,630,552	22	8,159,147	64	27,789,699	91.3	%
Suburban	Office	27		4,365,400	4	1,222,100	31	5,587,500	80.9	%
	Retail	1		52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1		85,000	1	65,641	2	150,641	40.7	%
		29		4,502,400	5	1,287,741	34	5,790,141	80.0	%
Total commercial properties		71		24,132,952	27	9,446,888	98	33,579,840	89.4	%
Residential:										
Manhattan	Residential	2	(2)	653,337	—	—	2	653,337	94.7	%
Suburban	Residential	1		66,611	—	—	1	66,611	87.7	%

Total residential properties	3	719,948	—	—	3	719,948	94.0	%
Total portfolio	74	24,852,900	27	9,446,888	101	34,299,788	89.5	%

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(1) The weighted average occupancy for commercial properties represents the total occupied square feet divided by total available rentable square feet. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

(2) As of March 31, 2014, we owned a building that was comprised of 270,132 square feet of retail space and 222,855 square feet of residential space. For the purpose of this report, we have included the building as part of retail properties and have shown the square footage under its respective classifications.

As of March 31, 2014, we also managed two office buildings owned by third parties and affiliated companies, which included 708,500 square feet. As of March 31, 2014, we also held debt and preferred equity investments with a book value of $1.5 billion.

Partnership Agreement

In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement, the Operating Partnership allocates all distributions and profits and losses in proportion to the percentage of ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to minimize any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement, each limited partner has the right to redeem units of limited partnership interests for cash, or if we so elect, for shares of SL Green's common stock on a one-for-one basis.

Basis of Quarterly Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position of the Company and the Operating Partnership at March 31, 2014 and the results of operations for the periods presented have been included. The operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2013 of the Company and the Operating Partnership.

The balance sheets at December 31, 2013 have been derived from the audited financial statements as of that date but do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. See Note 4, "Debt and Preferred Equity Investments" and Note 5, "Investments in Unconsolidated Joint Ventures." All significant intercompany balances and transactions have been eliminated.

We consolidate a variable interest entity, or VIE, in which we are considered a primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Included in commercial real estate properties on our consolidated balance sheets as of March 31, 2014 and December 31, 2013 are $603.9 million and $605.9 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets as of March 31, 2014 and December 31, 2013 are $368.4 million and $370.9 million, respectively, related to our consolidated VIEs.

A noncontrolling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to us. Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet and the presentation of net income was modified to present earnings and other comprehensive income attributed to controlling and noncontrolling interests.

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIE's, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we and our partner approve, among other things, the annual budget, receive a detailed monthly reporting package from us, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of our joint venture. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell. We do not believe that the values of any of our consolidated properties or properties held for sale were impaired at March 31, 2014.

We allocate the purchase price of real estate to land and building (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of above- and below-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building (inclusive of tenant improvements) over their estimated useful lives, which generally range from three to 40 years. We amortize the amount allocated to the above- and below-market leases over the remaining term of the associated lease, which generally range from one to 14 years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally ranges from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. To the extent acquired leases contain fixed rate renewal options that are below market and determined to be material, we amortize such below-market lease value into rental income over the renewal period.

We recognized an increase of $4.8 million and $3.9 million in rental revenue for the three months ended March 31, 2014 and 2013, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages assumed of $1.6 million and $1.3 million for the three months ended March 31, 2014 and 2013, respectively.

In November 2013, we acquired a 492,987 square foot mixed-use residential and commercial property located at 315 West 33rd Street, New York, New York for $386.8 million. Based on our preliminary analysis of the purchase price, we had allocated $116.0 million and $270.8 million to land and building, respectively. During the three months ended March 31, 2014, we finalized the purchase price allocation based on third party appraisal and additional information about facts and circumstances that existed at the acquisition date and reclassified $33.2 million and $7.8 million to values for above- and in-place leases and below-market leases, respectively. These adjustments did not have a material impact to our consolidated statement of income for the three months ended March 31, 2014.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014	December 31, 2013
Identified intangible assets (included in other assets):		
Gross amount	$779,913	$746,704
Accumulated amortization	(364,946)	(343,339)
Net	$414,967	$403,365
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$679,220	$671,380
Accumulated amortization	(446,119)	(429,138)
Net	$233,101	$242,242

Fair Value Measurements

See Note 16, "Fair Value Measurements."

Investment in Marketable Securities

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive income or loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component.

The cost of bonds and marketable securities sold is determined using the specific identification method.

At March 31, 2014 and December 31, 2013, we held the following marketable securities (in thousands):

	March 31, 2014	December 31, 2013
Equity marketable securities	$3,865	$4,307
Commercial mortgage-backed securities	25,028	24,419
Rake bonds	3,237	3,323
Total marketable securities available-for-sale	$32,130	$32,049

Our equity marketable securities represent our investment in Gramercy Property Trust Inc. (NYSE: GPT), or Gramercy. Marc Holliday, our chief executive officer, remains a board member of Gramercy. As we do not have any significant influence over Gramercy, we account for our investment as available-for-sale securities.

The cost basis of the commercial mortgage-backed securities was $23.0 million at both March 31, 2014 and December 31, 2013.

The cost basis of the rake bonds was $3.5 million and $3.6 million at March 31, 2014 and December 31, 2013, respectively. These bonds mature at various times through 2030.

There were no sales of any of our marketable securities during each of the three months ended March 31, 2014 and 2013.

Investments in Unconsolidated Joint Ventures

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at March 31, 2014.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, we record amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, we record amounts reimbursed by tenants as a reduction of the capital asset. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, we record our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheets is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) are typically provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided outside normal business hours. These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

We record a gain on sale of real estate when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and we have no substantial economic involvement with the buyer.

Interest income on debt and preferred equity investments is accrued based on the outstanding principal amount and contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred originations fees and loan origination costs, if any, are recognized as a reduction to the interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Discounts or premiums associated with the purchase of loans are amortized or accreted into interest income as a yield adjustment on the effective interest method based on expected cashflows through the expected maturity date of the related investment. If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount into income as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount. Anticipated exit fees, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell these loans individually. When a transaction meets the criteria of sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of income. Any fees received at the time of sale or syndication are recognized as part of investment income.

Reserve for Possible Credit Losses

The expense for possible credit losses in connection with debt and preferred equity investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If the additional information obtained reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during each of the three months ended March 31, 2014 and 2013.

Debt and preferred equity investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

Income Taxes

SL Green is taxed as a REIT under Section 856(c) of the Code. As a REIT, SL Green generally is not subject to Federal income tax. To maintain its qualification as a REIT, SL Green must distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. If SL Green fails to qualify as a REIT in any taxable year, we will be subject to Federal income tax on SL Green's taxable income at regular corporate rates. SL Green may also be subject to certain state, local and franchise taxes. Under certain circumstances, Federal income and excise taxes may be due on SL Green's undistributed taxable income.

The Operating Partnership is a partnership and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective income tax returns. The only provision for income taxes included in the consolidated statements of income relates to the Operating Partnership’s consolidated taxable REIT subsidiaries. The Operating Partnership may also be subject to certain state, local and franchise taxes.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may elect in the future, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRSs. In general, a TRS may perform non-customary services for the tenants of the Company, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in Federal and state income tax liability for these entities.

During the three months ended March 31, 2014 and 2013, we recorded a Federal, state and local tax provision of $2.9 million and $1.6 million, respectively.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 13, "Share-based Compensation."

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The Company's stock options are recorded at fair value at the time of issuance. Fair value of the stock options is determined using the Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our plan has characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the employee stock options. Compensation cost for stock options, if any, is recognized ratably over the vesting period of the award. Our policy is to grant options with an exercise price equal to the quoted closing market price of the Company's common stock on the grant date. Awards of stock or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the compensation committee of SL Green's board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with performance measures, the total estimated compensation cost is based on the fair value of the award at the applicable reporting date estimated using a binomial model. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

Awards can also be made in the form of a separate series of units of limited partnership interest in the Operating Partnership called long-term incentive plan units, or LTIP units. LTIP units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan, are valued by reference to the value of the Company's common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee of the Company's board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

Earnings per Share of the Company

The Company presents both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. Diluted EPS also includes units of limited partnership interest. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

Earnings per Unit of the Operating Partnership

The Operating Partnership presents both basic and diluted earnings per unit, or EPU. Basic EPU excludes dilution and is computed by dividing net income attributable to common unitholders by the weighted average number of common units outstanding during the period. Basic EPU includes participating securities, consisting of unvested restricted units that receive nonforfeitable dividends similar to shares of common units. Diluted EPU reflects the potential dilution that could occur if securities or other contracts to issue common units were exercised or converted into common units, where such exercise or conversion would result in a lower EPU amount. The dilutive effect of unit options is reflected in the weighted average diluted outstanding units calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is primarily located in New York City. See Note 4, "Debt and Preferred Equity Investments." We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey. The tenants located in our buildings operate in various industries. Other than three tenants who account for 7.3%, 6.5% and 5.8% of our share of annualized cash rent, respectively, no other tenant in our portfolio accounted for more than 2.0% of our annualized cash rent, including our share of joint venture annualized rent, for the three months ended March 31, 2014. For the three months ended March 31, 2014, 9.7%, 7.4% and 5.9% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 1185 Avenue of the Americas and One Madison Avenue, respectively. In addition, one of our preferred equity investments accounted for 13.7% of the income earned on debt and preferred equity investments during the three months ended March 31, 2014.

Reclassification

Certain prior year balances have been reclassified to conform to our current year presentation primarily in order to eliminate discontinued operations from income from continuing operations.

Accounting Standards Updates

In April 2014, the FASB issued new guidance on reporting discontinued operations which raises the threshold for disposals to qualify as discontinued operations. The guidance also allows us to have a significant continuing involvement and continuing cash flows with the discontinued operations. Additionally, the guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The guidance is effective for calendar year public companies beginning in the first quarter of 2015 and is to be applied on a prospective basis for new disposals. Early adoption of the guidance is permitted. The Company will adopt this standard beginning in the first quarter of 2015. The adoption of this guidance will change the presentation of discontinued operations but will not have a material impact on our consolidated financial statements.

3. Properties Held for Sale and Dispositions

We entered into an agreement to sell our leasehold interest in 673 First Avenue for $145.0 million. This transaction closed in May 2014.

Discontinued operations included the results of operations of real estate assets under contract or sold prior to March 31, 2014. This included 673 First Avenue, which is held for sale, and 44 West 55th Street, 333 West 34th Street and 300 Main Street, which were sold in February, August, and September of 2013, respectively.

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The following table summarizes net income from discontinued operations for the three months ended March 31, 2014 and 2013, respectively (in thousands):

	Three Months Ended March 31,	
	2014	2013
Revenues		
Rental revenue	$5,076	$8,804
Escalation and reimbursement revenues	821	1,196
Other income	—	8
Total revenues	5,897	10,008
Operating expenses	884	2,467
Real estate taxes	1,019	1,254
Ground rent	2,196	2,863
Interest expense, net of interest income	659	561
Depreciation and amortization	433	2,067
Total expenses	5,191	9,212
Net income from discontinued operations	$706	$796

4. Debt and Preferred Equity Investments

During the three months ended ended March 31, 2014 and 2013, our debt and preferred equity investments, net of discounts and deferred origination fees, increased $189.4 million and $205.2 million, respectively, due to originations, purchases, accretion of reserves, discounts and paid-in-kind interest. We recorded repayments, participations and sales of $0.5 million and $121.9 million, during the three months ended ended March 31, 2014 and 2013, respectively, which offset the increases in debt and preferred equity investments.

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Debt Investments

As of March 31, 2014 and December 31, 2013, we held the following debt investments with an aggregate weighted average current yield of 10.69% at March 31, 2014 (in thousands):

Loan Type	March 31, 2014 Funding Commitment	March 31, 2014 Senior Financing	March 31, 2014 Carrying Value (1)	December 31, 2013 Carrying Value (1)	Initial Maturity Date
Fixed Rate Investments:					
Junior Participation	$—	$398,500	$11,874	$11,856	March 2015
Mortgage/Mezzanine Loan	—	205,000	68,892	68,319	February 2016
Mezzanine Loan	—	—	10,000	—	March 2016
Mortgage/Mezzanine Loan	—	166,030	44,930	44,742	May 2016
Mezzanine Loan	—	177,000	14,739	15,012	May 2016
Junior Participation	—	133,000	49,000	49,000	June 2016
Mezzanine Loan	—	165,000	71,370	71,312	November 2016
Mortgage/Mezzanine Loan(2)	—	1,109,000	92,994	80,983	March 2017
Mezzanine Loan(3)	19,938	521,750	21,035	20,954	June 2017
Mortgage Loan	—	—	725	—	August 2019
Mezzanine Loan	—	15,000	3,500	3,500	September 2021
Mezzanine Loan(4)	—	90,000	19,927	19,926	November 2023
Total fixed rate	$19,938	$2,980,280	$408,986	$385,604	
Floating Rate Investments:					
Junior Participation	$—	$57,750	$10,875	$10,873	June 2014
Mortgage/Mezzanine Loan	—	330,000	131,853	131,724	July 2014
Mezzanine Loan	—	180,000	59,932	59,892	August 2014
Mezzanine Loan(5)	—	481,309	19,675	—	September 2014
Mezzanine Loan	10,897	90,718	38,948	38,549	October 2014
Mortgage Loan(6)	—	—	30,000	30,000	December 2014
Junior Participation(7)	—	84,000	24,943	24,046	February 2015
Mezzanine Loan	—	110,000	49,230	49,110	September 2015
Mezzanine Loan	13,254	93,850	36,565	27,662	December 2015
Mezzanine Loan	—	200,000	49,419	—	March 2016
Mezzanine Loan	—	775,000	73,067	72,823	March 2016
Mezzanine Loan(8)	—	160,000	22,538	22,526	June 2016
Mezzanine Loan	—	87,300	25,600	25,590	July 2016
Mezzanine Loan	10,743	167,524	26,436	25,725	November 2016
Mezzanine Loan	333	33,833	11,807	11,798	December 2016
Mortgage/Mezzanine Loan	—	55,000	20,548	20,553	July 2018
Mortgage/Mezzanine Loan	—	9,750	17,851	—	February 2019
Mezzanine Loan	—	38,000	21,781	—	March 2019
Total floating rate	$35,227	$2,954,034	$671,068	$550,871	
Total	$55,165	$5,934,314	1,080,054	936,475	
Loan loss reserve			—	(1,000)	

Total	$1,080,054	$935,475

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(1) Carrying value is net of discounts and deferred origination fees.
(2) During the three months ended March 31, 2014, we recognized $10.1 million of previously unaccrued interest income as deemed collectible as we expect the underlying property to be sold.
(3) Carrying value is net of $41.3 million that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.
(4) Carrying value is net of $5.0 million that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.
(5) This loan was previously included in other assets on the consolidated balance sheets. Following the sale of our interest in the partnership that is the borrower, the loan was reclassified to debt and preferred equity investments.
(6) This loan was repaid in May 2014.
(7) In March 2014, the loan was extended to February 2015.
(8) Carrying value is net of $7.4 million that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.

Preferred Equity Investments

As of March 31, 2014 and December 31, 2013, we held the following preferred equity investments with an aggregate weighted average current yield of 9.74% at March 31, 2014 (in thousands):

Type	March 31, 2014 Senior Financing	March 31, 2014 Carrying Value (1)	December 31, 2013 Carrying Value (1)	Initial Mandatory Redemption
Preferred equity(2)	$525,000	$117,194	$115,198	July 2015
Preferred equity	260,000	40,000	—	March 2016
Preferred equity(2)(3)	55,233	25,912	25,896	April 2016
Preferred equity(2)	926,260	220,622	218,330	July 2016
Preferred equity	70,000	9,943	9,940	November 2017
	$1,836,493	$413,671	$369,364	

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(1) Carrying value is net of discounts and deferred origination fees.
(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(3) This preferred equity investment was subsequently redeemed in April 2014.

The following table is a rollforward of our total loan loss reserves at March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014	December 31, 2013
Balance at beginning of year	$1,000	$7,000
Expensed	—	—
Recoveries	—	—
Charge-offs and reclassifications	(1,000)	(6,000)
Balance at end of period	$—	$1,000

At March 31, 2014 and December 31, 2013, all debt and preferred equity investments were performing in accordance with the terms of the loan agreements.

We have determined that we have one portfolio segment of financing receivables at March 31, 2014 and December 31, 2013 comprising commercial real estate which is primarily recorded in debt and preferred equity investments.

Included in other assets is an additional amount of financing receivables totaling $161.0 million and $172.8 million at March 31, 2014 and December 31, 2013, respectively. No financing receivables were 90 days past due at March 31, 2014.

5. Investments in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including Ivanhoe Cambridge, Inc., formerly SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, Canada Pension Plan Investment Board, or CPPIB, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, Harel Insurance and Finance, or Harel, Louis Cappelli, or Cappelli, The Moinian Group, or Moinian, Vornado Realty Trust (NYSE: VNO), or Vornado, Plaza Global Real Estate Partners LP, or Plaza, Lehman Bros., as well as private investors. All the investments below are voting interest entities, except for 388 and 390 Greenwich Street, 650 Fifth Avenue, 33 Beekman, 3 Columbus Circle and 180/182 Broadway which are VIEs in which we are not the primary beneficiary. Our net equity investment in these five VIEs was $315.3 million and $310.7 million at March 31, 2014 and December 31, 2013, respectively. As we do not control the joint ventures listed below, we account for them under the equity method of accounting.

The table below provides general information on each of our joint ventures as of March 31, 2014 (amounts in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquisition Date	Acquisition Price(1)
100 Park Avenue	Prudential	49.90%	49.90%	834	January 2000	$95,800
717 Fifth Avenue	Sutton/Private Investor	10.92%	10.92%	120	September 2006	251,900
800 Third Avenue	Private Investors	42.95%	42.95%	526	December 2006	285,000
1745 Broadway	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	April 2007	520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	April 2007	210,000
The Meadows	Onyx	50.00%	50.00%	582	September 2007	111,500
388 and 390 Greenwich Street(2)	SITQ	50.60%	50.60%	2,600	December 2007	1,575,000
180/182 Broadway	Harel/Sutton	25.50%	25.50%	71	February 2008	43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	May 2010	193,000
11 West 34th Street	Private Investor/Sutton	30.00%	30.00%	17	December 2010	10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	December 2010	4,000
3 Columbus Circle(3)	Moinian	48.90%	48.90%	769	January 2011	500,000
280 Park Avenue	Vornado	50.00%	49.50%	1,237	March 2011	400,000
1552-1560 Broadway(4)	Sutton	50.00%	50.00%	49	August 2011	136,550
747 Madison Avenue(5)	Harel/Sutton	33.33%	33.33%	10	September 2011	66,250
724 Fifth Avenue	Sutton	50.00%	50.00%	65	January 2012	223,000
10 East 53rd Street	CPPIB	55.00%	55.00%	390	February 2012	252,500
33 Beekman(6)	Harel/Naftali	45.90%	45.90%	145	August 2012	31,000
521 Fifth Avenue	Plaza	50.50%	50.50%	460	November 2012	315,000
21 East 66th Street(7)	Private Investors	32.28%	32.28%	17	December 2012	75,000
315 West 36th Street	Private Investors	35.50%	35.50%	148	December 2012	45,000

650 Fifth Avenue(8)	Sutton	50.00%	50.00%	32	November 2013	—

(1) Acquisition price represents the actual or implied gross purchase price for the joint venture.

(2) The property is leased to a single tenant under a triple-net lease arrangement, which expires in December 2035. The tenant also has an option to acquire the property for a specified price during the period from December 1, 2017 through December 31, 2020. In March 2014, we entered into a contract to acquire our partner's interest in the joint venture. See Note 18, "Commitments and Contingencies" for related disclosure.

(3) As a result of the sale of a condominium interest in September 2012, Young & Rubicam, Inc., or Y&R, owns a portion of the property, generally floors three through eight referred to as Y&R units. Because the joint venture has an option to repurchase the Y&R units, no gain was recognized on this sale.

(4) The purchase price pertained only to the purchase of the 1552 Broadway interest which comprised 13,045 square feet. The joint venture also owns a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway.

(5) The joint venture owns 100% interest as tenant-in-common in 30 East 65th Street Corporation and the related proprietary lease of five cooperative apartment units in the building.

(6) The joint venture owns a fee interest in the property and will develop an approximately 30 story building for student housing. Upon completion of the development, the joint venture will convey a long-term ground lease condominium interest in the building to Pace.

(7) We hold a 32.28% interest in three retail and two residential units at the property and a 16.14% in four residential units at the property.

(8) The joint venture owns a long-term leasehold interest in the retail space at 650 Fifth Avenue. In connection with the ground lease obligation, SLG provided a performance guaranty and Sutton executed a contribution agreement to reflect its pro rata obligation. In the event the property is converted into a condominium unit and the landlord elects the purchase option, the joint venture shall be obligated to acquire the unit at the then fair value.

In March 2014, we sold our 43.74% economic ownership interest in the joint venture which holds the West Coast Office portfolio at an implied gross valuation of $756.0 million, inclusive of the $526.3 million mortgage encumbering the property. We recognized a gain of $85.5 million on the sale of our investment.

In January 2014, we sold our 50.00% partnership interest in the joint venture which holds 21-25 West 34th Street to Sutton at an implied gross valuation of $114.9 million, inclusive of the $100.0 million mortgage encumbering the property. We recognized a gain of $20.9 million on the sale of our investment. Simultaneously, we, along with Sutton, also formed a new joint venture and retained the 91,311 square feet of development rights at this property.

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master leases for tenant space. These guarantees and master leases terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The first mortgage notes and other loans payable collateralized by the respective joint venture properties and assignment of leases at March 31, 2014 and December 31, 2013, respectively, are as follows (amounts in thousands):

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Property	Maturity Date	Interest Rate(1)		March 31, 2014	December 31, 2013
Fixed Rate Debt:					
7 Renaissance	December 2015	10.00	%	$1,276	$1,276
11 West 34th Street	January 2016	4.82	%	17,129	17,205
280 Park Avenue	June 2016	6.57	%	705,082	706,886
1745 Broadway	January 2017	5.68	%	340,000	340,000
1 and 2 Jericho Plaza	May 2017	5.65	%	163,750	163,750
800 Third Avenue	August 2017	6.00	%	20,910	20,910
388 and 390 Greenwich Street(2)	December 2017	3.20	%	996,082	996,082
315 West 36th Street	December 2017	3.16	%	25,000	25,000
717 Fifth Avenue(3)	July 2022	4.45	%	300,000	300,000
21 East 66th Street	April 2023	3.60	%	12,000	12,000
717 Fifth Avenue(3)	July 2024	9.00	%	306,509	304,000
100 Park Avenue(4)	—	—		—	209,786
21 West 34th Street(5)	—	—		—	100,000
1604-1610 Broadway(6)	—	—		—	27,000
Total fixed rate debt				$2,887,738	$3,223,895
Floating Rate Debt:					
747 Madison Avenue	October 2014	2.94	%	33,125	33,125
180/182 Broadway	December 2014	2.91	%	89,778	89,893
The Meadows	September 2015	7.75	%	67,350	67,350
3 Columbus Circle(7)	April 2016	2.34	%	237,189	239,233
1552 Broadway(8)	April 2016	4.07	%	169,283	158,690
Other loan payable	June 2016	1.06	%	30,000	30,000
724 Fifth Avenue(9)	January 2017	2.51	%	119,765	120,000
10 East 53rd Street	February 2017	2.66	%	125,000	125,000
33 Beekman(10)	August 2017	2.91	%	24,057	18,362
600 Lexington Avenue	October 2017	2.24	%	119,656	120,616
388 and 390 Greenwich Street(2)	December 2017	1.31	%	142,297	142,297
521 Fifth Avenue	November 2019	2.36	%	170,000	170,000
100 Park Avenue(4)	February 2021	4.28	%	360,000	—
21 East 66th Street	June 2033	2.87	%	1,940	1,959
West Coast Office portfolio(11)	—	—		—	526,290
Total floating rate debt				$1,689,440	$1,842,815
Total joint venture mortgages and other loans payable				$4,577,178	$5,066,710

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(1) Effective weighted average interest rate for the three months ended March 31, 2014, taking into account interest rate hedges in effect during the period.

(2) These loans are comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $72.0 million of the mortgage and $70.3 million of the mezzanine loan which are floating. Up to $200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.

(3) These loans are comprised of a $300.0 million fixed rate mortgage loan and $290.0 million mezzanine loan. The mezzanine loan is subject to accretion based on the difference between contractual interest rate and contractual pay rate.

(4) In February 2014, the joint venture replaced the previous fixed rate mortgage with a $360.0 million, seven-year floating rate, mortgage and realized a net loss on early extinguishment of $3.2 million.

(5) In January 2014, we sold our interest in the joint venture, inclusive of our share of the joint venture debt.

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(6) This loan was in default since November 2009 due to the non-payment of debt service. In January 2014, the joint venture relinquished its ground lease position to the lender. During the three months ended March 31, 2014, we also recognized $7.7 million of incentive income, which is included in other income on the consolidated statements of income.

(7) The joint venture has the ability to increase the mortgage by $40.0 million based on meeting certain performance hurdles. In connection with this obligation, we executed a master lease agreement and our joint venture partner executed a contribution agreement to reflect its pro rata obligation under the master lease. The lien on the mortgage and the master lease excludes the condominium interest owned by Y&R. See Note 5 of prior table.

(8) These loans are comprised of a $150.0 million mortgage loan and a $41.5 million mezzanine loan and are subject to two one-year extension options. As of March 31, 2014, $12.2 million of the mortgage loan and $10.0 million of the mezzanine loan remained unfunded.

(9) In April 2014, the joint venture refinanced the mortgage with a $235.0 million mortgage and a $40.0 million mezzanine loan. These new floating rate loans mature in April 2017.

(10) This loan has a committed amount of $75.0 million, which is recourse to us. Our partner has indemnified us for its pro rata share of the recourse guarantee. A portion of the guarantee terminates upon the joint venture reaching certain milestones. We believe it is unlikely that we will be required to perform under this guarantee.

(11) In March 2014, we sold our interest in the joint venture, inclusive of our share in the joint venture debt.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza, 280 Park Avenue, 3 Columbus Circle and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned $6.3 million and $2.6 million from these services for the three months ended March 31, 2014 and 2013, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The combined balance sheets for the unconsolidated joint ventures, at March 31, 2014 and December 31, 2013, are as follows (in thousands):

	March 31, 2014	December 31, 2013
Assets		
Commercial real estate property, net	$6,356,664	$6,846,021
Other assets	691,636	827,282
Total assets	$7,048,300	$7,673,303
Liabilities and members' equity		
Mortgages and other loans payable	$4,577,178	$5,066,710
Other liabilities	580,870	596,960
Members' equity	1,890,252	2,009,633
Total liabilities and members' equity	$7,048,300	$7,673,303
Company's investments in unconsolidated joint ventures	$1,061,704	$1,113,218

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The combined statements of income for the unconsolidated joint ventures, from acquisition date through the three months ended March 31, 2014 and 2013 are as follows (in thousands):

	Three Months Ended March 31,	
	2014	2013
Total revenues	$161,138	$151,231
Operating expenses	26,683	28,611
Ground rent	2,025	657
Real estate taxes	16,936	17,305
Interest expense, net of interest income	52,336	56,407
Amortization of deferred financing costs	4,633	4,283
Transaction related costs	271	—
Depreciation and amortization	45,604	42,611
Total expenses	148,488	149,874
Loss on early extinguishment of debt	(3,197)	—
Net income before gain on sale	$9,453	$1,357
Company's equity in net income from unconsolidated joint ventures	$6,128	$5,073

6. Deferred Costs

Deferred costs at March 31, 2014 and December 31, 2013 consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Deferred leasing	$324,801	$326,379
Deferred financing	157,021	157,088
	481,822	483,467
Less accumulated amortization	(220,280)	(216,409)
Deferred costs, net	$261,542	$267,058

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7. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases at March 31, 2014 and December 31, 2013 were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(1)	March 31, 2014	December 31, 2013
Fixed Rate Debt:				
609 Partners, LLC(2)	July 2014	5.00 %	$23	$23
125 Park Avenue	October 2014	5.75 %	146,250	146,250
711 Third Avenue	June 2015	4.99 %	120,000	120,000
625 Madison Avenue	November 2015	7.27 %	119,373	120,830
500 West Putnam	January 2016	5.52 %	23,392	23,529
420 Lexington Avenue	September 2016	7.15 %	182,233	182,641
Landmark Square	December 2016	4.00 %	82,505	82,909
485 Lexington Avenue	February 2017	5.61 %	450,000	450,000
120 West 45th Street	February 2017	6.12 %	170,000	170,000
762 Madison Avenue	February 2017	3.75 %	8,169	8,211
2 Herald Square	April 2017	5.36 %	191,250	191,250
885 Third Avenue	July 2017	6.26 %	267,650	267,650
Other loan payable(3)	September 2019	8.00 %	50,000	50,000
One Madison Avenue	May 2020	5.91 %	581,940	587,336
100 Church	July 2022	4.68 %	230,000	230,000
919 Third Avenue(4)	June 2023	5.12 %	500,000	500,000
400 East 57th Street	February 2024	4.13 %	69,802	70,000
400 East 58th Street	February 2024	4.13 %	29,915	30,000
1515 Broadway	March 2025	3.93 %	900,000	900,000
Total fixed rate debt			$4,122,502	$4,130,629
Floating Rate Debt:				
Master repurchase agreement(5)	December 2014	3.37 %	212,216	91,000
16 Court Street	April 2016	4.00 %	78,768	79,243
180 Maiden Lane(6)	November 2016	2.35 %	260,536	262,706
248-252 Bedford Avenue	March 2018	2.42 %	22,000	22,000
220 East 42nd Street	October 2020	1.76 %	275,000	275,000
Total floating rate debt			$848,520	$729,949
Total mortgages and other loans payable			$4,971,022	$4,860,578

(1) Effective weighted average interest rate for the three months ended March 31, 2014, taking into account interest rate hedges in effect during the period.
(2) As part of an acquisition, the Operating Partnership issued 63.9 million units of its 5.0% Series E preferred units, or the Series E units, with a liquidation preference of $1.00 per unit. As of March 31, 2014, 22,658 Series E units remained outstanding. In April 2014, these Series E units were subsequently canceled.
(3) This loan is secured by a portion of a preferred equity investment.
(4) We own a 51.0% controlling interest in the joint venture that is the borrower on this loan.
(5) The Master Repurchase Agreement, as amended in December 2013, or MRA, provides us an ability to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a

certain date or on demand. This MRA has a maximum facility capacity of $300.0 million and bears interest ranging from 250 and 325 basis points over one-month LIBOR depending on the pledged collateral.

(6) In connection with this consolidated joint venture obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata share of the obligation under the master lease.

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
March 31, 2014
(unaudited)

The gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable was $8.0 billion at both March 31, 2014 and December 31, 2013.

8. Corporate Indebtedness
2012 Credit Facility
In March 2014, we entered into an amendment to the $1.6 billion credit facility entered into by the Company in November 2012, or the 2012 credit facility, which, among other things, increased the term loan portion of the 2012 credit facility by $383.0 million to $783.0 million, decreased the interest-rate margin applicable to the term loan facility by 25 basis points and extended the maturity of the term loan portion of the facility from March 30, 2018 to June 30, 2019. The 2012 credit facility, as amended, consists of a $1.2 billion revolving credit facility, or the revolving credit facility, and a $783.0 million term loan facility, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month extension options, subject to certain conditions and the payment of an extension fee of 10 basis points for each such extension. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to $1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our existing lenders and other financial institutions.
The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 95 basis points to 190 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. At March 31, 2014, the applicable spread was 145 basis points for revolving credit facility and 140 basis points for the term loan facility. At March 31, 2014, the effective interest rate was 1.62% for the revolving credit facility and 1.84% for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. As of March 31, 2014, the facility fee was 30 basis points. At March 31, 2014, we had $71.6 million of outstanding letters of credit and $783.0 million outstanding under the term loan facility, with total undrawn capacity of $1.1 billion under the revolving credit facility.
In connection with the amendment of the 2012 credit facility, we incurred debt origination and other loan costs of $2.8 million. We evaluated the modification pursuant to ASC 470 and determined that the terms of the amendment were not substantially different from the terms of the previous 2012 credit facility. As a result, these deferred costs and the unamortized balance of the costs previously incurred are amortized through the extended maturity date of the term loan facility.
The Company, the Operating Partnership and ROP are all borrowers jointly and severally obligated under the 2012 credit facility. None of our other subsidiaries are obligors under the 2012 credit facility.
The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).
Senior Unsecured Notes
The following table sets forth our senior unsecured notes and other related disclosures as of March 31, 2014 and December 31, 2013 by scheduled maturity date (amounts in thousands):

Issuance	March 31, 2014 Unpaid Principal Balance	March 31, 2014 Accreted Balance	December 31, 2013 Accreted Balance	Coupon
Transfers	0.2			
Translation differences	0.6	9.1	9.1	

At 3 February 2007	8.8	266.1	90.2	356.3
Charged in period	4.7			
Transfers	(2.2)			
Translation differences	(0.1)			
At 2 February 2008	11.2	266.1	90.2	356.3
Net book value:				
At 2 February 2008	22.0	408.0	148.0	556.0
At 3 February 2007	15.7	408.0	148.0	556.0
At 28 January 2006	9.9	408.0	132.9	540.9

(1) Goodwill of $520.2 million net of accumulated amortization arose on acquisitions prior to 1991.

The reporting units for the purpose of goodwill impairment testing are the US and UK operating segments. In 2007/08, 2006/07 and 2005/06, the Group performed the required impairment tests of goodwill and determined that there was no impairment.

Computer software is stated at cost less accumulated amortization. Amortization charges are recorded in selling, general and administrative expenses in the income statement. The weighted average amortization period for additions in the period is 4.1 years.

Management estimates that the annual amortization charge in respect of computer software held at 2 February 2008 for each of the next five fiscal years will be as follows:

	$m
2008/09	6.5
2009/10	6.1
2010/11	4.3
2011/12	2.9
2012/13	1.0

Estimated amortization expense can be affected by various factors including future acquisitions and disposals.

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12. Property, Plant and Equipment, Net

	Land and buildings			Plant, machinery and vehicles	Shopfronts, fixtures and fittings	
	Freehold $m	Long leasehold $m	Short leasehold $m	$m	$m	Total $m
Cost:						
At 29 January 2005	28.1	1.7	249.2	126.1	547.3	952.4
Additions			2.3	5.6	118.8	126.7
Disposals	(12.6)		(2.3)	(21.2)	(94.1)	(130.3)
Transfers			(222.5)	(1.6)	224.1	
Translation differences	(1.4)	(0.1)	(0.9)	(2.4)	(14.5)	(19.3)
At 28 January 2006	14.1	1.6	25.8	106.5	781.6	929.6
Additions			4.9	8.1	103.9	116.9
Disposals	(0.6)		(0.6)	(2.4)	(26.9)	(30.5)
Transfers				(1.5)	0.9	(0.6)
Translation differences	1.4		1.3	2.3	21.5	26.5
At 3 February 2007	14.9	1.6	31.4	113.0	881.0	1,041.9
Additions			5.5	14.3	109.3	129.1
Disposals			(0.5)	(2.9)	(37.7)	(41.1)
Transfers	2.0		(2.1)	4.7	(2.0)	2.6
Translation differences				(0.1)	(0.4)	(0.5)
At 2 February 2008	16.9	1.6	34.3	129.0	950.2	1,132.0
Depreciation:						
At 29 January 2005	5.9	1.6	137.5	87.3	306.4	538.7
Charged in period	0.4		2.0	11.5	67.1	81.0
Disposals	(0.9)		(2.3)	(21.1)	(92.9)	(117.2)
Transfers			(125.3)		125.3	
Translation differences	(0.4)	(0.1)	(0.7)	(1.4)	(7.5)	(10.1)
At 28 January 2006	5.0	1.5	11.2	76.3	398.4	492.4
Charged in period	0.4		2.2	14.3	79.1	96.0
Disposals	(0.5)		(0.4)	(2.3)	(25.9)	(29.1)
Transfers				(1.1)	0.9	(0.2)
Translation differences	0.6		1.1	1.1	8.6	11.4
At 3 February 2007	5.5	1.5	14.1	88.3	461.1	570.5
Charged in period	0.3		2.8	12.4	93.7	109.2
Disposals			(0.4)	(2.0)	(36.3)	(38.7)
Transfers	0.4		(0.4)	2.9	(0.7)	2.2
Translation differences				(0.1)	(0.3)	(0.4)
At 2 February 2008	6.2	1.5	16.1	101.5	517.5	642.8
Net book value:						
At 2 February 2008	10.7	0.1	18.2	27.5	432.7	489.2
At 3 February 2007	9.4	0.1	17.3	24.7	419.9	471.4

At 28 January 2006	9.1	0.1	14.6	30.2	383.2	437.2

Property, plant and equipment are stated at cost. Freehold properties on the consolidated balance sheet include $6.9 million of depreciable assets (2006/07: $6.9 million; 2005/06: $6.2 million).

13. Accrued Expenses and other Current Liabilities

	2008 $m	2007 $m	2006 $m
Social security and PAYE	10.5	11.6	6.7
Other taxes	33.7	42.6	39.5
Other liabilities	23.5	19.7	15.2
Accrued compensation	56.8	66.8	69.8
Accrued expenses	143.7	136.3	119.1
Total accrued expenses and other current liabilities	268.2	277.0	250.3

Sales returns reserve included in accrued expenses:

	Balance at beginning of period $m	Adjustment[1] $m	Balance at end of period $m
2005/06	7.9	0.4	8.3
2006/07	8.3	1.3	9.6
2007/08	9.6	(1.2)	8.4

(1) Adjustment relates to sales returns previously provided for and changes in estimate and includes the impact of foreign exchange translation between opening and closing balance sheet dates.

14. Warranty Revenue

	Balance at beginning of period $m	Warranties Sold $m	Revenue recognized $m	Balance at end of period $m
2005/06	183.8	149.4	(127.8)	205.4
2006/07	205.4	168.1	(140.8)	232.7
2007/08	232.7	166.5	(152.6)	246.6

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

15. Other Liabilities

	2008 $m	2007 $m	2006 $m
Accrued expenses	43.6	39.4	33.1
Lease loss reserve	9.6	10.0	11.0
Other liabilities	43.2	56.6	43.2
Total other liabilities	96.4	106.0	87.3

A lease loss reserve is recorded for the net present value of the difference between the contractual rent obligations and the rate at which income is received or expected to be received from subleasing the properties.

	2008 $m	2007 $m	2006 $m
At beginning of financial year	10.0	11.0	11.0
Adjustments, net	0.7	(0.4)	0.9
Utilization[1]	(1.1)	(0.6)	(0.9)

At end of financial year	9.6	10.0	11.0

(1) Including the impact of foreign exchange translation between opening and closing balance sheet dates.

The cash expenditures on the remaining lease loss reserve are expected to be paid over the various remaining lease terms through 2017.

16. Long Term Debt

Revolving credit facility

In September 2004, the Group entered into an unsecured $390.0 million multi-currency revolving credit facility with a syndicate of banks for a period of five years at a variable interest rate and at a maximum margin of 0.55 per cent above LIBOR. From commencement, the applicable margin has been 0.40 per cent above LIBOR. At 2 February 2008 and at 3 February 2007 the amount outstanding under this facility was $nil.

Commitment fees are paid on the undrawn portion of this credit facility at a rate of 40.0 per cent of the applicable margin. The principal financial covenants on this facility, calculated in accordance with IFRS, are as follows:

the ratio of Consolidated Net Debt (cash and cash equivalents less borrowings falling due within one year and borrowings falling due in more than one year) to Consolidated EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization) shall not exceed 3:1;

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consolidated Net Worth (total net assets) must not fall below £400 million; and

the ratio of Consolidated EBITARR (Earnings Before Interest, Tax, Amortization, Rents, Rates and Operating Lease Expenditure) to Consolidated Net Interest Expenditure plus Rents, Rates and Operating Lease Expenditure shall be equal to or greater than 1.4:1.

US private placement

On 30 March 2006 the Group entered into a US Private Placement Note Term Series Purchase Agreement, (**US Private Placement**) which was funded largely from US insurance institutional investors in the form of fixed rate investor certificate notes (**Notes**). These Notes represent 7, 10 or 12 year maturities. Interest on the Notes is payable semi-annually with the face value payable at time of maturity, accordingly there are no repayments on the Notes due in the next five years. The Series A Notes are $100.0 million at face value, bear interest at 5.95 per cent and are due in May 2013; Series B Notes are $150.0 million at face value, bear interest at 6.11 per cent and are due in May 2016 and Series C Notes are $130.0 million at face value, bear interest at 6.26 per cent and are due in May 2018. The aggregate issuance was at face value for $380.0 million and the funding date was 23 May 2006. The proceeds from this debt issuance were used to refinance the maturing receivable securitization program and for general corporate purposes. The Notes rank pari passu with the Group s other senior unsecured debt, of which there is currently none. The principal financial covenants are in line with the Revolving Credit Facility as described above. Debt issuance costs were $2.0 million.

Conduit securitization facility (Conduit)

On 26 October 2007 the Group entered into a 364 day $200 million Conduit. Under this securitization, interests in the US private label credit card receivables portfolio held by a trust would be sold to Bryant Park, a Conduit administered by HSBC Securities (USA) Inc., in the form of a secured revolving variable rate certificate. The Conduit bears interest at a margin of 0.22 per cent above the cost of funds paid by Bryant Park and commitment fees are paid on the undrawn portion at a rate of 0.12 per cent. At 2 February 2008 no receivable interests have been placed in trust for sale. Accordingly, the amount outstanding under the Conduit was $nil.

Receivable Securitization

In the US, in November 2001, the Group entered into a five year credit card receivable securitization program. Under this program, all eligible revolving credit card accounts originating from sales to customers under the Group s private label credit plans were sold on an on-going basis to Sterling Jewelers Receivable Corp (**SJRC**), a wholly owned, consolidated, special-purpose subsidiary. The receivable accounts were subsequently transferred to Sterling Jewelers Receivables Master Note Trust (**Trust**), an unconsolidated, qualifying, special-purpose entity, in exchange for: (a) the aggregate proceeds of $251,000 derived from the initial sale to outside investors of fixed rate Class A, Class B and Class C asset-backed notes; (b) a non-interest bearing, seller-retained, Class D note in the principal amount of $26,348; and (c) a Transferor s certificate representing the residual undivided beneficial interest in the assets of the Trust. Throughout the revolving period of the program, which ended on 20 February 2006, principal collections attributable to the receivables were retained by the trust until the $251,000 principal amount of the outside investors notes was accumulated. The repayment of the notes occurred in November 2006 and is included as repayment of long term debt in the financing activities section of the Statement of Cash Flows. Finance charge collections derived from the receivables owned by the Trust were used to fund monthly interest payments to the note holders, absorb defaulted receivables and pay a monthly servicer s fee to the Group. Residual finance charge collections were released monthly to SJRC. The notes had a weighted average fixed interest rate of 5.42 per cent and interest was payable monthly in arrears.

The Group s retained interests in the receivables transferred to the Trust that were attributable to the subordinated Class D note and the Transferor s certificate were included in accounts receivable in the consolidated balance sheets. The Group periodically measured the fair value of the retained interests using management s best estimate of the expected future cash collections from the transferred receivables. Actual cash collections could have been different from these estimates and would have directly affected the fair value of the retained interests. Sterling Jewelers Inc. serviced, administered, and collected the receivables. The trust and note holders had no recourse to the Group s other assets for failure of the debtors to pay when due.

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Cash flows between the Trust and the Group for the years ended 3 February 2007 and 26 January 2006 were as follows:

	2006/07 $m	2005/06 $m
Proceeds from collections reinvested in securitizations	779.2	938.9
Other cash flows received on retained interests	118.4	113.7
Repayment of notes	(251.0)	
Servicing fees received	2.1	5.5

The weighted average interest rate on other loans and overdrafts during the year was 5.3 per cent (2006/07: 5.4 per cent; 2005/06: 4.3 per cent)

17. Financial instruments and Fair Value

The Group s principal financial instruments are comprised of cash deposits, accounts receivable and payables, derivatives, a revolving credit facility and fixed rate notes. The Group does not enter into derivative transactions for trading purposes. Derivative transactions are used by the Group for risk management purposes to address risks inherent in the Group s business operations and sources of finance.

The main risks arising from the Group s operations are interest rate risk, liquidity risk, and market risk including foreign currency risk and commodity risk. The Group uses derivative financial instruments to manage and mitigate these risks under policies reviewed and approved by the Group s Board of Directors. The Group has applied SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended (**SFAS 133**), in accounting for these financial instruments.

Interest rate risk

The Group s operations are financed principally by $380.0 million fixed rate notes under the US Private Placement. As of 2 February 2008 and 3 February 2007, the Group had no borrowings under the Revolving Credit Facility.

The Group may enter into various interest rate protection agreements in order to limit the impact of movements in interest rates on its borrowings. There were no interest rate protection agreements outstanding at 2 February 2008 or 3 February 2007, as the notes under the US Private Placement are at a fixed rate and not subject to changes in market conditions.

Liquidity risk

The Group s objective is to ensure that it has the ability to generate sufficient cash from either internal or external sources in a timely and cost-effective manner to meet its commitments as they become due and payable. The Group manages liquidity risks as part of the overall risk management policy. Group management produces forecasting and budgeting information that is reviewed and monitored by the Board of Directors. External financing is the main source of funding supplementing the Group s resources in meeting liquidity requirements. The main external sources of funding include the US Private Placement, consisting of Series A Notes of $100.0 million, Series B Notes of $150.0 million, and Series C Notes of $130.0 million, which fall due in 2013, 2016 and 2018 respectively, and an unsecured revolving credit facility of $390.0 million that was not drawn as of 2 February 2008 or 3 February 2007.

Market risk

The Group generates revenues and expenses in pounds sterling and US dollars. As certain of the Group s UK division purchases are denominated in US dollars, the Group s policy is to enter into foreign currency forward exchange contracts and foreign currency swaps to manage this exposure to the US dollar. The fair value of these contracts is recorded in other assets and other liabilities.

For currency and commodity contracts that are qualifying cash flow hedges as defined by SFAS 133, changes in fair value are recorded as a component of accumulated other comprehensive income/(loss). Amounts are reclassified from other comprehensive income/(loss) into earnings when the hedged exposure affects earnings. For contracts that do not meet the strict hedge accounting requirements of SFAS 133, changes in fair value are recorded in other operating expenses.

Credit risk and concentrations of credit risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Group does not anticipate non-performance by counterparties of its financial

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instruments. The Group generally does not require collateral or other security to support financial instruments with credit risk; however it is the Group s policy to only transact financial instruments with counterparties of reputable stature, such as banks and other lending institutions.

Management does not believe the Group is exposed to any significant concentrations of credit risk that arise from derivatives or accounts receivable.

Fair value

The estimated fair value of the Group s financial instruments held or issued to finance the Group s operations is summarized below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that the Group would realize upon disposition nor do they indicate the Group s intent or ability to dispose of the financial instrument.

	2008		**2007**		**2006**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	$m		**$m**		**$m**	
Assets:						
Derivative financial instruments	11.5	11.5	8.3	8.3	3.5	3.5
Liabilities:						
Borrowings	(416.3)	(416.3)	(385.5)	(385.5)	(16.4)	(16.4)
Derivative financial instruments			(0.8)	(0.8)		

The following methods and assumptions were used by the Group in estimating its fair value disclosure for financial instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities approximate fair value because of the short term maturity of these amounts.

The fair value of derivative financial instruments has been determined based on market value equivalents at the balance sheet date, taking into account the current interest rate environment or current foreign currency forward rates.

Derivatives

The Group operates in both the US and the UK and therefore is exposed to foreign exchange risk arising from various currency exposures. The Group enters into forward foreign currency exchange purchase contracts, principally in US dollars, in order to limit the impact of movements in foreign exchange rates on its forecast foreign currency purchases. It is the policy of the Group to ensure identified foreign currency exposures are hedged to at least the following levels:

Less than 3 months	100.0 per cent
3 6 months	75.0 per cent
6 12 months	50.0 per cent

The Group also enters into forward purchase contracts for commodities in order that values of assets should not be unnecessarily exposed to significant movements in the price of the underlying precious metal raw material.

	Fair values as at 2 February 2008		Fair values as at 3 February 2007		Fair values as at 28 January 2006	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Cash flow hedges:						
Forward foreign currency contracts	1.9			(0.8)	0.9	
Forward commodity contracts	9.6		8.3		2.6	
	11.5		8.3	(0.8)	3.5	

Foreign currency exchange contracts not designated as cash flow hedges are used to hedge currency flows through the Group s bank accounts to ensure the Group is not exposed to foreign currency exchange risk in its cash and borrowings. As at 2 February 2008 the fair value of outstanding cross currency swaps was a liability of $1.6 million (2007: asset of $0.2 million; 2006: $0.9 million).

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The fair values of all derivative financial instruments shown above are based on market value equivalents at the balance sheet date and are held as assets and liabilities within other receivables and other payables, and all contracts have a maturity of less than one year.

Gains of $10.2 million (2006/07: loss of $1.5 million; 2005/06: $nil) have been transferred to cost of sales in respect of contracts that matured during the period. Changes in the fair value of non-hedging foreign currency financial instruments amounting to $1.3 million (2006/07: $0.2 million; 2005/06: $nil) have been credited to the income statement during the period. The ineffective portion of hedging instruments taken to net other operating income was $1.0 million (2006/07: $nil; 2005/06: $nil).

18. Pension Schemes

The Group Scheme, which ceased to admit new employees from April 2004, is a funded scheme with assets, held in a separate trustee administered fund which is independently managed. A 2 February 2008 and 3 February 2007 measurement date was used in determining the Group s scheme benefit obligation and fair value of plan assets. Contributions to the Group Scheme were assessed as at 5 April 2006.

The following schedules provide information concerning the Group Scheme as of and for the fiscal years ended:

	2007/08 $m	2006/07 $m	2005/06 $m
Change in scheme assets:			
Fair value at beginning of year	261.6	223.6	201.3
Actual return on Scheme assets	(11.8)	12.7	34.9
Employer contributions	7.2	6.8	7.7
Members contributions	0.9	0.9	0.9
Benefits paid	(9.9)	(8.1)	(7.9)
Foreign currency changes	0.1	25.7	(13.3)
Fair value of Scheme assets at end of year	248.1	261.6	223.6
Change in benefit obligation:			
Benefit obligation at beginning of year	257.9	251.0	204.9
Service cost	8.0	7.5	6.5
Past service cost		0.2	
Interest cost	13.4	12.5	10.1
Members contributions	0.9	0.9	0.9
Actuarial (gain)/loss	(16.6)	(33.4)	50.6
Benefits paid	(9.9)	(8.1)	(7.9)
Foreign currency changes		27.3	(14.1)
Benefit obligation at end of year	253.7	257.9	251.0
Funded status at end of year: Scheme assets less benefit obligation	(5.6)	3.7	(27.4)
Amounts recognized in the balance sheet consist of:			
Non current assets		3.7	
Non current liabilities	(5.6)		(1.9)

Net (liability)/asset recognized	(5.6)	3.7	(1.9)

Amounts recognized in accumulated other comprehensive income/(loss) consists of:

	2007/08 $m	2006/07 $m	2005/06 $m
Minimum pension liability			(35.5)
Net actuarial loss	(36.0)	(26.6)	
Net prior service cost	(5.7)	(6.5)	

The estimated actuarial loss, and prior service cost for the Group Scheme that will be amortized from accumulated other comprehensive income/(loss) into net periodic benefit cost over the next fiscal year are $2.0 million and $1.2 million, respectively.

The accumulated benefit obligation for the Group Scheme was $240.4 million, $246.9 million and $235.0 million at 2 February 2008, 3 February 2007 and 28 January 2006 respectively.

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The components of net periodic pension cost and other amounts recognized in other comprehensive income/(loss) for the Group Scheme are as follows:

	2007/08 $m	2006/07 $m	2005/06 $m
Components of net periodic benefit cost:			
Service cost	8.0	7.5	6.5
Interest cost	13.4	12.5	10.1
Expected return on Group Scheme assets	(19.1)	(15.4)	(13.1)
Amortization of unrecognized prior service cost	1.2	1.1	1.1
Amortization of unrecognized actuarial loss	0.9	3.3	1.6
Net periodic benefit cost	4.4	9.0	6.2
Other changes in scheme assets and benefit obligations recognized in other comprehensive loss/(income)	12.3	(53.0)	50.8
Total recognized in net periodic benefit cost and other comprehensive loss/(income)	16.7	(44.0)	57.0

Amount recognized in the balance sheet upon application of SFAS 158:

	2007 before adoption of SFAS 158 $m	Incremental effect of SFAS 158 $m	2007 after adoption of SFAS 158 $m
Prepaid benefit cost	51.0	(51.0)	
Pension asset funded status		3.7	3.7
	51.0	(47.3)	3.7
Deferred income taxes	(15.3)	14.2	(1.1)
	35.7	(33.1)	2.6

	2007/08	2006/07	2005/06
Assumptions used to determine benefit obligations (at the end of the year):			
Discount rate	5.90%	5.20%	4.75%
Salary increases	5.00%	4.60%	4.30%
Assumptions used to determine net periodic pension costs (at the start of the year):			
Discount rate	5.20%	4.75%	5.30%
Expected return on Group Scheme assets	7.20%	6.50%	6.80%
Salary increases	4.60%	4.30%	4.30%

The discount rate is based upon published rates for high-quality fixed-income investments that produce cash flows that approximate the timing and amount of expected future benefit payments.

The expected return on the Group Scheme assets assumption, is based upon the historical return and future expected returns for each asset class, as well as the target asset allocation of the portfolio of Group Scheme assets. The expected return is adjusted for an allowance for Group Scheme expenses.

The composition of the assets in the Group Scheme was as follows:

	2007/08	2006/07	2005/06
Equities	65%	74%	71%
Bonds	29%	24%	25%
Property	5%		
Cash	1%	2%	4%
Total	100%	100%	100%

The long term target allocation for the Group Scheme s assets is equities 68 per cent, bonds 27 per cent and property 5 per cent.

The Group s overall investment strategy is guided by an objective of achieving a return on the investments, which is consistent with the long term return assumptions to ensure the Group Scheme obligations are met. There is no investment by the Group Scheme in the shares of the Company or in property occupied by or other assets used by the Group. The Group expects to contribute a minimum of $7.4 million to the Group Scheme in 2008/09.

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The following benefit payments, which reflect expected future service, as appropriate, are estimated to be paid by the Group Scheme:

	$m
2008/09	10.3
2009/10	11.3
2010/11	11.7
2011/12	12.0
2012/13	13.8
2013/14 to 2017/18	72.8

In June 2004, the Group introduced a defined contribution plan which replaced the Group Scheme for new UK employees. The contributions to this scheme in the period were $0.2 million (2006/07: $0.2 million; 2005/06: $0.1 million).

In the US, the Group sponsors a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. The assets of this plan are held in a separate trust and the Group matches 25 per cent of up to the first 6 per cent of employee elective salary deferrals. The Group s contributions to this plan in the 52 weeks 2 February 2008 were $4.8 million (2006/07: $4.1 million, 2005/06: $4.1 million). The Group has also established, in the US, an unfunded, non-qualified deferred compensation plan (**DCP**) which permits certain management employees to elect annually to defer all or a portion of their remuneration and earn interest on the deferred amounts. The DCP also provides for a Group matching contribution based on each participant s annual remuneration deferral. In connection with this plan, the Group has invested in trust-owned life insurance policies. The cost recognized in connection with the DCP in the year were $1.7 million (2006/07: $1.6 million, 2005/06: $1.5 million).

19. Common Stock, Deferred Stock and Reserves

Common stock

As discussed in Note 1(a) on 5 February 2007 the Company redenominated its common stock from pounds sterling into US dollars. This was accomplished by a cancellation of the outstanding pound sterling shares and issuance of an equal amount of US dollar denominated shares. The par value of each US dollar common share is 0.9 cents and each shareholder received one dollar common share in exchange for one pound sterling common share. The US dollar common shares have the same rights and restrictions as the previous pound sterling common shares. This share transaction was approved by shareholders on 12 December 2006 and received court approval on 31 January 2007.

The consideration received in respect of common shares issued during the year in respect of stock options was $6.0 million (2006/07: $6.4 million; 2005/06: $4.0 million). During the year, 12,205,000 shares were purchased by the Company for a consideration of $29.0 million.

Deferred stock

UK legal requirements mandate that £50,000 of share capital is held by the Company and denominated in pounds sterling. To satisfy this requirement, 50,000 deferred shares of £1 each were issued and were held by the Company Secretary of the Company on 5 February 2007. These shares do not have voting rights and do not participate in earnings of the Group.

Own stock held

Own stock held represents the cost of shares in the Company purchased in the market and held by the Employee Stock Ownership Trust (**ESOT**) to satisfy options under the Group s share option schemes. In 2007/08 the trustee transferred 913,957 shares to the holders of executive share and LTIP options granted to UK employees. The trustee held 1,719,951 shares at 2 February 2008, 1,719,951 shares at 8 April 2008 and 2,633,908 shares at 3 February 2007.

In 2007/08 the trustee of the ESOT subscribed in cash for a total of 3,804,241 shares in order to provide shares to satisfy the exercise of executive share options granted to US employees. In aggregate the subscription monies amounted to $5.4 million at option prices between $0.545 and $2.05. The subscription prices were the market prices on the last business days before the dates on which the respective terms of issue were fixed, and varied between 82p and 126.75p per share.

On various dates during 2007/08 a total of 357,416 shares were subscribed for in cash by holders of options. In aggregate the option proceeds amounted to $0.6 million at option prices between 79.6p and 94p per share.

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The option proceeds were the market prices at the various times at which the options were granted. The market prices on the dates of issue varied between 64.75p and 126.5p per share. Details of options in respect of shares are shown in note 21.

Other reserves

Other reserves consist of special reserves and a capital redemption reserve established in accordance with the laws of England and Wales.

Following a capital reduction in 1997, the Company is permitted to make distributions including dividends, share buy-backs and other transactions classed as distributions out of income earned after 2 August 1997. Amounts paid by subsidiary undertakings in the form of a dividend from earnings prior to 2 August 1997 are recorded as a special reserve. The special reserve is, for as long as the Company is a public company, treated as a non-distributable reserve for the purposes of section 264 of the Companies Act 1985. In addition to the above special reserve, the Company established a special reserve prior to 1997 in connection with reductions in additional paid-in capital which can only be used to write off existing goodwill resulting from acquisitions and otherwise only for purposes permitted for the share premium accounts

The capital redemption reserve has arisen on the cancellation of previously issued common stock and represents the nominal value of those shares cancelled.

20. Commitments and Contingencies

Operating leases

The Group occupies certain properties and holds plant, machinery and vehicles under operating leases. The Group does not have any capital leases. Rental expense for operating leases are as follows:

	2007/08 $m	**2006/07 $m**	**2005/06 $m**
Minimum rentals	316.0	283.1	275.1
Contingent rent	10.1	14.6	12.0
Sublease income	(7.0)	(6.5)	(6.4)
Total	319.1	291.2	280.7

The future minimum operating lease payments for operating leases having initial or non-cancellable terms in excess of one year as follows:

	$m
For fiscal years ending:	

2008/09	299.0
2009/10	280.8
2010/11	260.4
2011/12	241.2
2012/13	219.2
Thereafter	1,227.8
Total	2,528.4

The Group entered into certain sale and leaseback transactions of freehold and long leasehold properties. Under these transactions the Group continues to occupy the space in the normal course of business. Gains on the transactions are recognized as a reduction of rent expense over the life of the operating lease.

Capital commitments

At 2 February 2008 the Group has committed to spend $37.4 million in respect of capital commitments. These commitments relate to the expansion and renovation of stores.

Litigation

The Group is not party to any legal proceedings considered to be material to the consolidated financial statements. Furthermore, no director, officer or affiliate of the Group or any associate of any such director has been party to any agreement that is 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.

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21. Share Options

The Group operates several share option plans which can be categorized as Saving Share Plans , Executive Plans , and Long-Term Incentive Plans .

Saving Share Plans

Three all-employee share option schemes comprising a savings related share option scheme for UK employees (the **Sharesave Scheme**), a US Section 423 Plan (the **Employee Share Savings Plan**) and a savings related share option scheme for Republic of Ireland employees (the **Irish Sharesave Scheme**) are together referred to as Saving Share Plans . The Saving Share Plans allow eligible employees to purchase shares of common stock at a discount of approximately 20 per cent (for the Sharesave Scheme and the Irish Sharesave Scheme) and 15 per cent (for the Employee Share Savings Plan) of the middle market price on the date of invitation, in the case of the Sharesave Scheme and the Irish Sharesave Scheme and the date of grant, in the case of the Employee Share Savings Plan. Options granted under the Sharesave Scheme and the Irish Sharesave Scheme vest after 36 months and are generally only exercisable after the offering period, which is between 36 and 42 months from commencement of the related savings contract. Options granted under the Employee Stock Savings Plan vest after 24 months and are generally only exercisable after the offering period, which is a date between 24 and 27 months after the grant date. The Saving Share Plans are compensatory and compensation expense is recognized over the requisite service period. In any 10 year period not more than 10 per cent of the issued common stock of the Company from time to time may, in aggregate, be issued or be issuable pursuant to options granted under the Saving Share Plans or any other employees share plans adopted by the Group.

Executive Plans

The Group operates two executive share option plans comprising a 1993 executive share scheme (the **1993 Plan**) and a 2003 executive share scheme (the **2003 Plan**), together referred to as the Executive Plans . Option awards under the Executive Plans are generally granted with an exercise price equal to the market price of the Company s stock at the date of grant.

The Executive Plans provide for options to be exercisable if any performance tests which may be set are satisfied. Where performance tests have been set, performance will be measured over a three year period from the start of the fiscal year in which the award is granted and will be based on the Group achieving an annual rate of compound growth in earnings per share under IFRS above the respective US and UK inflation measure. Whilst all option grants were subject to such performance tests before 2007/08, options granted since then have only been subject to a performance test where it has been made to an executive director. All awards up to and including the awards made in April 2006 under the 2003 Plan were eligible for retesting at the end of the fourth or fifth anniversary of grant, but retesting ceased to apply after that date. The Group s Executive Plans, which are shareholder approved, permit the grant of share options to employees, together with any other discretionary share option plan adopted by the Company of up to 5 per cent of the issued common stock. A maximum of 171,376,839 shares may be issued pursuant to incentive options granted to US participants in the Executive Plans.

Long-Term Incentive Plans

The Long-Term Incentive Plan 2000 which was replaced by the Long Term Incentive Plan 2005 are together referred to as (**Long-Term Incentive Plans**) or (**LTIPs**). LTIPs are subject to certain internal performance criteria and cannot be exercised unless achievement of an annual rate of compound growth in profit before tax at constant exchange rates of the Group, for Group executives, or, growth in divisional operating profit, for divisional executives, and in return on capital employed (**ROCE**) of the Group or related division as appropriate. To the extent that the performance criteria are satisfied, the participant will receive a combination of shares and cash in equal value. Compensation expense is recognized over the three year performance period for all schemes and options granted have 10 year contractual terms. The Company s LTIPs permit the grant of share options to employees, together with any other discretionary share option plan adopted by the Company of up to 5 per cent of the Company s issued common stock.

Upon adoption of SFAS 123(R), the liabilities for LTIPs and Executive Plans were recognized at fair value. This resulted in the recognition of a cumulative effect of change in accounting principle by $6.0 million at 29 January 2006.

The Group recognized total share-based payment credit of $3.4 million in the financial period ending 2 February 2008 (2006/07: $17.2 million expense; 2005/06: $0.2 million expense). The related tax benefit

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on the share-based compensation expense was $1.5 million, $0.2 million and $0.2 million, respectively. The total remaining unrecognized compensation cost related to non-vested share options under all Group plans amounted to $5.0 million, $11.8 million and $8.4 million relating to 2007/08, 2006/07 and 2005/06 respectively, which will be amortized over the weighted average periods of 2.0 years, 1.9 years and 1.8 years, respectively.

The Company either issues new shares or utilizes own stock to satisfy share option exercises under its plans. The Company does not expect to repurchase any shares during 2008/09 to satisfy share option exercises. Cash received from the exercise of share options granted under the Group s plans during 2007/08, 2006/07 and 2005/06 was $6.0 million, $6.4 million and $4.0 million, respectively.

Option scheme status

	Saving Share Plans		Executive Plans		LTIPs	
	No. of shares millions	WAEP(1) pence	No. of shares millions	WAEP(1) pence	No. of shares millions	WAEP(1) pence
Outstanding at 29 January 2005	7.1	78	35.5	85	3.3	
Movements in period						
Granted	3.1	81	9.7	112	0.9	
Exercised	(2.6)	68	(3.3)	61	(0.2)	
Lapsed	(0.9)	82	(1.1)	103	(0.2)	
Outstanding at 28 January 2006	6.7	84	40.8	97	3.8	
Movements in period						
Granted	2.2	95	9.8	112	1.8	
Exercised	(1.6)	84	(4.3)	88	(1.6)	
Lapsed	(1.0)	84	(1.6)	103	(0.4)	
Outstanding at 3 February 2007	6.3	86	44.7	103	3.6	
Movements in period						
Granted	3.8	76	8.6	124	1.5	
Exercised	(0.4)	85	(5.4)	86	(0.5)	
Lapsed	(2.0)	84	(0.8)	117	(0.4)	
Outstanding at 2 February 2008	7.7	82	47.1	109	4.2	
Exercisable at 28 January 2006	0.6	76	11.3	80	1.2	
Exercisable at 3 February 2007	0.3	88	6.8	90	0.2	
Exercisable at 2 February 2008	1.0	86	20.3	99	0.1	

(1) Weighted Average Exercise Price

The weighted average share price at the date of exercise for share options exercised during 2007/08 was 119p (2006/07: 114p).

The following tables summarize the information about share options outstanding and exercisable at 2 February 2008, and the inputs used in a binomial model for Saving Share Plans and Executive Plans, and in a Black-Scholes model for LTIP plans, for the calculation of the fair value of options granted in the 2005/06, 2006/07 and 2007/08 financial years:

	Saving Share Plans			Executive Plans			LTIPs		
	Shares millions	WACL(2) years	WAEP(1) pence	Shares millions	WACL(2) years	WAEP(1) pence	Shares millions	WACL(2) years	WAEP(1) pence
Outstanding	7.7	1.2	82	47.1	6.9	109	4.2	8.3	
Exercisable	1.0	0.3	86	20.3	5.1	99	0.1	3.8	

	Saving Share Plans			Executive Plans			LTIPs		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Share price(3)	90p	120p	99p	122p	110p	112p	122p	110p	114p
Exercise price(3)	76p	95p	81p	124p	112p	112p	nil	nil	nil
Risk free interest rate	4.49%	4.91%	4.00%	4.56%	4.72%	4.15%	4.61%	4.80%	4.10%
Expected life of options	2.8 years	2.6 years	2.7 years	4.3 years	4.3 years	4.3 years	3.5 years	3.5 years	3.5 years
Expected volatility	26%	31%	38%	28%	34%	38%	28%	34%	38%
Dividend yield	3.3%	3.2%	2.2%	2.9%	2.8%	2.3%	2.9%	2.8%	2.3%
Fair value(3)	45c	68c	59c	53c	55c	63c	220c	188c	190c

(1) Weighted Average Exercise Price

(2) Weighted Average Remaining Contractual Life

(3) Weighted average

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The expected volatility is determined by calculating the historical volatility of the Group s share price over the previous five years. The expected life used in the model is based on the historical exercise behavior of the main categories of option recipients.

The total intrinsic value of options outstanding and exercisable as of 2 February 2008 was $0.6 million and $0.6 million, respectively, and the aggregate intrinsic value for share options exercised during the years 2007/08 and 2006/07 was $6.6 million and $7.6 million respectively.

The following table illustrates the effect on net income and earnings per share if the Group had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation for the period prior to the adoption of SFAS No. 123R.

Year end 28 January 2006	**2006 $m expect per share data**
Net income, as reported	238.0
Add: Share-based payment expense included in reported net income, net of related tax effects	0.2
Deduct: Total share-based payment expense determined using the fair value-based method for all awards, net of related tax effects	(8.1)
Pro forma net income	230.1
Earnings per share:	
Basic and diluted as reported	13.7c
Basic and diluted proforma	13.2c

22. Related Party Transactions

There are no related party transactions which require disclosure in these accounts.

23. Subsequent Events

On 26 June 2008, Signet entered into a $520 million unsecured multi-currency five year revolving credit facility agreement. This replaced a similar $390 million facility that had been entered into on 28 September 2004.

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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 $m	13 weeks ended 4 August 2007 $m	26 weeks ended 2 August 2008 $m	26 weeks ended 4 August 2007 $m	Notes
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.

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Unaudited condensed consolidated balance sheets

	2 August 2008 $m	4 August 2007 $m	2 February 2008 $m	Notes
Assets				
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	2,355.5	2,223.5	2,422.8	
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	3,548.9	3,380.8	3,599.4	
Liabilities and Shareholders equity:				
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	652.8	552.7	646.5	
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	1,287.1	1,172.7	1,278.2	
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	3,548.9	3,380.8	3,599.4

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

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Unaudited condensed consolidated statements of cash flows

	13 weeks ended 2 August 2008 $m	13 weeks ended 4 August 2007 $m	26 weeks ended 2 August 2008 $m	26 weeks ended 4 August 2007 $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	93.0	61.6	115.0	60.7
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	(40.3)	(29.8)	(65.7)	(58.1)
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	(13.3)	(89.8)	(23.7)	(109.1)
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	66.9	51.8	66.9	51.8

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

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Unaudited condensed statement of consolidated shareholders equity

	Common Stock at par value $m	Deferred Stock at par value $m	Additional paid in capital $m	Other reserves $m	Own stock held $m	Retained earnings $m	Accumulated Other Comprehensive Income (loss) $m	Total shareholders equity $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
Balance at 2 August 2008	15.3	0.1	163.5	235.2	(10.8)	1,856.4	2.1	2,261.8

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 $m	13 weeks ended 4 August 2007 $m	26 weeks ended 2 August 2008 $m	26 weeks ended 4 August 2007 $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)	18.4	57.0	47.0	95.7

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

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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

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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.

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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 $m	13 weeks ended 4 August 2007 $m	26 weeks ended 2 August 2008 $m	26 weeks ended 4 August 2007 $m
Sales:				
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)	768.9	787.4	1,591.4	1,601.8
Operating income:				
US	49.3	66.4	94.8	126.3
UK	1.8	1.3	4.5	(0.6)
Unallocated[(1)]	(15.1)	(4.8)	(19.5)	(8.8)
Consolidated total (IFRS)	36.0	62.9	79.8	116.9
Adjustments:				
pensions[(a)]	(0.3)	0.4	(0.5)	0.8
sale and leaseback transactions[(b)]	0.3	0.4	0.6	0.8
share based payment expense[(c)]	1.5	4.8	3.0	5.2
profit on disposal of revalued assets[(f)]			0.5	
Consolidated total (US GAAP)	37.5	68.5	83.4	123.7

	2 August 2008 $m	4 August 2007 $m	2 February 2008 $m
Total assets:			
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
Adjustments:			
goodwill[(d)]	525.4	530.6	525.4
depreciation of properties[(e)]	(4.5)	(5.1)	(4.7)
revaluation of properties[(f)]	(8.2)	(8.8)	(8.5)
commodity derivatives[(g)]	23.2	2.0	8.1
taxation on reconciling items[(h)]	53.3	31.2	54.9
Consolidated total (US GAAP)	3,548.9	3,380.8	3,599.4

(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.

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5. Dividends

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

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

6. Inventories

	2 August 2008 $m	4 August 2007 $m	2 February 2008 $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 $m	13 weeks ended 4 August 2007 $m	26 weeks ended 2 August 2008 $m	26 weeks ended 4 August 2007 $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:

Description	**Fair value $m**	**Significant other observable inputs (Level 2) $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.

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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 .

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PART XII

ADDITIONAL INFORMATION

1. Responsibility

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 does not omit anything likely to affect the import of such information.

2. Incorporation and Registered Office

The Company was incorporated and registered in Bermuda on 25 June 2008 as an exempted company limited by shares under the name Signet Limited, and changed its name to Signet Jewelers Limited on 4 July 2008. The Company s registered number is 42069.

The principal legislation under which the Company operates and under which the Company s Common Shares will be issued is the Bermuda Companies Act and the regulations made thereunder.

The Company is domiciled in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The telephone number of the Company s registered office is +1 441 295 1422. The sole activity of the Company is to act as the Group s holding company.

3. Organisational Structure

Following the Scheme becoming effective in accordance with its terms, the Company will be the ultimate holding company of the Group.

The Company s principal subsidiaries and associated undertakings (each of which are considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profits and losses of the Group) following the Scheme Effective Date will be as follows:

Name of subsidiary undertaking	Country of incorporation	Proportion of voting rights held within the Group	Nature of business
Signet Group plc	UK	100 per cent	Holding company
Ernest Jones Limited	UK	100 per cent	Retail jeweller
H. Samuel Limited	UK	100 per cent	Retail jeweller
Leslie Davies Limited	UK	100 per cent	Retail jeweller
Signet Trading Limited	UK	100 per cent	Service company
Sterling Inc.	US	100 per cent	Retail jeweller
Sterling Jewelers Inc.	US	100 per cent	Retail jeweller

Sterling Jewelers LLC	US	100 per cent	Retail jeweller
Sterling of Ohio Inc	US	100 per cent	Retail jeweller
Signet Holdings Limited	UK	100 per cent	Holding company
Signet US Holdings, Inc.	US	100 per cent	Holding company
Checkbury Limited	UK	100 per cent	Property holding company
Signet Sourcing Limited	UK	100 per cent	Diamond sourcing

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Group Structure

4. Main Investments

As at the date of this document and for the financial years ended 2 February 2008, 3 February 2007 and 28 January 2006, neither the Company nor Signet has made any investments (as that term is used in the Prospectus Rules).

5. Share Capital

The authorised and issued fully paid up share capital of the Company as at the date of this document is, and at the date of Admission is expected to be, as follows:

The authorised, issued and fully paid share capital of the Company as at the date of publication of this document is as follows:

	Authorised		Issued		Unissued	
	Number	Amount ($)	Number	Amount ($)	Number	Amount ($)
Common shares of par value US$0.009 each	10,000,000,000	90,000,000	1	0.009	9,999,999,999	89,999,999.991
Preference shares of par value US$0.01 each	500,000,000	5,000,000	0	0	500,000,000	5,000,000

The authorised, issued and fully paid share capital of the Company as it is expected to be following the Scheme Effective Date (assuming there is no exercise of options over Signet Shares between the date of publication of this document and the Scheme Effective Date) is as follows:

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	Authorised		Issued		Unissued	
	Number	Amount	Number	Amount ($)	Number	Amount ($)
Common shares of par value US$0.18 each	500,000,000	90,000,000	85,277,901	15,349,876.38	414,722,909	74,650,123.62
Preference shares of par value US$0.01 each	500,000,000	5,000,000	0	0	500,000,000	5,000,000

The Company was incorporated on 25 June 2008 with an authorised share capital of $0.009 divided into one Common Share of par value $0.009 which was issued to Pembroke Company Limited, a company ultimately owned by the partners of Conyers, Dill & Pearman, the Company s Bermuda lawyers, and was paid in full in cash (the **Subscriber Share**). If the Scheme becomes effective, the Subscriber Share will be repurchased by the Company at nominal value.

The Common Shares to be issued in accordance with the terms of the Scheme with the security code (ISIN) of BMG812761002 will, when issued, be in registered form and are not capable of being held in uncertificated form in CREST. As described in Section 21 of this Part XII, the Common Shares themselves will not be admitted to the CREST system but dematerialised Depositary Interests will be issued by a subsidiary of the Registrars in respect of the underlying Common Shares which will be able to be held and transferred through the CREST system. It is expected that Depositary Interests representing the Common Shares will be issued to holders of Common Shares on the date of LSE Admission. Depositary Interests representing Common Shares will be credited to CREST accounts on the date of the LSE Admission.

There are no acquisition rights or obligations over the authorised but unissued share capital of the Company or an undertaking to increase the capital of the Company.

There are no convertible securities, exchangeable securities or securities with warrants in the Company.

Save as disclosed in this document, during the three years immediately preceding the date of this document, there has been no issue of share capital of the Company fully or partly paid either for cash or other consideration and no such issues are proposed and no share capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

Rights attaching to the Common Shares are summarised in Section 6 of this Part XII below.

No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of the Company.

Save as disclosed in this document:

no share or loan capital of the Company has been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;

no commissions, discounts, brokerages or other special terms have been granted in respect of any share capital of the Company;

no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option; and at the date of this document the Company has no subsidiaries and accordingly no share or loan capital of any subsidiary has been issued or been agreed to be issued fully or partly paid either for cash or for a consideration other than cash and no such issue is now proposed and no share or loan capital of any subsidiary is under option or agreed, conditionally or unconditionally, to be put under option.

6. Memorandum of Association and Bye-laws

The memorandum of association and Bye-laws are available for inspection as described in Section 25 of this Part XII of this document, and are available for inspection at the Company s registered office.

6.1 Memorandum of association

The memorandum of association of the Company provides that the objects for which the Company is formed and incorporated are unrestricted.

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6.2 Bye-laws

The following paragraphs summarise some of the key provisions in the Bye-laws:

6.2.1 Share capital

The share capital of the Company comprises Common Shares of $0.18 each. The Board is authorised to create and issue additional shares of any existing class or shares of a new class and, without prejudice to the generality of the foregoing, may provide for the issue of preference shares. (Bye-law 4.2)

6.2.2 Transfer of registered shares

A shareholder may transfer all or any of his Common Shares in any manner which is permitted by any applicable legislation (subject to the restrictions in the Bye-laws) and is approved by the Board. The Company must maintain a register of Common Shares in accordance with the relevant Bermudian legislation.

A shareholder may transfer all or any of his shares by an instrument of transfer in the form provided in the Bye-laws, or in such other form as the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and, except in the case of a fully paid Common Share, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason for it, refuse to register any transfer of any Common Share: (1) which is not fully paid up or (2) is not accompanied by the Common Share certificate for the Common Shares to be transferred (if any) or by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. If the Board refuses to register a transfer it shall, within three months after the date on which the instrument of transfer was lodged, send to the transferor and transferee notice of the refusal. Subject to the Bermuda Companies Act and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and the Bye-laws, the Board has power to implement and/or approve any arrangements it may, in its absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Bye-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares of the Company represented thereby. The Board may from time to time take such actions and do such things as it may, in its absolute discretion, think fit in relation to the operation of any such arrangements. (Bye-law 13)

6.2.3 Alteration of capital

The Company may if authorised by resolution of the Board increase its share capital and if authorised by a resolution of the members, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Bermuda Companies Act. (Bye-law 16.1)

6.2.4 Authority to allot relevant securities

Subject to the Bye-laws and to any resolution of Shareholders to the contrary, the directors shall have the power to issue any unissued shares on such terms and conditions as they may determine. (Bye-law 2.1)

6.2.5 Power of the Company to investigate interests in shares and failure to disclose interests in shares

The Company may give notice to a person, where it knows or has reasonable cause to believe such person to be, or in the previous three years to have been, interested in the Company s shares, requiring such person to confirm or deny such interest and to give such further information as may be requested. Where a person is required to disclose an interest in a share (a default share) and has not done so within 14 days after the date of service of the relevant notice by the Company, unless the Board in its absolute discretion decides otherwise, the relevant shareholder shall not be entitled to be present or vote on any question in person or by proxy at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company or count in the quorum. Where the default shares represent at least 0.25 per cent of the issued shares of the same class, the Board may also direct that:

(i) the Company may withhold any dividend (or part) or other amount payable, but when the restriction ceases to have effect, the Company must pay the amount to the person who would have been entitled to it;

(ii) where the relevant shareholder has elected to receive shares in the Company instead of cash in respect of any dividend (or part), any election in respect of the default shares will not be effective; or

(iii) no transfer of any of the shares held by the relevant shareholder will be recognised or registered by the directors unless the transfer is an excepted transfer or the shareholder is not in default after due and careful enquiry. (Bye-law 83)

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6.2.6 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and, subject to applicable law to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party. (Bye-law 49.2)

6.2.7 Dividends

The Board may, subject to the Bye-laws and in accordance with section 54 of the Bermuda Companies Act, declare a dividend to be paid to the shareholders, in proportion to the number of shares held by them, and such dividend may be paid in cash or in such other way as may be agreed between the Company and the shareholder.

Dividends unclaimed within 7 years of declaration are forfeited and revert to the Company. (Bye-laws 18 to 20)

6.2.8 Distribution of assets on liquidation

On liquidation the liquidator may with the authority of a resolution of the members, and any other authority required by Bermudian legislation, divide the whole or any part of the assets of the Company among the shareholders, in whole or part, in specie or vest the whole or any part of the assets upon such trusts as the liquidator shall think fit. (Bye-law 78)

6.2.9 General meetings

All annual and special general meetings will be held in such place as the Board appoints. At least 14 clear days notice must be given of an annual general meeting and a special general meeting. At any general meeting of the Company any two shareholders present in person or by proxy throughout the meeting form a quorum for the transaction of business. If within half an hour from the time appointed for the meeting a quorum is not present and if the meeting is convened on the requisition of shareholders, it will be deemed cancelled. In any other case, the meeting will stand adjourned to the same day one week later, at the same time and place as the original meeting, or to such other day, time and place as the Company Secretary may decide. (Bye-laws 25 to 28)

A poll may be demanded by, amongst others, not less than three members present in person or by proxy and having the right to vote at that meeting or a member or members present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting. (Bye-law 33)

6.2.10 Forfeiture of shares

If, after the payment due date, the whole or any part of any call or instalment remains unpaid, the Board may give a notice (the **Payment Notice**) to the holder requiring him to pay the amount due, together with accrued interest. If the requirements in the Payment Notice are not complied with, any share in respect of which it was given may be forfeited by a Board resolution. Every share which is forfeited or surrendered becomes the property of the Company. The Board may dispose of the forfeited or surrendered share upon such terms as the Board thinks fit.

A person whose shares have been forfeited or surrendered ceases to be a shareholder in respect of the forfeited or surrendered share. The person will remain liable to pay to the Company all moneys payable by him in respect of that share at the time of forfeiture or surrender, together with interest. (Bye-law 7)

6.2.11 Indemnity and insurance

Each director may be indemnified out of the assets of the Company against all liabilities, loss, damage or expense incurred by him in the conduct of the Company s business or in the discharge of his duties. The indemnity must not extend in such a way which would render it void under Bermudian legislation. (Bye-law 56)

6.2.12 Takeover provisions

The Company is prohibited from engaging, under certain circumstances, in a business combination (as defined in the Bye-laws) with any interested shareholder (as defined in the Bye-laws) for three years following the date that the shareholder became an interested shareholder. A business combination is defined to include, among other things, a merger or consolidation involving the company and the interested shareholder and a sale of more than 10 per cent of the company s assets. In general, an interested shareholder is defined as any entity or person beneficially owning 15 per cent or more of the company s voting shares and any entity or person affiliated with or associated with that entity or person. (Bye-law 84)

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Where an amalgamation of the Company with another company has been approved by the Board, that amalgamation requires the approval of a simple majority of the votes cast at the general meeting called to approve the amalgamation. The quorum at such a general meeting is two or more members present in person or by proxy.

Where an amalgamation of the Company with another company has not been approved by the Board, that amalgamation requires the approval of not less than 75 per cent of the total voting rights attaching to all shares entitled to vote on the amalgamation. The quorum at a general meeting convened to approve such an amalgamation is two or more members present in person or by proxy representing in excess of 50 per cent of the total voting rights attaching to all shares entitled to vote on the amalgamation. (Bye-law 85)

6.2.13 The Bye-laws also contain, inter alia, the following provisions:

(A) Voting rights

In general members have one vote for each Common Share held by them and are entitled to vote at all meetings of members and, in the case of a poll, every member present in person or by proxy has one vote for every Common Share of which he is the holder. (Bye-laws 4.1(a) and 32.3)

The Bye-laws provide for unanimous written resolutions of members. (Bye-law 38)

(B) Class rights

Subject to the Bermuda Companies Act, all or any of the special rights for the time being attached to any class of shares may, unless otherwise provided in the rights attached to the terms of issue of the shares of that class, be altered or abrogated with the consent in writing of the holders of not less than 75 per cent of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of such shares voting in person or by proxy at which special meeting the quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. (Bye-law 17)

(C) Appointment and removal of directors

The Board will consist of such number of directors, being not less than two and not more than such maximum number, not exceeding 15, as the Board may from time to time determine. (Bye-law 40.1)

The Company, by a resolution of its members or, when authorised by members pursuant to Bye-law 40.7, by the directors, may appoint persons to be directors of the Company. If the directors appoint a person to be such a director this person will hold the post until the next annual general meeting at which point they will be eligible for re-election.

Only persons who are proposed or nominated in accordance with Bye-law 40 will be eligible for election as directors. Any shareholder or the Board may propose any person for election as a director.

Where any person, other than a director retiring at the meeting or a person proposed for re-election or election as a director by the Board, is to be proposed for election as a director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a director. (Bye-law 40.3)

Where the number of persons validly proposed for re-election or election as a director pursuant to Bye-law 40.4 is greater than the number of directors to be elected, the person(s) receiving the most votes will be elected as the director(s), and an absolute majority of the votes cast will not be a pre-requisite to the election of such director(s). (Bye-law 40.6)

At any general meeting, the shareholders may authorise the Board to fill any vacancy in their number left unfilled at a general meeting. (Bye-law 40.7)

One third of the directors must retire by rotation at each annual general meeting. (Bye-law 41)

A director must vacate his office if, amongst other things, he is prohibited by law from being a director, becomes bankrupt, becomes of unsound mind or is absent from board meetings for more than 6 months without permission. (Bye-law 45)

Holders of Common Shares may remove a director from office only by a resolution of not less than 75 per cent of the votes attaching to all Common Shares in issue. (Bye-law 44)

A director may be removed at any time by a vote of at least 75 per cent of the directors (other than the director proposed to be removed). (Bye-law 44)

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(D) Management of the Company by the Board

The business of the Company is managed by the Board, which may exercise all such powers as are not required to be exercised by the Company in general meeting subject always to the Bye-laws and the provisions of the Bermuda Companies Act, subject to the limitations set out in Bye-law 49. The Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate). (Bye-law 48)

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit, but no meeting of the Board may be held in the UK. (Bye law 57)

Subject to the provisions of the Bye-laws, a resolution put to the vote at a meeting of the Board will be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution will fail.

The Board may delegate any of its powers (including the power to sub-delegate) to a committee which may consist partly or entirely of non-directors of the Company provided that every such committee conforms to such directions as the Board imposes on them and provided further that the meetings and proceedings of any such committee are governed by the provisions of the Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board. (Bye-law 49.7)

The Board may delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board sees fit. (Bye-law 49.8)

The Board may appoint one or more directors of the Company to the office of managing director or chief executive officer of the Company, who will, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company. (Bye-law 49.3)

The quorum necessary for the transaction of business at a meeting of the Board is two. No meeting of the Board will be quorate if the majority of the directors present consists of persons who are personally resident in the UK for UK tax purposes. (Bye-law 60)

Bye-law 63 provides for unanimous written resolutions of directors to be as valid as though passed at a meeting of the Board.

A director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company must declare the nature of such interest as required by the Bermuda Companies Act. (Bye-law 55.2)

Following such a declaration, unless disqualified by the chairman of the relevant Board meeting, the director will be entitled to vote in respect of such contracts or proposed contracts or arrangement and may be counted in the quorum for such meeting. (Bye-law 55.3)

The Company by resolution of its members or the Board, if so authorised by the members, may elect an alternate director. Any director, provided the members have not resolved otherwise, may appoint another director or other person authorised by the Board to act as an alternate director to himself or herself. An alternate director will be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a director for whom he was appointed is not personally present and generally to perform at such meeting all the functions of such director for whom such alternate director was appointed. (Bye-law 43)

The amount of any fees to be paid to directors is to be determined by the Board and is deemed to accrue from day to day. (Bye-law 46.1)

Any director who holds any executive office (including for this purpose the office of chairman or deputy chairman), or who serves on any committee, or who, at the request of a director of the Company, goes or resides abroad, makes any special journey or otherwise performs services which in the opinion of the directors, determined in a resolution of the directors, are outside the scope of the ordinary duties of a director, may be paid such remuneration by way of salary, commission or otherwise as the directors may determine in addition to or in lieu of any fee payable to him for his services as a director pursuant to the Bye-laws. (Bye-law 46.2)

(E) Distributions on liquidation to shareholders

The holders of the Common Shares (subject to the other provisions of the Bye-laws) are, in the event of a winding-up or dissolution of the Company, entitled to be paid the surplus assets of the Company remaining after payment of its liabilities (subject to the rights of holders of any shares in the Company

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then in issue having preferred rights on the return of capital) in respect of their holdings of Common Shares pari passu and pro rata to the number of Common Shares held by each of them. (Bye-law 4.1(c) and 4.2 (h))

(F) Changes to the Bye-laws

No Bye-law may be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the members. (Bye-law 79.1)

Certain of the Bye-laws, being Bye-laws 40 (Election of Directors), 41 (Retirement by Rotation), 42 (No Share Qualification), 44 (Removal of Directors), 56 (Indemnification and Exculpation of Directors and Officers), 79 (Changes to Bye-laws), 84 (Business Combinations) and 85 (Amalgamations) may not be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by at least 75 per cent of the directors then in office and approved by an affirmative vote of at least 75 per cent of the votes attaching to all Common Shares in issue. (Bye-law 79.2)

7. Mandatory Takeover Bids, Squeeze-out and Sell-out Rules

The UK Takeover Code will not apply to the Company and Bermuda law does not contain any provisions relating to mandatory bids.

An acquiring party is generally able to acquire compulsorily the shares of minority holders in a Bermuda in the following ways:

(A) By a scheme of arrangement under the Bermuda Companies Act. A scheme of arrangement could be effected by obtaining the agreement of the company and of members, representing in the aggregate a majority in number and at least 75 per cent in value of the shares present and voting at a court ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Bermuda Supreme Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of common shares could be compelled to sell their shares under the terms of the scheme of arrangement.

(B) If the acquiring party is a company it may compulsorily acquire all the shares of the target company, by acquiring, pursuant to a takeover offer, 90 per cent of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90 per cent or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any non-accepting shareholder to transfer its shares on the same terms as the original offer. In those circumstances, non-accepting shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror s notice of its intention to acquire such shares) orders otherwise.

(C) Where one or more parties holds not less than 95 per cent of the shares or a class of shares of a company, such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

(D) Under Bermuda law, two or more companies may amalgamate and continue as one company. In practical terms, the effect of an amalgamation is that the assets and liabilities of the amalgamating companies become the assets and liabilities of the amalgamated company. Dissenting shareholders may apply to the Bermuda Court within one month of the notice convening the special general meeting to approve the amalgamation to have the court appraise the fair value of their shares.

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8. Directors Interests

8.1 Other Directorships

Save as set out below, none of the Directors have been a member of any partnerships; or held any directorships of any other company (other than Group companies of which those persons are also directors), at any time in the last five years prior to the date of this document:

Director	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
Sir Malcolm Williamson	CDC Group plc	Pearl Group Holdings (No. 1) Limited
	National Australia Bank	BA (GI) Limited
	Cass Business School Strategy & Development Board	G4S plc
	Clydesdale Bank plc	Pearl Group Management Services Limited
	National Australia Group Europe Limited	Resolution Asset Management Limited
	JPMorgan Cazenove Holdings	Resolution Fund Managers Limited
	The Prince of Wales International Business Leaders Forum	Resolution Investment Services Limited
	The Prince of Wales Youth Business International Limited	Resolution plc
		Securicor Limited
		Visa International

		Yorkshire Bank plc
Terry Burman	Council For Responsible Jewellery Practices Limited	
	Jewelers of America	
	World Diamond Council	
	Yankee Holding Corp.	
Walker Boyd		WH Smith Retail Holdings Limited (formerly WH Smith Group Plc)
Robert Blanchard		Bandag Inc.
		Best Buy Co.
Russell Walls	Aviva plc	Stagecoach Group plc
	Delphic Diagnostics Limited	

8.2 Interests of Directors in share capital

The interests of the Directors and their immediate families in the share capital of Signet (all of which are beneficial unless otherwise stated) were as at 4 September 2008 (being the latest practicable date prior to the publication of this document) as follows:

Director	**Number of Signet Shares**	**Percentage of issued share capital**
Sir Malcolm Williamson	187,375	0.01%
Terry Burman	808,601	0.04%
Walker Boyd	542,798	0.03%
Mark Light	76,454	0.004%
Robert Blanchard	10,010	0.0006%
Dale W. Hilpert	20,000	0.001%
Russell Walls	30,000	0.002%

In the event that the Scheme and the Share Capital Consolidation become effective, the Directors and their immediate families will have the following interests in the Common Shares on LSE Admission:

Director	Number of Common Shares	Percentage of issued share capital
Sir Malcolm Williamson	9,368	0.01%
Terry Burman	40,430	0.04%
Walker Boyd	27,139	0.03%
Mark Light	3,822	0.004%
Robert Blanchard	500	0.0006%
Dale W. Hilpert	1,000	0.001%
Russell Walls	1,500	0.002%

8.3 Confirmations and conflicts of interest

8.3.1 Confirmations

Save as set out in this paragraph 8.3.1, at the date of this document, none of the Directors has during at least the previous five years to the date of this document:

(A) been convicted in relation to fraudulent offences;

(B) been a member of the administrative, management, supervisory body or senior management of a company associated with any bankruptcies, receiverships or liquidations; or

(C) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the Directors.

Dale Hilpert was appointed chairman, chief executive officer and president of Footstar Inc. in 2003 in order to lead that company through a process of seeking protection from its creditors under Chapter 11 of the United States Bankruptcy Code. The company came out of that process in 2006 having paid all creditors whereupon Mr Hilpert ceased to be a director or hold any other office in relation to the company.

8.3.2 Conflicts of interest

No Director has any actual or potential conflict of interest between his or her duties to the Company and his or her private interests or other duties.

8.3.3 Transactions with Directors

No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is, or was, significant in relation to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year, or during any earlier financial year, and remains in any respect outstanding or underperformed.

There are no outstanding loans granted by the Company or any Group company to any of the Directors nor has any guarantee been provided by the Company or any Group company for their benefit.

8.3.4 *Director appointment arrangements*

There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any Director was selected as a director or senior manager (as the case may be).

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9. Summary of Remuneration and Benefits

A summary of the amount of remuneration paid by the Group to the Directors (including any contingent or deferred compensation) and benefits in kind for the financial year ended 2 February 2008 is set out in the table below. The Directors are categorised in their positions as at 4 September 2008 for these purposes.

Directors	Salary/fees ($000)	Bonus ($000)	Benefits in kind ($000)	Total year ended 2 February 2008 ($000)
Sir Malcolm Williamson	427			427
Terry Burman	1,559		109	1,668
Walker Boyd	840		45	885
Mark Light	785		38	823
Robert Blanchard	109			109
Dale W. Hilpert	92			92
Russell Walls	109			109
Total	3,921	0	192	4,113

The aggregate contributions made by the Group to provide pension, retirement or similar benefits in relation to Directors in the last financial year (ended 2 February 2008) was $630,151.

10. Director s Terms and Conditions

10.1 Executive Directors

10.1.1 Employment contracts and notice

Terry Burman is employed by Sterling Jewelers Inc. (a wholly owned subsidiary of Signet) under a service agreement dated 20 December 2000 (and amended and restated by an agreement dated 19 February 2008).

Mark Light is employed by Sterling Jewelers Inc. (a wholly owned subsidiary of Signet) under a service agreement dated 26 April 2002 (and amended and restated by a subsequent agreement dated 6 August 2004 and amendments dated 12 January 2006 and 19 February 2008).

The service agreements for Mr Burman and Mr Light are governed by the laws of Ohio.

Walker Boyd is employed by Signet under a service agreement governed by English law dated 14 June 1995 and an addendum to that agreement dated 15 May 2000.

The terms of the service agreements are applicable to the appointments of Mr Burman, Mr Light and Mr Boyd as executive directors of any other Group company.

The service agreements for both Mr Burman and Mr Boyd are rolling agreements which can be terminated by one year s notice in writing by either party.

Mr Light s service agreement is a rolling agreement which Sterling Jewelers Inc. may terminate at any time by notice in writing. Mr Light may terminate the agreement on written notice of 360 days.

10.1.2 *Change of control provisions*

Mr Burman s service agreement provides that in specified circumstances on a change in control of Sterling Jewelers Inc., Mr Burman has the right to terminate his employment by written notice to Signet within 14 days of such circumstances.

The circumstances which trigger Mr Burman s right to terminate his employment on a change of control are: (i) termination without cause by a third party purchaser; (ii) voluntary resignation if his title or duties are substantially diminished or changed without his consent within 2 years of the change of control; (iii) voluntary resignation if the location of his employment changes by more than 50 miles without his consent; or (iv) his election to leave the Group within 6 months of the change of control.

In the event of Mr Burman exercising the right to terminate his employment, Sterling Jewelers Inc. must pay Mr Burman a pro-rata amount of his entitlement to short term bonus (payable at the end of the relevant fiscal year) and a lump sum equal to the Termination Payment (as defined in Section 10.1.5 *Termination Payments* below) (payable at the date of termination). Mr Burman shall

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also be entitled to exercise any outstanding stock options at the date of termination unless he exercises his right to terminate his employment on the basis that he elects to leave employment within six months following the date of the change of control.

Mr Boyd s employment contract provides that in the event of a change in control of Signet, Mr Boyd shall be entitled within three months thereof to terminate his employment by giving Signet not less than one months written notice. If Mr Boyd exercises this right to terminate his employment he is entitled to a termination payment of an amount equal to gross salary and market value of benefits in kind and annual incentive plan for 12 months from the termination date. The termination payment shall be subject to tax and national insurance contributions.

10.1.3 Summary termination

The service agreements for Mr Burman and Mr Light are terminable with immediate effect by notice in writing if there is:

(A) fraud, embezzlement or gross insubordination on the part of the director or a material breach by the director of his obligations under the confidentiality and non-compete provisions of the service agreement;

(B) convictions of or an entry of a plea of nolo contendere by the director for any felony;

(C) the material breach of, or the wilful failure or refusal by the director to perform and discharge his duties, responsibilities or obligations under the service agreement (and, for Mr Burman, this is not corrected within 30 days of written notice being given); or

(D) in respect of Mr Burman only, an act of moral turpitude or misconduct by Mr Burman which is intended to result in personal enrichment of Mr Burman at the expense of Sterling Jewelers Inc., or a member of the Group or their affiliates or has a material adverse impact on the business or reputation of Sterling Jewelers Inc., or a member of the Group or their affiliate.

The service agreement for Mr Boyd is terminable with immediate effect by notice in writing if Mr Boyd:

(A) becomes the subject of a bankruptcy order or an interim order under the Insolvency Act 1986 or a disqualification order under the Company Directors Disqualification Act 1986;

(B) becomes a patient for the purposes of Part VII of the Mental Health Act 1983;

(C) is convicted of any criminal offence (other than a minor offence of the nature which does not prejudice the performance by Mr Boyd of his duties under the service agreement) or a road traffic offence with a penalty of more than 3 months imprisonment;

(D) commits an act of dishonesty, any serious misconduct or any other act which may seriously affect his ability to discharge his duties; or

(E) is guilty of any serious or persistent neglect in the discharge of his duties or commits any wilful or persistent breach of the provisions of the service agreement.

10.1.4 Benefits

The directors are entitled to receive the following benefits under the terms of their service agreements:

(A) **basic salary per annum** $1,622,250 for Mr Burman, $822,000 for Mr Light and £437,750 for Mr Boyd;

(B) **bonus** Mr Burman, Mr Boyd and Mr Light are entitled to participate in both short term/annual bonus schemes and long term incentive plans. Mr Burman is entitled to up to 200 per cent of base salary under the terms of the short term bonus scheme and up to 158 per cent of base salary under the terms of the Signet 2005 Long-Term Incentive Plan (with not less than 50 per cent of the grant paid in cash and the remainder in ordinary shares) both payable in accordance with performance goals relating to Signet and the Group. Mr Light is entitled to up to 120 per cent of base salary under the terms of an annual bonus plan and up to 100 per cent of base salary under the terms of the Signet 2005 Long-Term Incentive Plan (with not less than 50 per cent of the grant paid in cash and the remainder in ordinary shares) both payable in accordance with performance goals relating to Signet and the Group. Mr Boyd is entitled to up to 100 per cent of base salary under the terms of an annual bonus plan and up to 77 per cent of base salary under the terms of the Signet 2005 Long-Term Incentive Plan (with not less than 50 per cent of the grant paid in cash and the remainder in ordinary shares) both payable in accordance with performance goals relating to Signet and the Group;

(C) **options** Mr Burman, Mr Boyd and Mr Light are entitled to participate in share option grants as approved by the Board, in accordance with the option plan in force. Mr Burman s service agreement provides that he is entitled to options to acquire ordinary shares (or American Depositary Shares representing ordinary shares) of Signet with a market value of such shares at the time of grant up to a maximum of four times his base salary to be granted at such time, in such tranches and on such terms as the Remuneration Committee shall determine;

(D) **holiday** entitlement to 25 days holiday per annum; and

(E) **other customary benefits** Mr Burman and Mr Light are entitled to: deferred compensation plan, medical and dental insurance, life assurance, long term disability insurance, company car and country club membership; and, Mr Boyd is entitled to: company car, optional membership of the Signet Director s Pension Scheme and additional pension benefits under a Funded Unapproved Retirements Benefits Scheme, to which the Group has ceased making contributions and in substitution pays a supplement directly to Mr Boyd in relation to salary above the scheme specific earnings cap which is equivalent to the previous earnings cap increased by RPI annually, private medical insurance, life assurance and personal accident insurance.

10.1.5 Termination payments

Where Mr Burman s employment is terminated without cause upon written notice he will be entitled to payment of: (i) a pro-rata amount of his entitlement to short term bonus (payable on the 30th April following the end of the relevant fiscal year); and (ii) a lump sum payable on the effective date of termination equal to the total of (i) one years annual base salary (at the date of termination); (ii) an amount equal to the product of his base salary and the current maximum percentage of short term bonus reduced by the average percentage, if any, that short term bonus has fallen below the maximum short term bonus percentage during the period of his employment with the Group; (iii) an amount equal to 20 per cent of his termination base salary in lieu of Sterling Jewelers Inc. s obligation to contribute that amount under the deferred compensation plan; and (iv) an amount equal to 5 per cent of his termination base salary in lieu of all other benefits for the notice period (together the **Termination Payment**).

In such event, Mr Burman shall be entitled to exercise stock options outstanding at the date of termination.

Where Mr Light s employment is terminated by Sterling Jewelers Inc. without cause upon written notice the Group will be obligated to pay Mr Light the following: (i) one years annual base salary (at the date of termination); (ii) any annual bonus and/or long term bonus earned by Mr Light for a completed fiscal year prior to the effective date of termination which remains unpaid; (iii) the pro-rata portion of the annual bonus for which he was eligible as of the date of termination for the then current fiscal year; (iv) any vacation days accrued but not used; and (v) base salary for 12 months following such last date of employment.

Where Mr Boyd s employment is terminated by Signet in accordance with the terms of the service agreement he is entitled to a termination payment of an amount equal to gross salary and market value of benefits in kind and annual incentive plan for 12 months from the termination date (or ending on Mr Boyd s 60th birthday if earlier). The termination payment shall be subject to tax and national insurance contributions.

10.2 Non-Executive Directors

The following non-executive Directors have each entered into a letter of appointment with Signet, the terms of which are applicable to the appointment of any of the non-executive Directors as a non-executive director of any other Group company:

(a) Sir Malcolm Williamson;

(b) Robert Blanchard;

(c) Dale W. Hilpert; and

(d) Russell Walls.

The terms of any appointment of the non-executive Directors are subject to Signet s articles of association.

Sir Malcolm Williamson was initially appointed as a non-executive director of Signet on 28 November 2005 and subsequently as the non-executive chairman of Signet on 9 June 2006. He was appointed to the Board as the non-executive Chairman of the Company on 8 July 2008.

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The appointments of Mr Blanchard, Mr Hilpert and Mr Walls as non-executive directors of Signet took effect on 5 September 2000, 1 September 2003 and 29 May 2002 respectively. Letters of appointment for specific three year periods, with the ability to review such appointments for longer periods, took effect from 8 June 2007, 8 June 2007 and 9 June 2006 respectively. Mr Blanchard, Mr Hilpert and Mr Walls were appointed to the Board as non-executive directors on 8 July 2008.

Each of the four non-executive Directors is appointed for an initial term anticipated to be three years, subject to continued satisfactory performance. The appointments are also subject to the provisions of Signet s articles of association regarding appointment, fees, expenses, retirement, disqualification and removal of directors but will in any event terminate forthwith without any entitlement to compensation if:

(A) the non-executive director is not re-elected at an annual general meeting of Signet at which he retires and offers himself for re-election in accordance with Signet s articles of association; or

(B) the non-executive director is required to vacate office for any reason pursuant to any of the provisions of Signet s articles of association; or

(C) the non-executive director is removed as a director or otherwise required to vacate office under any applicable law.

During the period of Sir Malcolm Williamson s appointment, he will be entitled to an annual fee of not less than £221,450 less applicable deductions. Any fees will be payable in arrears by equal monthly instalments. Signet will, upon reasonable request from Sir Malcolm Williamson, make available to him a car and driver for use whilst he is on company business.

Mr Blanchard, Mr Hilpert and Mr Walls each receive an annual fee of £46,000. Such fees will be less any deductions which Signet may be required to make, and paid in arrears in equal quarterly instalments for Mr Blanchard and Mr Hilpert. Mr Walls is paid monthly in arrears. Mr Blanchard receives a further annual fee of £10,000 for his chairmanship of the Remuneration Committee. Mr Walls receives a further annual fee of £10,000 for being the chairman of the Audit Committee and an additional £14,000 for being Senior Independent Director.

The fees paid to the non-executive Directors do not include additional remuneration paid in respect of other duties which they may perform for the Group (including but not limited to, special remuneration pursuant to Signet s articles of association).

The annual fees are based on an anticipated time commitment of 20 days per year for Mr Walls, Mr Blanchard and Mr Hilpert. Mr Walls, as Senior Independent Director, is also expected to act as an additional point of contact for shareholders and fellow non-executive directors. Sir Malcolm Williamson is expected to devote such time as is necessary for the proper performance of his duties, which is likely to be on average 2 days per week.

If the non-executive Directors are required to spend substantially longer than the anticipated time commitment in the performance of their duties, Signet may at its sole and absolute discretion make one or more specific payments to the non-executive Directors (less any applicable deductions and subject to any limits on directors fees contained in Signet s articles of association) in addition to the fees referred to above.

In addition to the fees referred to above, Signet will reimburse all expenses reasonably incurred by each of the non-executive Directors in the proper performance of his obligations by virtue of his appointment as a non-executive director. Expenses may include professional fees if it is necessary for the non-executive director to seek independent professional advice subject to them having first consulted the Chairman (or the Senior Independent Director in the case of the Chairman) or lead non-executive director as appropriate.

None of the non-executive Directors are eligible for the grant of options or other incentives under any of the Group s share option schemes as part of their remuneration.

The Group has in place directors and officers liability insurance cover.

Save as set out above, there are no existing letters of appointment between any of the non-executive Directors and Signet or any company within the Group.

10.3 Directors indemnity

Under the Bermuda Companies Act a company may in its bye-laws indemnify any director in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence,

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default, breach of duty or breach of trust of which the director may be guilty in relation to the company or any subsidiary thereof, except in relation to any fraud or dishonesty of which he may be guilty in relation to the company.

The Bye-laws provide that the directors for the time being acting in relation to any of the affairs of the Company, or of its subsidiaries, will be indemnified out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the Company s business and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company may be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their duties, or in relation thereto, provided that such indemnity will not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors.

11. Employees

Over the 52 weeks ended 2 August 2008 the Group had an average of 16,703 employees across the UK and the US.

At the end of the last three financial periods, the average number of Group employees was as follows:

52 weeks ended 2 February 2008	17,243 employees
53 weeks ended 3 February 2007	16,836 employees
52 weeks ended 28 January 2006	15,652 employees

12. Employee Share Plans

The Company has established new employee share plans which have been established by the Directors and which have been approved by the Subscriber (as the sole shareholder in the Company). The Company s Remuneration Committee will review the plans during the year or so following the Admissions with a view to bringing forward any appropriate new plans or proposals for changes to the new Company plans at the 2009 or 2010 annual general meeting.

A summary of the principal features of the new plans is set out below.

(A) Long-Term Incentive Plan 2008

The Long-Term Incentive Plan 2008, which has been approved by the Subscriber (as the sole shareholder in the Company), is constituted under rules which provide for the making of awards of Common Shares each year by the Remuneration Committee. Any awards will normally vest on the third anniversary of award provided the participant remains in employment and any performance conditions which may be set are first satisfied. The intention is to make the initial Long-Term Incentive Plan 2008 awards to the executive directors, senior management and other senior executives (approximately 22 individuals) of the Company in April 2009.

Eligibility Any employee (including an executive director) of the Group will be eligible to participate at the discretion of the Remuneration Committee.

Limit on awards The maximum award which may be made to any participant in any financial year will be limited to such number of Common Shares as have an aggregate market value not exceeding 160 per cent of the participant s base salary.

Grant of awards Awards will be made within the period of 42 days of the Company s announcement of its results for any period. Awards may also be made at other times in exceptional circumstances. Awards may be subject to a performance target which would normally be tested at the end of a fixed period of at least 3 years. To the extent any performance targets which may be set are satisfied the participant will receive a combination of the grant of an option over shares in the Company and cash on the basis of a mix of 50 per cent cash and 50 per cent share options.

Performance conditions The plan allows for the Remuneration Committee to set any performance conditions which it considers appropriate to support the achievement of the Company s business objectives. Any performance targets which may be set may be discussed with key shareholders as appropriate.

Leaving employment The Long-Term Incentive Plan 2008 allows at the discretion of the Remuneration Committee only a time pro-rated release of an amount, whether in the form of the grant of an option over shares or cash, where a participant leaves early for a good leaver reason. Performance conditions will apply on a pro-rata basis where a participant leaves early.

Corporate events Awards will vest in the event of a takeover, amalgamation, court sanctioned compromise or arrangement resulting in a change of control of the Company or winding-up of the Company (other than an internal reorganisation) but only to the extent that the Remuneration Committee determines that the performance conditions have been satisfied to the date of the relevant event. The number of shares which may be transferred on a corporate event will (unless the Remuneration Committee decides otherwise) be further reduced on a time pro rated basis to reflect the period of time that has elapsed between the start of the performance period and the date of the relevant event.

(B) UK and Irish sharesave plans

The Sharesave Plan 2008 for UK employees has been submitted for approval by HM Revenue & Customs and the Sharesave Plan 2008 for Irish resident employees has been submitted for approval by the Office of Revenue Commissioners in Dublin, and both of which have been approved by the Subscriber (as the sole shareholder in the Company). The sharesave plans are constituted by rules which provide for the grant of options over Common Shares to be purchased out of the proceeds of a linked SAYE savings account with a recognised savings provider.

Eligibility All employees (including executive directors) of the Group who have worked for a qualifying period determined by the Board (but not to exceed five years) will be eligible to participate in the sharesave plans.

Grant price Options may be granted at an exercise price which is not less than 80 per cent of the middle market quotation of Common Shares on the NYSE or London Stock Exchange dealing days (or average over three dealing days) immediately prior to the day invitations are sent out.

Individual limits Options may be granted over shares on the basis of savings of up to the statutory limit which in the UK is £250 a month and in the Republic of Ireland is 500 a month, usually for a period of three or five years.

Grant period Invitations for the grant of options will normally only be issued within the 42 day period following the Company s announcement of results for any period, or there being exceptional circumstances which justify the grant of options at that time. Options will normally be granted within the period of 30 days following the earliest dealing day by reference to which the exercise price of an option was fixed.

Leaving employment Normally, options lapse on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury or disability, redundancy, retirement or on the sale of the employing company or business out of the Group, options may be exercised during a six-month period following the cessation of employment. Exercise is also allowed where the participant leaves employment for any other reason, provided that the option has been held for at least three years. If any option is exercised early, the participant may only exercise to the extent of his or her accumulated savings under the savings contract (together with any interest due).

Corporate events Options may be exercised in the event of a takeover, amalgamation, scheme of arrangement or winding-up of the Company, to the extent of the accumulated savings under the participant s savings arrangements (together with any interest due). In the event of another company acquiring control of the Company, participants may be allowed to exchange their options for options over shares in the acquiring company and, if the transaction is an internal reorganisation, participants may only have an opportunity to exchange their options.

(C) US Employee Stock Savings Plan 2008

The Directors have established a US Employee Stock Savings Plan which has been approved by the Subscriber (as the sole shareholder in the Company) and which is intended to provide for US resident employees a similar savings plan to acquire Common Shares as the sharesave plans provide for UK and Irish employees. The main difference to the sharesave plans is that the options are granted at 85 per cent of the fair market value of the shares at the date of grant and that the savings period is for only 27 months.

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(D) Share option plans

The Directors have established three share option plans, the International Share Option Plan 2008, the US Stock Option Plan 2008 and the UK Approved Share Option Plan 2008 (which have also been approved by the Subscriber (as the sole shareholder in the Company)).

Eligibility Any employee (including an executive director) of the Group will be eligible to participate at the discretion of the Remuneration Committee.

Limit on awards The maximum number of shares over which options may be granted to any participant in any financial year will be limited to such number of shares as have an aggregate market value four times the participant s base salary.

Grant price Options may be granted at an exercise price which is not less than the middle market quotation of the shares on the NYSE or London Stock Exchange dealing days (or average over the three dealing days) immediately prior to the date of grant.

Performance conditions The plans allow for the Remuneration Committee to set any performance conditions which it considers appropriate to support the achievement of the Company s business objectives. Any performance targets which may be set may be discussed with key shareholders as appropriate.

Grant period Invitations for the grant of options will normally only be issued within the 42 day period following the Company s announcement of results for any period, or there being exceptional circumstances which justify the grant of options at that time.

Leaving employment Normally, options lapse on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury or disability, redundancy, retirement or on the sale of their employing company or business out of the Group, options may be exercised during a six-month period following the cessation of employment. Exercise is also allowed where the participant leaves employment for any other reason, provided that the option has been held for at least three years.

Corporate events Options may be exercised in the event of a takeover, amalgamation, scheme of arrangement or winding-up of the Company. In the event of another company acquiring control of the Company, participants may be allowed to exchange their options for options over shares in the acquiring company and, if the transaction is an internal reorganisation, participants may only have an opportunity to exchange their options.

(E) Provisions relating to all the new employee share plans

Relevant shares All awards and options under the new plans will be over Common Shares which may be new issue, treasury shares or purchased by trustees in the market.

Non-executive directors Non-executive directors are ineligible to participate in any of the new plans.

Non-pensionable benefits All of the benefits under the new plans are non-pensionable.

Non-transferability Options and awards will not be transferable (other than to the participant s personal representatives in the event of his or her death).

Rights attaching to shares Common Shares to be issued and allotted under the new plans will rank equally with all other Common Shares then in issue, but will not qualify for dividends or other rights arising by reference to a prior record date.

Variations of share capital The number and price of options may be adjusted in the event of any variation of share capital.

Alterations to the schemes The Board may amend the new plans provided that the prior approval of shareholders is obtained for any amendments to the advantage of participants in respect of eligibility, the limits on participation, the overall limits on the issue of Common Shares, or the transfer of treasury shares, the basis for determining a participant s entitlement to, and the terms of, Common Shares or cash provided under the new plans and the adjustment of awards or options. However, shareholders approval will not be required for only minor administrative changes or any alteration to take account of any change in legislation or any alteration required to obtain or maintain favourable tax, exchange control or regulatory treatment.

Limits on the issue of shares In any ten year period the Company may not issue under the new plans and any other employee share plan adopted by the Company, Common Shares equal to more than 10 per cent of the issued Common Share capital of the Company. In addition, the Company may not

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issue under the Long-Term Incentive Plan 2008 and any other discretionary employee share plan adopted by the Company, Common Shares equal to more than five per cent of the issued Common Share capital of the Company. Treasury shares will count as new issue shares for the purposes of these limits for so long as institutional investor guidelines prescribe that they need to be so counted.

Extension of the schemes overseas The terms of each of the new plans provide the Board with the power to extend the plans to countries outside the US or the UK taking account of local tax, exchange control, or securities laws in the relevant jurisdictions. Awards under any such arrangements for overseas employees will count against the limits on the issue of Common Shares under the new plans and will not provide participants with benefits greater than those provided under those plans.

Termination None of the new plans will be operated more than ten years after adoption without Shareholder approval, and the Remuneration Committee or the Board, as appropriate, will regularly review the operation of the new plans.

13. Pensions

13.1 Employee pension schemes

The Group has one defined benefit plan (the **Group Scheme**) for UK based staff, which was closed to new members in 2004. All other pension arrangements consist of defined contribution plans. The SFAS 158 present value of obligations of the Group Scheme decreased by $4.2 million (2006/07: increase of $6.9 million) the largest movement being an actuarial gain of $16.6 million (2006/07: actuarial gain of $33.4 million). The market value of the Group Scheme s assets decreased by $13.5 million (2006/07: increased by $38.0 million). As a result there was a retirement benefit deficit on the balance sheet of $5.6 million (3 February 2007: $3.7 million asset) before a related deferred tax asset of $1.6 million (3 February 2007: $1.2 million liability). The latest triennial actuarial valuation was carried out as at 5 April 2006. There was a surplus and as a result no additional contributions were required as part of a recovery plan to eliminate a deficit. The cash contribution to the Group Scheme in 2007/08 was $7.2 million (2006/07: $6.8 million), and the Group expects to contribute some $7.4 million in 2008/09.

The valuation of the Group Scheme s assets and liabilities partly depends on assumptions based on the financial markets as well as longevity and staff retention rates. This valuation is particularly sensitive to material changes in the value of equity investments held by the Group Scheme, changes in the UK AA rated corporate bond yields which are used in the measurement of the liabilities, changes in market expectations for long term price inflation and new evidence on projected longevity rates. Funding requirements and income statement items relating to this closed Group Scheme are also influenced by these factors.

Under the Pensions Act 2004, the Pensions Regulator has powers to vary and impose funding arrangements which could be more onerous than may be agreed with or proposed to the trustees. In addition, the provisions of the Pensions Act 2004 may restrict the freedom of the Group to undertake certain re-organisation steps or to effect returns on capital or unusual dividends without the prior agreement of the Group Scheme trustees, in consultation with the Pensions Regulator. Following the closure to new entrants of the Group Scheme in 2004, a defined contribution plan was set up for new UK employees of the Group.

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

13.2 UK executive directors pension schemes

The Group Finance Director is a member of the UK Group Scheme, which is a funded, HMRC registered, final salary, occupational pension scheme with a separate category of membership for directors. Pensionable salary is the member s base salary, excluding all bonuses. The main features of the directors category are:

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

All UK Group Scheme benefits were, until 5 April 2006, subject to Inland Revenue limits. Where such limitation was due to the Inland Revenue earnings cap the Signet Group Funded Unapproved

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Retirement Benefit Scheme (the **FURBS**) was, until April 2006, used to supplement pension benefits. This was a defined contribution arrangement. As a result of the changes to pension taxation in the UK from 6 April 2006, the Remuneration Committee agreed that pension provision through the UK Group Scheme should continue broadly as before. However, members should not benefit from a windfall gain through the removal of existing limits, and therefore a scheme specific earnings cap was maintained equivalent to the previous earnings cap, increased by RPI annually. As the tax treatment of the FURBS and the other advantages of such a funding scheme have been eroded, the Group has ceased paying contributions to the FURBS. In substitution a supplement is paid to the member on the same basis as with other elements of remuneration: on an individual basis and in accordance with the remuneration principles. After review the Remuneration Committee agreed that it was necessary to increase the supplement paid to executive directors in order to achieve the appropriate positioning within the percentile ranges forming part of the remuneration principles. The Remuneration Committee has therefore taken the first steps to redress that balance during 2007/08. The Group will not compensate members for any increase in taxation that they may face as a result of the changes and members will not be protected by the Group from the consequences of the changes in taxation, but will be provided with a cash supplement in lieu of pension accrual once members reach the lifetime allowance limit set by the new legislation if they choose to exercise this option. The UK Group Scheme does allow for the new range of flexibility in pension arrangements without additional cost or administrative burden and for example, the new flexibility on tax-free cash has been incorporated.

13.3 US executive directors pension schemes

In the US there are two savings vehicles by which provision for pension payments is made: the Sterling Jewelers Inc. 401(k) retirement savings plan (the **401(k) Plan**) and the Deferred Compensation Plan (the **DCP**). These are defined contribution arrangements.

In the US division the primary retirement vehicle is the US company sponsored 401(k) Plan which is a qualified plan under Federal guidelines. The company matches employee contributions to the 401(k) Plan at 25 per cent of an employee s contribution up to a maximum of 6 per cent of an employee s basic salary. Under Federal guidelines the 401(k) Plan contributions by senior management may be reduced based on the participation levels of lower paid employees. Consequently, in a similar way to other US companies, a supplemental plan, the DCP, has been established for senior management to assist with pre-tax retirement savings. The DCP was originally established in 1996. In response to changes in US law, the original DCP was frozen and a new DCP was adopted. The new DCP is similar to the old DCP, with changes primarily intended to comply with Section 409A of the US Internal Revenue Code of 1986, as amended, including that it imposes additional restrictions on the timing of elections and distributions as required by law. The DCPs are unfunded nonqualified plans under Federal guidelines and therefore considered to be an important savings vehicle in addition to the 401(k) Plan. The employer makes a matched contribution to the DCP equal to 50 per cent of an employee s contribution up to a maximum of 10 per cent of the individual s basic salary and bonus. The Group Chief Executive has pension benefits provided via the 401(k) Plan and the DCP. The DCP rules allow for individual contractual matching arrangements without any effect to its tax beneficial status and at present the only contractual contribution matching arrangement is with the Group Chief Executive which provides for a contribution equal to 20 per cent of basic salary without any deferral being required. The Chief Executive of the US division is a member of the 401(k) Plan and the DCP. The DCP provides a contribution on a matched basis equal to 50 per cent of the maximum of 10 per cent of base salary and bonus.

14. Significant Shareholders

As at 4 September (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the name of each person who, directly or indirectly, is interested in five per cent or more of the ordinary share capital of Signet (and would accordingly, all other things remaining equal, be directly or indirectly, interested in five per cent or more of the ordinary share capital of the Company upon the Scheme becoming effective), and the amount of such person s interest, is as follows:

Name of shareholder	Number of Common Shares	Percentage of issued share capital
Harris Associates L.P.	286,972,505	16.83%
The Capital Group Companies, Inc.	134,301,453	7.87%
Artisan Partners Limited Partnership	103,705,112	6.08%
Sprucegrove Investment Management Ltd	87,817,717	5.15%

Save as disclosed in Section 8 above or in this Section 14, the Directors are not aware of any interest which will represent an interest in the Company s share capital or voting rights which is notifiable under the Disclosure and Transparency Rules following the Scheme becoming effective and LSE Admission occurring.

So far as the Company is aware, on the Scheme becoming effective, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

There are no differences between the voting rights enjoyed by the shareholders described in this Section 14 above and those enjoyed by any other holder of the Company s Common Shares.

There are no arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

15. No Significant Change

There has been no significant change in the financial or trading position of Signet since 2 August 2008, being the date to which the latest interim financial information has been published (see Part XI *Interim Financial Information of the Group for the 26 week period ended 2 August 2008*).

16. Related Party Transactions

Save as disclosed in the Historical Financial Information, there were no related party transactions entered into by Signet during the financial years ended 2 February 2008, 3 February 2007 and 28 January 2006.

17. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Company/Group as at the date of this document:

17.1 Depositary Agreement

A Depositary Agreement dated 3 September 2008 (the **Depositary Agreement**) between the Company and Capita IRG Trustees under which the Company, subject to and conditional upon the Scheme becoming effective, appoints Capita IRG Trustees to constitute and issue from time to time, upon the terms of the trust deed poll executed by Capita IRG Trustees on or about the date of the Depositary Agreement (the **Deed Poll**), a series of uncertificated depositary interests (**Depositary Interests**) representing securities issued by the Company and to provide certain other services in connection with such Depositary Interests with a view to facilitating the indirect holding by participants in CREST. Capita IRG Trustees agrees that it will comply, and will procure certain other persons to comply, with the terms of the Deed Poll and that it and they will perform their obligations in good faith and with all reasonable skill, diligence and care. Capita IRG Trustees assumes certain specific obligations including, for example, to arrange for the Depositary Interests to be admitted to CREST as participating securities and to provide copies of and access to, the register of Depositary Interests. Capita IRG Trustees warrants that it is an authorised person under FSMA and is duly authorised to carry out custodial and other activities under the Deed Poll. It also undertakes to maintain that status and authorisation. It will either itself or through its appointed custodian as bare trustee hold the deposited property (which includes, inter alia, the securities represented by the Depositary Interests) for the benefit of the holders of the Depositary Interests as tenants in common, subject to the terms of the

Deed Poll. The Company agrees to provide such assistance, information and documentation to Capita IRG Trustees as is reasonably required by Capita IRG Trustees for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement. In particular, the Company is to supply Capita IRG Trustees with all documents it sends to its shareholders so that Capita IRG Trustees can distribute the same to all holders of Depositary Interests. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution and in respect of voting at general or other meetings. Each party is to indemnify the other, and each of its subsidiaries and subsidiary undertakings, against claims made against any of them by any holder of Depositary Interests or any person having any direct or indirect interest in any such Depositary Interests or the underlying securities which arises out of any breach or alleged breach of the terms of the Deed Poll or any trust declared or arising thereunder. The aggregate liability of the Depositary is limited to the lesser of £1,000,000 and an amount equal to ten times the total annual fee payable to the Depositary under the Depositary Agreement. The agreement is to remain in force for as long as the Deed Poll remains in force. The Company may terminate the appointment of Capita IRG Trustees if an Event of Default (as defined in the Depositary Agreement) occurs in relation to Capita IRG Trustees or if it commits an irremediable material breach of the agreement or the Deed Poll or any other material breach which is not remedied within 30 days. Capita IRG Trustees has the same termination rights in respect of Events of Default (as defined in the Depositary Agreement) occurring or any breach by the Company. Either of the parties may terminate Capita IRG Trustees appointment by giving not less than 45 days written notice. If the appointment is terminated on an Event of Default (as defined in the Depositary Agreement) or breach, Capita IRG Trustees must within 14 days serve notice to terminate the Deed Poll to all holders of Depositary Interests. Capita IRG Trustees is to ensure that any custodian and any person who maintains the register of Depositary Interests is a member of its group and may not subcontract or delegate its obligations under the Deed Poll to a company that is not a member of the same group without the Company s consent. The Company is to pay certain fees and charges including, inter alia, an annual fee, a fee based on the number of Depositary Interests per year and certain CREST related fees. Capita IRG Trustees is also entitled to recover reasonable out of pocket fees and expenses.

17.2 Note Purchase Agreement

On 30 March 2006 Signet entered into a US private placement note term series purchase agreement (**Note Purchase Agreement**) which was funded largely from US insurance sector institutional investors in the form of fixed rate investor certificate notes (**Notes**). These Notes represent 7, 10 or 12 year maturities, with Series (A) $100 million 5.95 per cent due 2013; Series (B) $150 million 6.11 per cent due 2016 and Series (C) $130 million 6.26 per cent due 2018. The aggregate issuance was $380 million and the funding date was 23 May 2006. The proceeds from this debt issuance were used to refinance the maturing securitisation programme of $251.0 million which ended in November 2006 and for general corporate purposes. The Notes rank pari passu with the Group s other senior unsecured debt. The principal financial covenants on this Note Purchase Agreement are as follows:

1. the ratio of consolidated net debt to consolidated EBITDA (Earning Before Interest, Tax, Depreciation and Amortisation) shall not exceed 3:1;

2. consolidated net worth (total net assets) shall not fall below £400 million; and

3. the ratio of EBITARR (Earnings Before Interest, Tax, Amortisation, Rents, Rates and Operating Lease Expenditure) to consolidated net interest expenditure plus rents, rates and operating lease expenditure shall be equal to or greater than 1.4:1.

17.3 Asset backed variable funding note conduit securitisation facility

In October 2007 the Group entered into a 364 day $200m series 2007 asset backed variable funding note conduit securitisation facility for general corporate purposes. Under this securitisation, interests in the US receivables portfolio are sold to Bryant Park, a conduit administered by HSBC Securities (USA) Inc. This facility has not been utilised.

17.4 Facility Agreement

On 26 June 2008 Signet entered into a $520 million unsecured multi-currency five year revolving credit facility agreement (the **Facility Agreement**). The Facility Agreement replaced a similar $390 million facility that had been entered into on 28 September 2004. Under the Facility Agreement, a syndicate of banks made facilities available to the Group in the form of multi-currency cash advances and sterling acceptance credits on, inter alia, the following terms:

the Facility Agreement bears a maximum margin of 1.75 per cent above LIBOR, though the margin may be lower dependent upon the performance of the Group. Since the commencement of the facility the margin has been 1.20 per cent above LIBOR; and

the Facility Agreement is guaranteed by the Group s principal holding and operating subsidiaries.

The continued availability of the Facility Agreement is conditional upon the Group achieving certain financial performance criteria that are identical to those applicable to the Note Purchase Agreement (see above). It also has certain provisions which are customary for this type of agreement, including standard negative pledge and pari passu clauses. At 2 February 2008 and 9 April 2008 the amount outstanding under the previous facility agreement was $nil.

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18. Taxation

The following are brief and general summaries of the United Kingdom and United States taxation treatment of holding and disposing of Common Shares. The summaries are based on existing law, including statutes, regulations, administrative rulings and court decisions, and what is understood to be current HMRC and IRS practice, all as in effect on the date of this document. Future legislative, judicial or administrative changes or interpretations could alter or modify statements and conclusions set forth below, and these changes or interpretations could be retroactive and could affect the tax consequences of holding and disposing of Common Shares. The summaries do not consider the consequences of holding and disposing of Common Shares under tax laws of countries other than the United Kingdom, the United States (or any US laws other than those pertaining to income tax) and Bermuda, nor do the summaries consider any alternative minimum tax or state or local consequences of holding and disposing of Common Shares.

The summaries provide general guidance to persons resident, ordinarily resident and domiciled for tax purposes in the UK who hold Common Shares as an investment, and to US holders (as defined below) who hold Common Shares as capital assets (within the meaning of section 1221 of the US Internal Revenue Code), and not to any holders who are taxable in the UK on a remittance basis or who are subject to special tax rules, such as banks, financial institutions, broker-dealers, persons subject to mark-to-market treatment, UK resident individuals who hold their Common Shares under a personal equity plan, persons that hold their Common Shares as a position in part of a straddle, conversion transaction, constructive sale or other integrated investment, US holders whose functional currency is not the US dollar, persons who received their Common Shares by exercising employee stock options or otherwise as compensation, persons who have acquired their Common Shares by virtue of any office or employment, S corporations or other pass-through entities (or investors in S corporations or other pass-through entities), mutual funds, insurance companies, exempt organisations, US holders subject to the alternative minimum tax, certain expatriates or former long term residents of the US, and US holders that directly or by attribution hold 10 per cent or more of the voting power of the Company s stock.

The summaries are not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. If you are in any doubt about your taxation position, or if you are ordinarily resident or domiciled outside the United Kingdom or resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom or the United States, you should consult your own professional advisers immediately.

The Company is incorporated in Bermuda. The Directors intend to conduct the Company s affairs such that, based on current law and practice of the relevant tax authorities, the Company will not become resident for tax purposes in any other territory. This paragraph 18 is written on the basis that the Company does not become resident in a territory other than Bermuda.

18.1 UK Taxation

18.1.1 Chargeable Gains

A disposal of Common Shares may, depending on individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to (or an allowable loss for the purposes of) UK taxation of chargeable gains.

Any chargeable gain or allowable loss on a disposal of the Common Shares should be calculated taking into account the allowable cost to the holder of acquiring his Common Shares. In the case of corporate shareholders, to this should be added, when calculating a chargeable gain but not an allowable loss, indexation allowance on the allowable cost. Non-corporate shareholders should note that, under the Finance Act 2008, non-corporates are not entitled to indexation allowance or taper relief in respect of disposals occurring on or after 6 April 2008. The Finance Act 2008 also introduces a single capital gains tax of 18 per cent for non-corporate shareholders in respect of any chargeable gain arising on disposals on or after 6 April 2008. These changes do not affect shareholders within the charge to UK corporation tax on chargeable gains.

Individuals who hold their Common Shares within an ISA and are entitled to ISA-related tax reliefs in respect of the same will generally not be subject to UK taxation of chargeable gains in respect of any gain arising on a disposal of Common Shares.

18.1.2 Taxation of dividends on Common Shares

Under current UK law and practice, UK withholding tax is not imposed on dividends.

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A UK resident shareholder or a holder of Common Shares who carries on a trade, profession or vocation wholly or partly in the United Kingdom (provided that in the latter case, the Common Shares are held in connection with that part of a trade carried on in the UK) will generally, depending upon the holder s particular circumstances, be subject to UK income tax or corporation tax (as the case may be), on any dividends paid by the Company on the Common Shares.

Shareholders within the charge to corporation tax will be liable to tax on the dividend income (up to the maximum rate of 28 per cent for 2008-2009). The UK government is however currently considering the tax treatment of portfolio dividends received by UK tax resident companies with a view to achieving parity of treatment between UK and foreign portfolio dividends.

A UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will be liable to income tax on the dividend income at the dividend ordinary rate (which should be 10 per cent in 2008-2009). A UK resident individual shareholder who is liable to UK income tax at the higher rate will be subject to income tax on the dividend income at the dividend upper rate (which should be 32.5 per cent in 2008-2009). However, under the Finance Act 2008, with effect from the current year (2008-2009), individuals in receipt of dividends from the Company, if they own less than a 10 per cent shareholding in the Company, will be entitled to the same non-payable dividend tax credit as individuals in receipt of UK dividends (currently at the rate of 1/9th of the cash dividend paid (or 10 per cent of the aggregate of the net dividend and related tax credit)). Assuming that there is no withholding tax imposed on the dividend (as to which see Section 18.3 of this Part XII), the individual is treated as receiving for UK tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual s tax liability on that gross income. The result is that a UK resident individual shareholder who is liable to UK income tax at no more than the basic rate will have no further UK income tax to pay on a Company dividend. A UK resident individual shareholder who is liable to UK income tax at the higher rate will have further UK income tax to pay of 22.5 per cent of the dividend plus the related tax credit (or 25 per cent of the cash dividend, assuming that there is no withholding tax imposed on that dividend). For example, a dividend of £80 (without any withholding tax imposed) will carry a tax credit of £8.89. The income tax payable by a higher rate taxpayer would be 32.5 per cent of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax liability of £20.

The UK Government has announced proposals (which are intended to take effect from April 2009) to extend the availability of the tax credits to individuals who own 10 per cent or more of the issued share capital in distributing non-UK companies. The availability of this tax credit will be subject to a company paying the dividend satisfying certain conditions and it is possible that the Company will fail to meet those conditions.

Individual shareholders who hold their Common Shares in an ISA and are entitled to ISA-related tax reliefs in respect of the same will not be taxed on the dividends from those Common Shares but are not entitled to recover from HMRC the tax credit on such dividends.

18.1.3 Stamp duty/stamp duty reserve tax (SDRT)

In practice, stamp duty should generally not need to be paid on an instrument transferring Common Shares. No SDRT will generally be payable in respect of any agreement to transfer Common Shares or Depositary Interests. The statements in this paragraph summarise the current position on stamp duty and SDRT and are intended as a general guide only. They assume that the Company will not be UK managed and controlled and that the Common Shares will not be registered in a register kept in the UK by or on behalf of the UK. The Company has confirmed that it does not intend to keep such a register in the UK.

18.2 US Taxation

As used in this discussion, the term US holder means a beneficial owner of Common Shares who is for US federal income tax purposes: (i) an individual US citizen or resident; (ii) a corporation, or entity treated as a corporation, created or organised in or under the laws of the United States; (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if either: (a) a court within the US is able to exercise primary supervision over the administration of such trust and one or more US persons have the authority to control all substantial decisions of such trust; or (b) the trust has a valid election in effect to be treated as a US resident for US federal income tax purposes.

If a partnership (or other entity classified as a partnership for US federal tax income purposes) holds Common Shares, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships, and partners in partnerships, holding Common Shares are encouraged to consult their tax advisers.

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INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DOCUMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY HOLDERS FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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18.2.1 Dividends and other distributions upon Common Shares

Distributions made with respect to Common Shares will generally be includable in the income of a US holder as ordinary dividend income, to the extent paid out of current or accumulated earnings and profits of the Company as determined in accordance with US federal income tax principles. The amount of such dividends will generally be treated as foreign-source dividend income, or, if 50 per cent or more of the Company s shares are directly or indirectly owned by US persons, which could be more likely as a result of the NYSE Admission, partly as US-source and partly as foreign-source dividend income in proportion to the earnings from which they are considered paid. Dividend income received from the Company will not be eligible for the dividends received deduction generally allowed to US corporations under the US Code. Subject to applicable limitations, including a requirement that the Common Shares be listed for trading on the NYSE, the NASDAQ Stock Market, or another qualifying US exchange, dividends with respect to Common Shares so listed that are paid to non-corporate US holders in taxable years beginning before 1 January 2011 will generally be taxable at a maximum tax rate of 15 per cent.

18.2.2 Sale or exchange of Common Shares

Gain or loss realised by a US holder on the sale or exchange of Common Shares generally will be subject to US federal income tax as capital gain or loss in an amount equal to the difference between the US holder s tax basis in the Common Shares and the amount realised on the disposition. Such gain or loss will be long term capital gain or loss if the US holder held the Common Shares for more than one year. Gain or loss, if any, will generally be US source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

18.2.3 Information reporting and backup withholding

Payments of dividends on, and proceeds from a sale or other disposition of, Common Shares, may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28 per cent of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a US holder under the backup withholding rules are not additional tax and should be allowed as a refund or credit against the US holder s US federal income tax liability, provided the required information is timely furnished to the IRS.

18.2.4 Passive foreign investment company status

A non-US corporation will be classified as a passive foreign investment company (a **PFIC**) for any taxable year if at least 75 per cent of its gross income consists of passive income (such as dividends, interest, rents, royalties or gains on the disposition of certain minority interests), or at least 50 per cent of the average value of its assets consists of assets that produce, or are held for the production of, passive income. For the purposes of these rules, a non US corporation is considered to hold and receive directly the assets and income of any other corporation of whose stock it owns at least 25 per cent by value. Consequently, the Company s classification under the PFIC rules will depend primarily upon the composition of Signet s assets and income.

If the Company is characterised as a PFIC, US holders would suffer adverse tax consequences, and US federal income tax consequences different from those described above may apply. These consequences may include having gains realised on the disposition of Common Shares treated as ordinary income

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rather than capital gain and being subject to punitive interest charges on certain distributions and on the proceeds of the sale or other disposition of Common Shares. The Company believes that it is not a PFIC and that it will not be a PFIC for the foreseeable future. However, since the tests for PFIC status depend upon facts not entirely within a company s control, such as the amounts and types of its income and values of its assets, no assurance can be provided that the Company will not become a PFIC. US holders should consult their own tax advisers regarding the potential application of the PFIC rules to the Common Shares.

18.3 Bermuda Taxation

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of its shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, be applicable to it or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by it in respect of real property owned or leased by it in Bermuda.

19. Litigation

Subject to the matters disclosed below, there are no and have not, since the date 12 months prior to the date of the document, been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Group s financial position or profitability and the Group is not currently engaged (whether as claimant or respondent) in any material litigation and there are no material claims against the Company, save in March 2008 a class lawsuit for an unspecified amount was filed against Sterling Jewelers Inc., a subsidiary of Signet, in the New York federal court. The lawsuit alleges that US store-level employment practices are discriminatory as to compensation and promotional activities. The Group denies these allegations and intends to defend them vigorously.

20. Property, Plant and Equipment

No single tangible fixed asset (including property, plant and equipment) accounts for more than 10 per cent of the Group s net turnover or production.

However, the Group currently owns or rents the following:

(a) 1,973 stores in the UK and the US;

(b) a 340,000 square foot leased head office and distribution facility in Akron, Ohio on a 25 year lease entered into on 2 February 2007;

(c) an 86,000 square foot leased office building next door to the head office on a 25 year lease entered into on 1 January 2007; and

(d) a 19,000 square foot repair centre is owned by the Group.

21. Depositary Interests and Terms of the Deed Poll

It is proposed that, with effect from the Admissions, Common Shares may be delivered, held and settled in CREST by means of the creation of dematerialised depositary interests representing such Common Shares. Pursuant to a method proposed by Euroclear under which transactions in international securities may be settled through the CREST system, Capita IRG Trustees, a subsidiary of Capita Registrars, will issue dematerialised depositary interests representing entitlements to Common Shares, known as Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system.

If a Depositary Interest Holder wishes to withdraw the underlying Common Shares from the Depositary Interest arrangements and to hold and deal in Common Shares in book entry form in the US, Capita Registrars (+44 (0) 871 664 0300) will provide the required form of authorisation and explain the procedure involved.

The Depositary Interests will be created pursuant to and issued on the terms of the Deed Poll executed by Capita IRG Trustees in favour of the holders of the Depositary Interests from time to time.

Prospective holders of Depositary Interests should note that they will have no contractual rights in respect of the underlying Common Shares or the Depositary Interests representing them against Euroclear or its subsidiaries.

Common Shares will be transferred to an account of Capita IRG Trustees or its nominated custodian and Capita IRG Trustees will issue Depositary Interests to participating members.

Each Depositary Interest will be treated as one Common Share for the purposes of determining, for example, eligibility for any dividends. Capita IRG Trustees will pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of the Common Shares on trust for such Depositary Interest Holder. Depositary Interest Holders will also be able to receive notices of meetings of holders of Common Shares and other notices issued by the Company to its shareholders.

The Depositary Interests will have the same security code (ISIN) as the underlying Common Shares being BMG812761002 and will not require a separate listing on the Official List.

The Deed Poll is available for inspection as set out in Section 25 of this Part XII. In summary the Deed Poll contains, inter alia, provisions to the following effect:

(a) The Depositary will hold (itself or through its nominated custodian) as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

(b) Holders of Depositary Interests warrant, inter alia, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary/Custodian are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company s constitutional documents or any contractual obligation, law or regulation.

(c) The Depositary and any Custodian must pass on to Depositary Interest Holders and, so far as they are reasonably able, exercise on behalf of Depositary Interest Holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

(d) The Depositary will be entitled to cancel Depositary Interests and withdraw the underlying securities in certain circumstances including where a Depositary Interest Holder has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depositary Interests.

(e) The Deed Poll contains provisions excluding and limiting the Depositary s liability. For example, the Depositary shall not be liable to any Depositary Interest Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary s liability to a Depositary Interest Holder will be limited to the lesser of:

(i) the value of the shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

(ii) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event or, if there are no such amounts, £10 million.

(f) The Depositary is entitled to charge Depositary Interest Holders fees and expenses for the provision of its services under the Deed Poll.

(g) Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for

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the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent if such Custodian or agent is a member of the Depositary s group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

(h) The Depositary may terminate the Deed Poll by giving not less than 30 days notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest Holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests.

(i) The Depositary or the Custodian may require from any holder information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying securities in the Company and holders are bound to provide such information requested. Furthermore, to the extent that, inter alia, the Company s constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Company s securities, the holders of Depositary Interests are to comply with such provisions and with the Company s instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Common Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for Depositary Interest Holders to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such shares as a proxy of the Depositary or its nominated Custodian.

The Depositary Agreement under which the Company has appointed Capita IRG Trustees to provide the Depositary Interest arrangements is summarised above in Section 17 of this Part XII.

22. Auditors

KPMG Audit plc, a member firm of the Institute of Chartered Accountants in England and Wales, is the Company s auditor, and the auditor of the Group, and audited the accounts of the Group for the financial years ended 2 February 2008, 3 February 2007 and 28 January 2006.

23. Consents

KPMG Audit plc has given and not withdrawn its written consent to the inclusion in this document of its report in the form and context in which it appears as set out in Part X of this document and has authorised the contents of that report for the purposes of Prospectus Rule 5.5.3R(2)(f).

Lazard has given and not withdrawn its written consent to the inclusion in this document of its name and references thereto in the forms and contexts in which they appear.

24. General

Neither the Company nor Signet is currently subject to any mandatory takeover bids.

Nether the Company nor Signet has been the subject of any public takeover bids in respect of the Company s or Signet Group s equity during the last financial year and the current financial year.

The total costs and expenses (exclusive of VAT) payable by the Group in connection with the Scheme and the Admissions are estimated to be approximately $10.5 million. Given the inter relationship between the Scheme and the Admissions, it is not practicable to separate costs attributable solely to the Scheme and to the Admissions. There are no amounts payable to financial intermediaries.

25. Documents Available for Inspection

Copies of the following documents will be available for inspection at the Company s registered office, Clarendon House, 2 Church Street, Hamilton HM11, Bermuda**,** Signet s registered office, 15 Golden

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Square, London, W1F 9JG and the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during normal business hours on Monday to Friday each week (public holidays excepted) for a period from and including the date of publication of this document until the date of the LSE Admission:

the Company s memorandum of association and the Bye-laws;

Signet s memorandum and articles of association;

the consent letters referred to in Section 23 in this Part XII;

the audited accounts of Signet for the financial years ended 2 February 2008, 3 February 2007 and 28 January 2006;

the KPMG Audit plc report set out in Part X of this document;

the Scheme Circular;

this document;

the rules of the Share Plans and the rules of the Signet Share Plans; and

the Deed Poll.

This document is dated 5 September 2008

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PART XIII

DEFINITIONS

The following definitions shall apply throughout this document excluding Part X *Accountant s Reports and Financial Information* and Part XI *Interim Financial Information of the Group for the 26 week period ended 2 August 2008* unless the context requires otherwise:

401(k) Plan	the 401(k) retirement savings plan operated by Sterling Jewelers Inc., a subsidiary in the Group;
Accountant s Report	the report prepared by KPMG Audit plc set out in Part X of this document;
ACE	a training system developed by the Group s UK division called the Amazing Customer Experience ;
Admission and Disclosure Standards	the requirements contained in the publication Admission and Disclosure Standards dated July 2005 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange s main market for listed securities;
Admissions	the LSE Admission and the NYSE Admission;
ADS Depositary	Deutsche Bank Trust Company Americas;
APB	Accounting Principles Board;
Audit Committee	the audit committee established by the Board to monitor financial risks in the Company s businesses, as described in Section 4 of Part VII *Directors, Senior Management and Corporate Governance* ;
Bermuda Companies Act	The Companies Act 1981 of Bermuda, as amended;
Board	the board of directors of the Company;
business day	a day (excluding Saturday, Sunday and public holidays) on which banks generally are open for business in the City of London for the transaction of normal banking business;
Bye-laws	the bye-laws of the Company to be adopted immediately following the Scheme becoming effective;

Capita IRG Trustees	Capita IRG Trustees Limited;
Capita Registrars	Capita Registrars (a trading name of Capita Registrars Limited), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
Capital Reduction	the proposed reduction of share capital of Signet provided for by the Scheme;
Chairman	Sir Malcolm Williamson;
Combined Code	the Combined Code on Corporate Governance;
Committees	the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee;
Common Shareholders	persons registered in the Company s register of members as holders of Common Shares;
Common Shares	the common shares of par value US$0.009 each in the capital of the Company or, following the Share Capital Consolidation, the common shares of par value US$0.18 each in the capital of the Company, as the context requires;
Companies Act	the Companies Act 2006 (to the extent it is in force at the date of publication of this document);
Company	Signet Jewelers Limited, a company registered in Bermuda with registered number 42069;

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Council	the Council for Responsible Jewellery Practices;
Court	the High Court of Justice in England and Wales;
Court Meeting	the meeting or meetings of the holders of the Scheme Shares to be convened by order of the Court pursuant to Part 26 of the Companies Act to consider and, if thought fit, approve the Scheme, including any adjournment of such meeting;
Court Orders	the Scheme Court Order and the Reduction Court Order;
CREST	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
CREST Regulations	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended from time to time);
CREST Transfer Form	the form of stock transfer in use from time to time within CREST for a transfer of a certificated unit of a participating security to a CREST member to be held by a CREST member in uncerificated form;
Custodian	any custodian or custodians or any nominee of any such custodian as may from time to time be appointed by the Depositary under the terms of the Deed Poll;
DCP	the deferred compensation plan operated by the Group;
Deed Poll	a deed poll documenting the trust relationship by which the Depositary will hold the Common Shares on trust for the holders of Depositary Interests;
Deposit Agreement	the amended and restated deposit agreement dated 23 September 2004, as amended and restated on 14 October 2004, between Signet, the ADS Depositary and Signet ADS holders, containing the terms applicable to the Signet ADSs;
Depositary	Capita IRG Trustees Limited;
Depositary Interest Holders	holders of Depositary Interests;
Depositary Interests	the dematerialised depositary interests issued in respect of Common Shares in uncertificated form by the Depositary in the manner described under Additional Information CREST, Depositary Interests and the Deed Poll , title to which is evidence by entry on the Depositary Interest register maintained by the Depositary;
Depositary Nominee	Capita IRG Trustees Nominees Limited;

Directors	the directors of the Company whose names appear in Section 1 of Part VII of this document;
Disclosure and Transparency Rules	the disclosure and transparency rules of the FSA;
dollars , US dollars , $, cents and c	the lawful currency of the United States of America;
DTC	the Diamond Trading Company, a subsidiary of De Beers Consolidated Mines Limited;
EBITARR	earnings before interest, tax, amortisation, rents, rates and operating lease expenditure;
EBITDA	earnings before interest, tax, depreciation and amortisation;
EEA State	a state which is a contracting party to the agreement on the European Economic Area signed on 2 May 1992, as it has effect for the time being;
EITF	Emerging Issues Task Force;
EPOS	electronic point of sale;

Ernest Jones	the Group s UK jewellery stores trading under the name Ernest Jones;
	the single currency of the member states of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Communities relating to Economic and Monetary Union;
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST;
Exchange Agent	American Stock Transfer & Trust Company;
Facility Agreement	A $520 million unsecured multi-currency five year revolving credit facility agreement entered into by the Group on 26 June 2008;
FASB	Financial Accounting Standards Board;
FIN	FASB interpretation;
First Court Hearing	the hearing of the Court for the sanction of the Scheme;
FSA	the Financial Services Authority acting in its capacity as the competent authority for listing in the UK for the purposes of Part VI of FSMA;
FSMA	the Financial Services and Markets Act 2000 (as amended);
FTSE 250	the capitalisation-weighted index of 250 companies on the London Stock Exchange being the 101st to 350th largest companies with listings on the exchange;
General Meeting	the general meeting of Signet held on 19 August 2008 in order to pass certain resolutions necessary to give effect to the Scheme;
Group	Signet (or, following the Scheme becoming effective, the Company) and its subsidiaries (as defined in the Bermuda Companies Act), as the context requires;
Group Chief Executive	Terry Burman;
Group Finance Director	Walker Boyd;
Group Scheme	the defined benefit plan operated by the Group for UK based staff;
H.Samuel	the Group s UK jewellery stores trading under the name H.Samuel;

Historical Financial Information	the US GAAP Historical Financial Information for the Group set out in Part X of this document;
HMRC	Her Majesty s Revenue & Customs;
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board;
ISA	an individual savings account in the UK;
Jared	the US destination superstores operated by the Group trading as Jared The Galleria Of Jewelry;
Kay	the US mall stores operated by the Group trading as Kay Jewelers;
Lazard	Lazard & Co., Limited;
Leslie Davis	the Group s UK jewellery stores trading under the name Leslie Davis;
LIBOR	the London interbank offered rate;
Listing Rules	the listing rules made by the UKLA pursuant to Part VI of FSMA;
Listing, Prospectus, Disclosure and Transparency Rules	the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules;
London Stock Exchange or **LSE**	London Stock Exchange plc;

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LSE Admission	admission of the Common Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
LTIP	the 2005 Long-Term Incentive Plan;
Marks & Morgan	the chain of US regional stores operated by the Group trading as Marks & Morgan;
Model Code	the Model Code published by the UKLA at Annex 1 of Listing Rule 9 of the Listing Rules;
Net Debt	cash and cash equivalents, less borrowings falling due within one year and borrowings falling due in more than one year;
New Signet Group	the Company prior to the Scheme Effective Date and the Group, including all of its subsidiaries (as defined in the Bermuda Companies Act), after the Scheme Effective Date, as the context requires;
New Signet Shares	the ordinary shares of $0.009 each in the capital of Signet to be issued credited as fully paid to the Company in accordance with the terms of the Scheme;
New York Stock Exchange or **NYSE**	New York Stock Exchange LLC;
NYSE Admission	admission of the Common Shares to trading on the New York Stock Exchange;
Nomination and Corporate Governance Committee	the director nomination and corporate governance committee established by the Board to consider and make recommendations to the Board concerning the composition of the Board and its compliance with corporate governance practice as described in Section 4 of Part VII *Directors, Senior Management and Corporate Governance* ;
Note Purchase Agreement	a US private placement note term series purchase agreement entered into by the Group on 30 March 2006;
Notes	fixed rate investor certificate notes;
OECD	the Organisation for Economic Cooperation and Development;
Official List	the official list maintained by the UKLA pursuant to Part VI of FSMA;
Overseas Shareholder	Signet Shareholders or Common Shareholders resident in, or citizens or nationals of, or who have a registered address in, jurisdictions other than the United Kingdom or the United States, as the context requires;

Panel	the Panel on Takeover and Mergers;
Payment Notice	a notice given by the Board to a Shareholder if, after the payment due date, the whole or any part of any call or instalment remains unpaid, requiring him to pay the amount due, together with accrued interest;
Pensions Regulator	the regulatory body for work-based pension schemes in the UK;
pounds , pounds sterling , sterling , £ , pence , and p	the lawful currency of the United Kingdom;
Proposal	the proposed Scheme of Arrangement, the Share Capital Consolidation, the delisting of the Signet Shares from the Official List, the cancellation of the existing quotation of Signet ADSs on the NYSE and the listing of the Signet Jewelers Limited Shares on the NYSE and the Official List;
Prospectus	this document;
Prospectus Rules	the prospectus rules made by the FSA under Part VI of FSMA;
Reduction Court Order	the order of the Court confirming the Capital Reduction;
Reduction Record Time	6.00 p.m. on the business day immediately prior to the date of the Second Court Hearing;
Registrar	the Registrar of Companies in England and Wales;
Registrars	Capita Registrars (Jersey) Limited, 12 Castle Street, St. Helier, Jersey JE2 3RT;

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Remuneration Committee	the remuneration committee established by the Board to consider and make recommendations to the Board as to the remuneration of Company s directors and senior executives, as described in Section 4 of Part VII *Directors, Senior Management and Corporate Governance* ;
Reuters	Thomson Reuters PLC;
Risk Management Committee	the risk management committee established by the Board to monitor and control risks in the Company s businesses;
ROCE	return on capital employed calculated as operating profit divided by quarterly average capital employed excluding goodwill;
SAYE	save as you earn;
Scheme or **Scheme of Arrangement**	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Signet and the holders of Scheme Shares as set out in Part V of the Scheme Circular, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Signet and the Company;
Scheme Circular	the circular sent to Signet Shareholders and Signet ADS holders dated 24 July 2008;
Scheme Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act;
Scheme Effective Date	the date on which the Scheme becomes effective in accordance with its terms;
Scheme Record Time	5.00 pm. on the business day immediately preceding the Scheme Effective Date;
Scheme Shares	(i) the Signet Shares in issue at the date of the Scheme;
	(ii) any Signet Shares issued after the date of the Scheme and before the Voting Record Time; or
	(iii) any Signet Shares issued at or after the Voting Record Time and before the Reduction Record Time either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme, or in respect of which their holders are, or have agreed in writing to be, bound by the Scheme;
Scheme Shareholders	holders of Scheme Shares;
SEC	US Securities and Exchange Commission;

Second Court Hearing	the hearing of the Court for the confirmation of the Capital Reduction provided for by the Scheme;
Securities Act	the United States Securities Act of 1933 (as amended);
SEE	social, ethical and environmental matters;
SFAS	Statement of Financial Accounting Standards;
Share Capital Consolidation	the consolidation of Common Shares as described in this document, being the consolidation after the Scheme becomes effective of every twenty Common Shares issued pursuant to the Scheme into one Common Share;
Share Plans	the Signet Jewelers Limited Long-Term Incentive Plan 2008, the Signet Jewelers Limited International Share Option Plan 2008, the Signet Jewelers Limited US Stock Option Plan 2008, the Signet Jewelers Limited UK Approved Share Option Plan 2008, the Signet Jewelers Limited Sharesave Plan 2008, the Signet Jewelers Limited Irish Sharesave Plan 2008 and the Signet Jewelers Limited US Employee Stock Savings Plan 2008;

Shareholder Meetings	the Court Meeting and the General Meeting;
Shareholders	Common Shareholders or Signet Shareholders, as the context requires;
Sharesave Scheme	the Company s Sharesave Scheme described in Section 12 of Part XII of this document;
SID	the senior independent director;
Signet	Signet Group plc, a public company incorporated in England and Wales with registered number 477692;
Signet ADS	American depositary shares, each representing ten Signet Shares and evidenced by Signet American Depositary Receipts quoted on the NYSE;
Signet ADS holders	holders (including beneficial holders) of Signet ADSs;
Signet American Depositary Receipts	American depositary receipts, each evidencing one Signet ADS;
Signet Board	the board of directors of Signet;
Signet Share Plans	the Signet 1993 Executive Share Option Scheme, the Signet UK Inland Revenue Approved Share Option Plan 2003, the Signet US Share Option Plan 2003, the Signet International Share Option Plan 2003, the Signet 2005 Long-Term Incentive Plan, the Signet Sharesave Scheme, the Signet Sharesave Scheme (Republic of Ireland) and the Signet Employee Stock Savings Plan under section 423 of the US Code;
Signet Shares	ordinary shares of US$0.009 each in the capital of Signet;
Signet Shareholders	persons registered in Signet s register of members as holders of Signet Shares;
Subscriber	Pembroke Company Limited, the existing holder of one Common Share, which took such share as subscriber on the incorporation of the Company;
Subscriber Share	the initial authorised share capital of the Company of $0.009 divided into one Common Share of par value $0.009 issued to Pembroke Company Limited;
Takeover Code	the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;

United Kingdom Listing Authority or **UKLA**	the UK Listing Authority, being the FSA acting as the competent authority for the purposes of Part VI of FSMA;
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia;
US Code	the United States Internal Revenue Code of 1986 (as amended);
US GAAP	generally accepted accounting principles in the US;
US GAAP Historical Financial Information	the US GAAP historical financial information for the Group set out in Part X of this document;
VAT or **Value Added Tax**	value added tax;
Voting Record Time	6.00 p.m. on the day that is two days before the First Court Meeting or, if the First Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting; and
Website	www.signetjewelers.com, the Company s public website.

For the purpose of this document, references to one gender include the other gender.

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