FINAL TRANSCRIPT

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SIG - Q3 2004 Signet Group Earnings Conference Call

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PRESENTATION

Operator

Good afternoon ladies and gentlemen and welcome to today's Signet Group Q3 results conference call. For your information today's conference is being recorded. At this time, I would like to turn the call over to your host today, Mr. Terry Burman. Please go ahead, sir.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Thank you, and welcome to the conference call on Signet's third quarter results. I'm Terry Burman, Group Chief Executive. I'm speaking from Akron, Ohio.

Joining me on the call from London are Walker Boyd, Group Finance Director, and Tim Jackson, Investor Relations Director. Walker will discuss the financials and then I'll cover the U.S. and U.K. operations. Following that, we will then open the call for questions. Before we begin, Tim will give the Safe Harbor and Regulation G statements.

Tim Jackson - *Signet Group PLC - Investor Relations Officer*

This call includes certain statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's belief as well as on assumptions made by and date currently available to management and appear in a number of places throughout this call.

They include statements regarding among other things our results of operations, financial conditions, liquidity prospect, growth strategies, and the industry in which the Company operates.

These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties which are more fully described in the Company's earnings release dated 23rd of November, 2004 and in the "Risk and Other Factors" section of the Company's 2003 '04 annual report on Form 20F filed with the U.S. Securities and Exchange Commission on April 22, 2004 and other filings made by the Company with the Commission.

Actual results may differ materially from those anticipated in such forward-looking statements, even if experience or future changes make it clear that any projected results expressed or implied therein may not be realized. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

Additionally, certain financial information used during the call are considered to be non-GAAP financial measures. For a reconciliation of these to the most directly comparable GAAP financial measures, please refer to the Company's earnings release dated 23rd of November, 2004 available on the "Financial Information" section of the Company's Web site at www.signetgroupplc.com. Thank you.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Thanks, Tim. Before handing over to Walker, I'd just like to make some brief comments on the Group's performance.

Again, the movement in the dollar sterling exchange rates means that the extent of the Group's progress is not reflected in the reported results. On a constant exchange rate basis, sales were up 6.1%, and profit before tax by 12% in the quarter.

Through the first nine months in the U.S., we have continued to outperform the main competition and gain market share. The strong like for like sales performance, together with tight control of costs and gross margins, has driven operating margins. However, like for like sales growth has been slowing, reflecting the increasingly tough comparatives from last year.

On a two-year like for like basis, the first three quarters have been much more consistent. In the U.K., the like for like sales performance has been slowing after four years of very strong growth.

This reflects the wider trading environment with increased interest rates, higher fuel prices, concerns over debt levels, and pension funding, all negatively impacting consumer confidence. Against this, employment levels remain exceptionally strong, providing some underpinning to confidence.

On both sides of the Atlantic, we have again, achieved a range of improvements in all the critical areas of retailing, in line with our culture of continuous improvement and excellence in execution. As a result, we are well-positioned for challenges ahead.

And now Walker, will you now please comment on the figures in detail?

Walker Boyd - *Signet Group PLC - Group Finance Director*

Thank you, Terry.

Looking firstly at the quarter. Group sales for the quarter increased 6.1% to constant exchange rates, and were flat on the reported basis. Like for like sales were up by 2.8%.

Remember the third quarter is the slowest of the year, normally accounting for only about 18% of annual sales.

Group operating profit was 8.7% ahead of last year at constant exchange rates, and 3.7% up on a reported basis at 11.3 million pounds versus 10.9 million. Net interest payable of 2.9 million was slightly down on the third quarter last year, resulting in Group pretax profits of 8.4 million, up from 7.7 million last year.

Other [notes] in the interim results, the Group has changed its accounting policy in respect to extend its service agreements in the U.S. This followed as a amendment to FRS 5, the reporting of substance of transactions in the form of Application Note G revenue recognition.

The Group now spreads the revenue arising from the sale of such agreements over the anticipated period of claims. Previously, the Group recognized the revenue from such [inaudible] at the date of sales with provision being made for the estimated cost of future claims arising.

As a result of this change, the Group has restated prior years, with the restatement for the 13 weeks the first November, 2003, resulting in an increase of 2.6 million pounds in profit before tax.

The third quarter tax rate of 34.5% is as anticipated and slightly lower than last year.

If I can now turn briefly to the figures for the nine months.

Total sales were up 8.9% at constant exchange rates, and marginally ahead on a reported basis. Group like for like sales were up 6%, with the U.K. growing by 4.2%, and the U.S. by 6.8%.

Group operating profit for the nine months is up 20.3% at constant exchange rates, and was 8.5% ahead on a reported basis at 69.9 million pounds. The Group operating margin improved 7.3% against 6.7% in the comparable period last year.

Net interest payable was 7.6 million pounds, down 1.7 million reflecting lower average net debt levels, and favorable exchange rate movements. Group profit before tax was up 24.8% at constant exchange rates, and 13.1% on a reported basis to 62.3 million pounds for the nine months.

The restatement to the prior year 39-weeks resulted in an increase of 2.2 million in pretax profits. Basic earnings per share rose 14.3% to 2.14, equivalent to 42.9 cents per ADR.

Looking at the balance sheet, net debt at the end of the quarter was 192.6 million pounds, an increase of 5 million from the corresponding figure last year. The seasonal increase in net debt to nine months was higher than the prior year, primarily as a result of increased capital expenditure and dividends, amounting to 24 million pounds in total, and timing differences on merchandise payments amounting to 20 million pounds.

With regard to capital expense, we expect Group expenditure to be between 75 and 80 million pounds for the full year, up from 50 million last year, and we remain on track to be broadly cash flow neutral for the year.

I'll now hand you back to Terry.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Thanks, Walker. Now I'll review the Group's operations beginning with the U.S.

In the quarter, total sales increased by 8.3% at constant exchange rates, and were broadly similar to last year on a reported basis at $193.8 million pounds. Our proven strategy of concentrating on continually improving our execution of the retail basics in terms of merchandising, marketing, real estate, and most importantly in the jewelry sector, staff training and customer service, again, proved successful.

Our like for like sales were up by 3.5%, significantly ahead of our quoted competition, and represented a further gain in market share. Including the impact of the hurricanes in the period, we estimate that like for like sales would have been up by 4%.

After a poor August, there was a strengthening trend, evident during September and October. The mall stores account for a significant proportion of sales in the like for like calculations, and their performance has driven our superior sales per mall store which is central to our industry-leading operating margins.

Kays consistent outperformance of its main competitors over the long-term is reflected in the brand now being the largest specialty jewelery retailer by sales which were. I'm sorry, $1,117.2 billion in the first 12 months to 31 July, 2004.

U.S. Q3 operating profit rose to 9.2 million pounds, and reflects a 17.9% increase in constant currency terms. As a reminder this is a low quarter in terms of sales only accounting for 16 to 17% of the annual U.S. total, reflecting a lack of any major events and a low level of marketing activity.

In the year-to-date U.S. like for like sales were up 6.8%, and total U.S. sales increased by 11.7% at constant exchange rates.

So far this year, Jared has performed very well, and those stores opened in 2000 through 2002 have been closing the small gap on their investment pro forma sales projections.

The average transaction value continued to increase and is up about 11% in the year-to-date. This is due to the growth of Jared, price increases, and changes in merchandising mix, where we have been successfully selling higher-priced items.

U.S. operating profit for the nine months was 63.9 million pounds, an increase of 26.5% at constant exchange rates, and up by 12.5% on a reported basis. The operating margin for the nine months was 9.6%, versus 8.5% last year, reflecting the leverage of strong like for like sales, combined with the continued tight control of costs and gross margins.

Merchandise margins were similar to last year for both the year-to-date and the third quarter.

Selective price increases, supply chain improvements, and other management initiatives have offset the adverse impact of the increase in the cost of commodities and expected sales mix changes. As already flagged, the gross margin for the year is anticipated to be slightly lower than last year in the U.S.

The credit portfolio performance remains consistent. Bad debt charge for the nine months was in line with last year at 3% of total U.S. sales, and remained at the low end of the range of results over the last nine years.

The level of e credit participation for the year-to-date was broadly equal to last year.

As with all the areas of our business, we continue to invest in staff, training, and systems, to improve execution in our credit operations. For example, we have improved data accessibility for our collectors, enhanced productivity through workflow automation, and expanded our ability to test alternative authorization strategies.

Our mall store real estate investment in 56 new stores, and 79 refurbishments and relocations, is substantially completed. We have continued with the development of the Kay off mall format with the first further ten stores opening this year. Expect to continue this development in 2005.

14 Jared store will be opened this year. Two planned for this year will now open in 2005 due to building delays.

This increases the number of Jared stores by 18% and at the year end, the total will be 93 stores. This is equivalent in terms of space to about 400 mall stores.

This holiday season, Kay TV impressions are planned to be up by about 10% despite a further noticeable increase in cost of air time. Kay's superior sales growth means it is in a better position to be able to increase impressions and reinforce its industry-leading position.

For the first time, the TV campaign will be supported by national radio advertising this holiday season. Local radio advertising impressions for the regional brands have been maintained.

The level of local television advertising support for Jared TV during Christmas is again being increased, and will cover markets accounting for over 90% of its sales, compared to about 75% last year. Overall marketing spend for the year as a proportion of sales is expected to be slightly up on last year.

We continue to keep the inventory under tight control and have broadly maintained it as a proportion of sales. This Christmas, we will once again provide our stores with next-day replenishment at the key times during the holiday season.

Central to communicating our value and superior product quality to customers, is our well-trained salesforce. This year as we highlighted at the interim results, we have focused on improving our diamond presentation.

We now have at least one qualified diamondologist in every store. We are featuring this in our catalogs and print advertising to help provide confidence to the customer in the quality of product and service and to help differentiate ourselves in the mall.

This initiative to reduce the time spent on administration in the stores continues, and has again increased the resources available for customer service and lifted service levels in repairs and special orders. Overall, the quality of our staff has once again improved and morale is high.

We have a number of merchandising initiatives in place for this Christmas. For example, the Leo range has been expanded with new sizes, cuts and jewelry designs.

We have also expanded the range of larger solitaire diamonds. Both these programs further increase our ability to lift the average transaction price.

We have also enhanced our range of right-hand diamond rings, a program De Beers is supporting through its advertising, and fashion gold assortments in association with the World Gold Council.

In response to customer demand, we have introduced the Leo Artisan range to all Jared stores for this Christmas. The Leo Artisan diamonds are of a higher quality and brilliance providing another opportunity to lift average transaction values.

The selection of luxury watch brand stocks such as Rolex, Omega and Tag Heuer continues to be developed which helps to differentiate Jared in the marketplace.

In summary, the U.S. business has cost margins, inventory, and receivables under tight control. In line with our culture of continuous improvement, we have taken steps to ensure that we are able to execute this Christmas better than last year in the key retailing disciplines. We are well positioned to compete this holiday season.

Turning now to the U. K.

Like for like sales were up 1.6% for the quarter, with total sales increasing by 1.9% to 98.3 million pounds. The softening trend in the trading environment continued during the third quarter. The upper sector of the mass market being most affected, resulting in a narrowing of the performance gap between Ernest Jones and H.Samuel as the year has progressed.

Reflecting increased investment in the business, for example, store remodeling and training, operating profits showed a decrease to 3.8 million pounds, from 4.1 million in the quarter. Operating margin decreased at 3.9% from 4.2%.

For the year-to-date, U.K. like for like sales rose by 4.2%, and total sales by 3.3%, to 298.6 million pounds.

Operating profit increased by 600,000 pounds to 12.5 million pounds, before the one-off restructuring charge of 1.7 million pounds taken in the second quarter. Underlying operating margin improved slightly to 4.2% from 4.1%.

The average transaction value in both H.Samuel and Ernest Jones continues to increase, helped by the growth in the diamond mix. Merchandise margins were above last year with the impact of change in the sterling dollar exchange rate more than offsetting the increase in commodity cost.

In real estate, 81 stores, predominantly H.Samuel, will be refurbished or relocated this year, and the program is virtually completed by the end of the third quarter. In total, 142 stores, covering about 30% of sales, will be in the new format this Christmas.

Permits of these stores continue to be ahead of that of their peers. Opened nine stores this year, two H.Samuel and seven Ernest Jones. In line with our real estate strategy, 10 H.Samuel stores will be closed.

Improvements in the diamond collection and its presentation continue. The Leo Diamond range has been further expanded in Ernest Jones, and all H.Samuel stores now carry a Forever Diamond selection.

Diamond participation is up by about 1.5% in the sales mix in the year-to-date in both H.Samuel and Ernest Jones.

The business has benefited from the comprehensive new training program introduced last year. In addition, when stores are closed for remodeling, we use the opportunity to train staff to take advantage of the increased selling opportunity offered by the new concept. As a result, our staff are noticeably better trained than last year.

For both H.Samuel and Ernest Jones, the design of the catalogs and the targeting of their distribution have been further improved. We have also been testing a customer relationship marketing program for Ernest Jones which has produced some encouraging results.

Television advertising for both H.Samuel and Ernest Jones has been extended. H.Samuel ads will run in markets representing about 65% of sales compared with 40% last year, and for Ernest Jones, the figure is about 60% against about 25% last year.

There will be a mix of 30 and 10-second commercials. New creative executions have been developed for both brands.

In summary, in the U. K., the softening trend in the trading environment continued during the third quarter. We're not immune from the wider economic environment, and the U.K. division also faces a record of extremely tough comps with fourth quarter like for like sales up by 6.7% last year.

However, we have made notable progress during the year in developing a range of programs to drive the business to which customers have been responding favorably.

In conclusion, we're pleased with the Group performance for the first nine months of the year. Further progress was made in the third quarter against the background of challenging trading conditions.

In both the U.S. and the U. K., we have improved the business in all of the critical areas of retail during 2004. Therefore while our businesses on both sides of the Atlantic face demanding fourth quarter comparatives, we are well-positioned to compete over the Christmas season.

I will now open the call for Walker and myself to take questions. However, before I do so I'd like to state that we will not be commenting on trading in November or on the outlook for the holiday season.

QUESTIONS AND ANSWERS

Operator

Thank you, gentlemen. The question-and-answer session will be conducted electronically. If you wish to ask a question please do so by pressing the star key followed by the digit one on your touch-tone telephone now. And we'll take the first question from Lucy Sharma with UBS. Please go ahead.

Lucy Sharma - *UBS Warburg - Analyst*

Good afternoon.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Hi, Lucy.

Lucy Sharma - *UBS Warburg - Analyst*

Hi. Just going to ask you a comment Terry about the fact that the U.K. profit was down in the third quarter because of the investment into the business. Was wondering if you could clarify what the investment costs would be going into the fourth quarter, basically how much more costs increase in the U.K. business?

Terry Burman - *Signet Group PLC - Group Chief Executive*

For some specific insight, I'll turn this over to Walker, but we certainly have increased, as you know, we've increased our investment in capital in the business, which had been slowed down from prior, during prior years, the past couple of years because of the testing of the new open-store format. Also increased our advertising costs in the U.K. Walker, do you want to put some more color on this?

Walker Boyd - *Signet Group PLC - Group Finance Director*

Yeah, I think the first point to know is that clearly most of the type of investments we've made, whether it be the impact of additional depreciation or some extra training, most of that type of expenditure arises evenly over the year. Therefore it has a more noticeable impact in the third quarter than it does in the fourth quarter. So I think specifically as I say depreciation clearly is spread evenly over the year.

Overall expenses in the U. K. in the third quarter were up somewhere between 4% and 5%. And clearly that has a bigger impact on the low profit quarter than it does have on, say, the fourth quarter.

The additional expenditure clearly in terms of investment in the business in the fourth quarter will be the additional television advertising, which as Terry said is into a number of different areas within the U.K., into a number of different U.K. regions. Overall, U.K. advertising as a percent to sales will increase somewhere up to about 2.7, 2.8% of sales for the full year.

Lucy Sharma - *UBS Warburg - Analyst*

Thank you.

Operator

Thank you. We'll now take a question from Mark Charnock with Investec. Please go ahead.

Mark Charnock - *Investec Securities - Analyst*

Hi, guys.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Hello.

Mark Charnock - *Investec Securities - Analyst*

Just a couple of questions. First of all, on the U.K., from recollection I think that the refurbs that you've been this year do impact the actual kind of run rate into the sales because of the destruction whilst they're closed. Could you quantify broadly what that effect is and whether that was different in the third quarter compared to the first half?

And just on the U.S., for obviously us on this side of the pond, just give us some idea what in the past the impact has been with the U.S. Presidential elections on the trading pattern during the course of an election year, if there is a noticeable impact on your business in years where you have the U.S. Presidential elections?

Terry Burman - *Signet Group PLC - Group Chief Executive*

The, I'll take the second one first. In terms of the elections, there is no pattern. There's no absolute pattern. We've looked at this, and results are all over the board. Sometimes they go up after the election. Sometimes they go down. So there's no intelligence that we could find to be gained from examining those patterns. Walker, would you comment on the U.K. closure impact?

Walker Boyd - *Signet Group PLC - Group Finance Director*

Yeah, I think the impact is different in the third quarter compared to the first half. This year, as we have done right about 80 refurbishments in the U.K., predominantly H.Samuel, then these have been spread out fairly evenly through the years. So in the first half, our like for like increase was somewhere around about 1% higher than in the total increase in sales.

If you look in the third quarter, rather, the total increase in sales was slightly ahead of the like for like at 1.9% against 1.6, like for like. The reason for that is that in the third quarter this year we've actually done much the same number of refurbishments as last year if most of the 30 or the third year of the test in the remodel, most of these were completed in the third quarter last year. So, yes, there is a difference.

In the first half of the year we did significantly more refurbishments this year than last, and that was reflected in a lower total sales increase than like for like. That position has equalized pretty well in the third quarter and looking forward into the fourth quarter where clearly we don't tend to do any refurbishments. We would expect to see the same sort of pattern as we've seen in the third quarter.

Mark Charnock - *Investec Securities - Analyst*

Okay. Thanks, Walker.

Operator

Thank you. We'll now take a question from James Isenwater with DRKW. Please go ahead.

James Isenwater - *Dresdner Kleinwort Wasserstein - Analyst*

Terry, a couple of questions if I can, please. Firstly, in terms of pricing next year, post-Christmas, given the move in the gold price and the third diamond price increase we have had from De Beers, what do you think the market will do in terms of pricing next year, and at what point will you have to address that? And then in the U.K., have you seen any change in the competitive environment in the run-up to Christmas and, again, specifically I'm thinking in terms of pricing?

Terry Burman - *Signet Group PLC - Group Chief Executive*

In terms of pricing actually, it's certainly too early to draw any conclusions at this point. We've got to stand back and take a look at pricing and, I am sorry commodity prices, and we'll certainly take a hard look at that in January and early February. That would be the time that we would look at it if any changes would be called for. They could be accomplished, I'm not saying that they will be, but they could be accomplished in the spring to early summer period, and certainly beyond that as appropriate.

What I would say to you is as we have said, the same thing that we've said in the past, and I've been in the industry for 25 years almost, and traditionally, and the recent past is consistent with that, commodity price increases have been able to be passed on to consumers. So that's about all I can comment to you on that because the recent tick-up in gold prices is really very fresh, isn't it?

James Isenwater - *Dresdner Kleinwort Wasserstein - Analyst*

Sure.

Terry Burman - *Signet Group PLC - Group Chief Executive*

In terms of U.K. pricing, we see some signs of some increased promotional activity, but it's not widespread and it's not continuous. There just seems to be some, a little extra flurry of some pre-Christmas promotions, but they seem to be limited-time events and it doesn't seem to be throughout the marketplace.

James Isenwater - *Dresdner Kleinwort Wasserstein - Analyst*

And is that coming from the independence area or is that coming from the general merchandisers?

Terry Burman - *Signet Group PLC - Group Chief Executive*

I'm talking about in the general sector.

James Isenwater - *Dresdner Kleinwort Wasserstein - Analyst*

Okay. All right, thank you.

Terry Burman - *Signet Group PLC - Group Chief Executive*

You're welcome

Operator

We now take a question from Ben Harrington.

Ben Harrington - *Merger Market - Financial Journalist*

Hello, hello.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Hello.

Ben Harrington - *Merger Market - Financial Journalist*

Hi there. Ben Harrington, financial journalist with a publication called Merger Market. I've just got one very quick question. I was just looking through my records, and I noticed there was a story quite recently in one of the U.S. papers which mentions that Signet were interested in acquiring regional jewelry store chains. And I was just wondering if that was accurate or not?

Terry Burman - *Signet Group PLC - Group Chief Executive*

Yes, we've stated for some time now that we --

Ben Harrington - *Merger Market - Financial Journalist*

Right.

Terry Burman - *Signet Group PLC - Group Chief Executive*

That we would like to, that we're ready, willing and able to do an acquisition.

Ben Harrington - *Merger Market - Financial Journalist*

Right. And --

Terry Burman - *Signet Group PLC - Group Chief Executive*

That acquisition would, and the strategy behind that would be to either add further mass to our Kay brand, and/or to develop a second national brand by consolidating all of our regional chains. Any acquisition we would stress, however, must meet our criteria.

Ben Harrington - *Merger Market - Financial Journalist*

Right.

Terry Burman - *Signet Group PLC - Group Chief Executive*

That is, it's got to be in an area where we're geographically under represented, it's got to be our area of the market. Very importantly, it's to be real estate quality that we would invest in ourselves if we were opening stores.

Ben Harrington - *Merger Market - Financial Journalist*

Right.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Finally, it's got to be of a price that earn our returns.

Ben Harrington - *Merger Market - Financial Journalist*

Right. And how approximately, I mean where abouts are you sort of thinking about on that?

Terry Burman - *Signet Group PLC - Group Chief Executive*

We wouldn't discuss anything specifically.

Ben Harrington - *Merger Market - Financial Journalist*

Right, okay. And you, is that, is that you doing that, looking at that internally or would you, have hired somebody from outside, a financial advisor or anything along those lines?

Terry Burman - *Signet Group PLC - Group Chief Executive*

We have the resources internally to examine the industry. We're very familiar with it and have plenty of resources here.

Ben Harrington - *Merger Market - Financial Journalist*

Right.

Terry Burman - *Signet Group PLC - Group Chief Executive*

To be able to evaluate it.

Ben Harrington - *Merger Market - Financial Journalist*

Okay. Great, thanks.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Thanks.

Operator

Ladies and gentlemen, once again, if you wish to ask a question, please press star one now. We'll now take a question from John Baillie with [inaudible].

John Baillie - *S G Securities Limited - Analyst*

Hello, John Baillie from SG. Good afternoon. Given what you know on the gross margin outlook and on costs, what like for like growth do you need in Q4 in both regions to maintain profitability in that quarter?

Terry Burman - *Signet Group PLC - Group Chief Executive*

To maintain profitability? Or to maintain, well, --

John Baillie - *S G Securities Limited - Analyst*

Yes, to maintain the EBIT numbers each region.

Terry Burman - *Signet Group PLC - Group Chief Executive*

To maintain profitability, the fourth quarter is so large, we could, we're not predicting or looking for these, but we could probably incur substantial like for like decreases in order to maintain profitability. As you know, we're profitable in all four --

John Baillie - *S G Securities Limited - Analyst*

Sorry. Sorry I meant in terms of profits to the same level as Q4 for previous year.

Terry Burman - *Signet Group PLC - Group Chief Executive*

At constant rates? At constant rates, it would be in the low single digits in the U.S. and probably lower single digits in the U.K. because there are, because of the lack of new store growth and the operating leverage we have in the U.K.

John Baillie - *S G Securities Limited - Analyst*

So if the U.K. came in with another repeat maintained at 1.6 and that's the region, it could maintain profitability?

Walker Boyd - *Signet Group PLC - Group Finance Director*

I think in terms of the fourth quarter where effectively new space has less of an impact because clearly new space certainly in the fourth quarter in the U.S. we would expect it to be at least breakeven. I would say it's basically more single digits in both countries whether it's 1.6 or 2, it's certainly in that low single digit bracket.

John Baillie - *S G Securities Limited - Analyst*

Great. Thank you.

Operator

Thank you. Gentlemen, once again, if you wish to ask a question, please press star one on your touch-tone telephone. We'll take a question now from David Jeary with Credit Suite First Boston.

David Jeary - *Credit Suisse First Boston - Analyst*

Good afternoon, gentlemen. A couple of very quick questions. One, can you quantify roughly where you are on the gross margin year-on-year in the U.K. ahead? And secondly, was there any specific reason for the small uptick in central costs in Q3?

Terry Burman - *Signet Group PLC - Group Chief Executive*

Walker, do you want to take those?

Walker Boyd - *Signet Group PLC - Group Finance Director*

Yeah, in terms of the gross margin percent increase in the U.K., it's basically been fairly constant, a steady increase during the year, I would say low tens of basis points and clearly a factor in that is the continued weakness of the dollar, which is more than offsetting the increase in the commodity prices. For the tick-up in central costs, to be frank I think it went up by about 200,000. There's no specific thing I think in many ways it went from 1.5 to 1.7 million. There's no specific instance, nothing certainly unusual within that.

David Jeary - *Credit Suisse First Boston - Analyst*

Okay. Thank you.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Maybe some, Walker, weren't there extra Sarbanes-Oxley, or compliance costs?

Walker Boyd - *Signet Group PLC - Group Finance Director*

Yes. But that certainly not as high as 200,000 pounds. So there are just a number of small factors that contributed to the increase.

David Jeary - *Credit Suisse First Boston - Analyst*

Thank you.

Operator

Thank you. Gentlemen, it appears there are no further questions at this time. I'd like to turn the conference back over to you for any additional remarks.

Terry Burman - *Signet Group PLC - Group Chief Executive*

Thank you, operator. I'd like to thank all of you for taking part in this call. A reminder, our Christmas trading statement is scheduled for January 13, and that will be followed by a conference call.

I'd like to wish everyone, especially the people in the U.S. a happy Thanksgiving season. A happy Thanksgiving this week, and look forward to speaking to all of you on January 13.

Operator

That will conclude today's conference call. You may now disconnect.
