

SIGNET JEWELERS LTD
Form 10-Q
November 20, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended October 27, 2012 or**

**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 1-32349

Signet Jewelers Limited

(Exact name of Registrant as specified in its charter)

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Bermuda
(State or other jurisdiction of
incorporation)

Not Applicable
(I.R.S. Employer
Identification No.)

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

(441) 296 5872

(Address and telephone number of principal executive offices)

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. Yes No

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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$0.18 par value, 80,987,709 shares as of November 15, 2012

Table of Contents**TABLE OF CONTENTS**

	PAGE NUMBER
PART I	<u>FINANCIAL INFORMATION</u>
Item 1	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Income Statements</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>
	<u>Condensed Consolidated Balance Sheets</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>
	<u>Condensed Consolidated Statement of Shareholders' Equity</u>
	<u>Notes to the Condensed Consolidated Financial Statements</u>
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
Item 4	<u>Controls and Procedures</u>
PART II	<u>OTHER INFORMATION</u>
Item 1	<u>Legal Proceedings</u>
Item 1A	<u>Risk Factors</u>
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
Item 6	<u>Exhibits</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

(in millions, except per share amounts)

	13 weeks ended		39 weeks ended		Notes
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011	
Sales	\$ 716.2	\$ 710.5	\$ 2,470.1	\$ 2,395.4	2
Cost of sales	(480.8)	(480.6)	(1,569.8)	(1,521.0)	
Gross margin	235.4	229.9	900.3	874.4	
Selling, general and administrative expenses	(222.6)	(219.6)	(727.4)	(707.9)	
Other operating income, net	39.7	32.2	119.9	97.0	
Operating income	52.5	42.5	292.8	263.5	2
Interest expense, net	(0.9)	(0.4)	(2.5)	(3.8)	
Income before income taxes	51.6	42.1	290.3	259.7	
Income taxes	(16.7)	(16.0)	(102.2)	(91.9)	4
Net income	\$ 34.9	\$ 26.1	\$ 188.1	\$ 167.8	
Earnings per share: basic	\$ 0.43	\$ 0.30	\$ 2.27	\$ 1.94	5
diluted	\$ 0.43	\$ 0.30	\$ 2.26	\$ 1.93	5
Weighted average common shares outstanding: basic	80.5	86.3	82.9	86.2	5
diluted	80.9	87.1	83.4	87.0	5
Dividends declared per share	\$ 0.12	\$ 0.10	\$ 0.36	\$ 0.10	5

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

Table of Contents

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in millions)

	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net income	\$ 34.9	\$ 26.1	\$ 188.1	\$ 167.8
Other comprehensive income:				
Foreign currency translation adjustments	4.5	(4.6)	6.4	3.1
Changes in fair value of derivative instruments, net of tax of \$1.5 and \$8.6, respectively (October 29, 2011: \$4.8 and \$14.5, respectively)	2.4	9.6	(16.1)	25.8
Pension plan adjustments, net of tax of \$0.1 and \$0.3, respectively (October 29, 2011: \$0.4 and \$0.6, respectively)	0.4	0.1	1.2	0.7
Comprehensive income	\$ 42.2	\$ 31.2	\$ 179.6	\$ 197.4

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

Table of Contents**SIGNET JEWELERS LIMITED****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(in millions)**

	October 27, 2012	January 28, 2012	October 29, 2011	Notes
Assets				
Current assets:				
Cash and cash equivalents	\$ 166.0	\$ 486.8	\$ 349.6	
Accounts receivable, net	998.2	1,088.2	891.2	6
Other receivables	44.6	44.3	27.5	
Other current assets	59.7	92.0	97.7	7
Deferred tax assets	1.6	0.9	0.4	
Inventories	1,508.5	1,304.1	1,414.0	
Total current assets	2,778.6	3,016.3	2,780.4	
Non-current assets:				
Property and equipment, net of accumulated depreciation of \$715.3, \$681.0, and \$678.0, respectively	416.0	383.4	385.8	
Other assets	71.5	71.7	63.1	7
Deferred tax assets	113.5	108.5	102.2	
Retirement benefit asset	41.5	31.5	32.6	
Total assets	\$ 3,421.1	\$ 3,611.4	\$ 3,364.1	2
Liabilities and Shareholders' equity				
Current liabilities:				
Loans and overdrafts	\$	\$	\$ 33.6	12
Accounts payable	216.2	182.6	195.1	
Accrued expenses and other current liabilities	266.5	308.4	261.7	7
Deferred revenue	149.1	154.1	135.5	7
Deferred tax liabilities	138.1	135.0	108.3	
Income taxes payable	16.7	77.9	30.0	
Total current liabilities	786.6	858.0	764.2	
Non-current liabilities:				
Other liabilities	107.5	100.3	97.4	7
Deferred revenue	376.9	374.0	354.3	7
Total liabilities	1,271.0	1,332.3	1,215.9	
Commitments and contingencies				10
Shareholders' equity:				
Common shares of \$0.18 par value: authorized 500 shares, 81.0 shares outstanding (January 28, 2012: 86.9 shares outstanding; October 29, 2011: 86.9 shares outstanding)	15.7	15.6	15.6	
Additional paid-in capital	235.1	230.9	217.2	

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Other reserves	235.2	235.2	235.2
Treasury shares at cost: 6.2 shares (January 28, 2012: 0.3 shares; October 29, 2011: 0.0 shares)	(276.8)	(12.7)	5
Retained earnings	2,108.6	1,969.3	1,821.4
Accumulated other comprehensive loss	(167.7)	(159.2)	(141.2)
Total shareholders equity	2,150.1	2,279.1	2,148.2
Total liabilities and shareholders equity	\$ 3,421.1	\$ 3,611.4	\$ 3,364.1

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

Table of Contents**SIGNET JEWELERS LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in millions)**

	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Cash flows from operating activities				
Net income	\$ 34.9	\$ 26.1	\$ 188.1	\$ 167.8
Adjustments to reconcile net income to cash (used in)/provided by operating activities:				
Depreciation and amortization of property and equipment	23.7	22.3	70.4	67.3
Pension	(2.5)	(2.7)	(7.9)	(8.3)
Share-based compensation	4.3	5.3	11.4	12.3
Deferred taxation	18.8	4.6	6.0	2.2
Facility amendment fees amortization and charges	0.1	0.1	0.3	1.7
Other non-cash movements	(0.3)	(0.5)	(1.7)	(1.0)
Loss on disposal of property and equipment		0.1		0.1
Changes in operating assets and liabilities:				
Decrease in accounts receivable	34.2	15.4	90.3	44.7
(Increase)/decrease in other receivables and other assets	(3.4)	2.5	(0.3)	8.6
Decrease/(increase) in other current assets	13.7	(5.0)	20.9	3.4
Increase in inventories	(190.6)	(205.0)	(207.8)	(211.5)
Increase in accounts payable	79.1	49.4	32.6	60.2
Increase/(decrease) in accrued expenses and other liabilities	13.5	28.1	(39.5)	(17.7)
Decrease in deferred revenue	(1.2)	(5.4)	(2.1)	(9.4)
Decrease in income taxes payable	(40.1)	(14.5)	(61.0)	(8.4)
Effect of exchange rate changes on currency swaps	(0.8)	0.7	0.5	1.6
Net cash (used in)/provided by operating activities	(16.6)	(78.5)	100.2	113.6
Investing activities				
Purchase of property and equipment	(46.1)	(34.7)	(100.9)	(73.0)
Net cash used in investing activities	(46.1)	(34.7)	(100.9)	(73.0)
Financing activities				
Dividends	(9.6)		(28.6)	
Proceeds from exercise of share options	2.6	1.2	8.0	5.6
Repurchase of common shares			(287.2)	
Net settlement of equity based awards	(0.3)		(11.1)	
Credit facility fees paid		(0.1)		(1.7)
Proceeds from short-term borrowings		20.7		2.4
Net cash (used in)/provided by financing activities	(7.3)	21.8	(318.9)	6.3
Effect of exchange rate changes on cash and cash equivalents	(1.5)	0.8	(1.2)	0.6
Cash and cash equivalents at beginning of period	237.5	440.2	486.8	302.1
(Decrease)/increase in cash and cash equivalents	(70.0)	(91.4)	(319.6)	46.9

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Cash and cash equivalents at end of period	\$ 166.0	\$ 349.6	\$ 166.0	\$ 349.6
--	----------	----------	----------	----------

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

Table of Contents

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

(in millions)

	Common shares at par value	Additional paid-in capital	Other reserves	Treasury shares	Retained earnings	Accumulated other comprehensive loss	Total shareholders equity
Balance at January 28, 2012	\$ 15.6	\$ 230.9	\$ 235.2	\$ (12.7)	\$ 1,969.3	\$ (159.2)	\$ 2,279.1
Net income					188.1		188.1
Foreign currency translation						6.4	6.4
Changes in fair value of derivative instruments, net						(16.1)	(16.1)
Pension plan, net						1.2	1.2
Dividend					(29.7)		(29.7)
Repurchase of common shares				(287.2)			(287.2)
Net settlement of equity based awards		(7.5)		15.5	(19.1)		(11.1)
Share options exercised	0.1	0.3		7.6			8.0
Share-based compensation expense		11.4					11.4
Balance at October 27, 2012	\$ 15.7	\$ 235.1	\$ 235.2	\$ (276.8)	\$ 2,108.6	\$ (167.7)	\$ 2,150.1

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

Table of Contents

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Principal accounting policies and basis of preparation

Basis of preparation

Signet Jewelers Limited (Signet or the Company), including its subsidiaries, is a leading retailer of jewelry, watches and associated services. Signet manages its business as two geographical segments, the United States of America (the US) and the United Kingdom (the UK). The US division operates retail stores under brands including Kay Jewelers, Jared The Galleria Of Jewelry and various regional brands, while the UK division s retail stores operate under brands including H.Samuel and Ernest Jones.

These condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted from this report, as is permitted by such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in Signet s Annual Report on Form 10-K for the year ended January 28, 2012.

Use of estimates

The preparation of these condensed consolidated financial statements, in conformity with US GAAP and SEC 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 condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to the valuation of receivables, inventory and deferred revenue, fair value of derivatives, depreciation and asset impairment, the valuation of employee benefits, income taxes and contingencies.

Fiscal year

The Company s fiscal year ends on the Saturday nearest to January 31. Fiscal 2013 is the 53 week year ending February 2, 2013 and Fiscal 2012 is the 52 week year ended January 28, 2012. Within these financial statements, the third quarter and the year to date of the relevant fiscal years 2013 and 2012 refer to the 13 and 39 weeks ended October 27, 2012 and October 29, 2011, respectively.

Seasonality

Signet s sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season. Due to sales leverage, Signet s operating income is even more seasonal; about 45% to 50% of operating income normally occurs in the fourth quarter, comprised of nearly all of the UK division s and about 40% to 50% of the US division s operating income.

New accounting pronouncements adopted during the period

Presentation of comprehensive income

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 eliminates the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders equity. The amendments in this standard require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. On December 23, 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220) Deferral of the

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Accumulated Other Comprehensive Income in ASU 2011-05 (ASU 2011-12) to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the financial statements. ASU 2011-05 does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and is to be applied retrospectively, with early adoption permitted. Signet adopted this guidance effective for the first quarter ended April 28, 2012 and the implementation of this accounting pronouncement did not have any impact on Signet's financial position or results of operations.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)***Fair value measurements and disclosures*

In May 2011, the FASB issued ASU 2011-04, Fair Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards (IFRS). FASB intends the new guidance to achieve common fair value measurement and disclosure requirements in US GAAP and IFRS. The amended guidance changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 assets and liabilities for which Signet will be required to disclose quantitative information about the unobservable inputs used in fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Signet adopted this guidance effective for the first quarter ended April 28, 2012 and the adoption of this amendment did not have any impact on Signet's financial position or results of operations.

Reclassification

Signet has reclassified the presentation of certain prior year information to conform to the current year presentation.

2. Segment information

Signet's sales are derived from the retailing of jewelry, watches, other products and services. Signet is managed as two geographical operating segments, being the US and UK divisions. These segments represent channels of distribution that offer similar merchandise and services and have similar marketing and distribution strategies. Both divisions are managed by executive committees, which report through a divisional Chief Executive to Signet's Chief Executive Officer, who in turn reports to the Board. Each divisional executive committee is responsible for operating decisions within parameters set by the Board. The performance of each segment is regularly evaluated based on sales and operating income. The operating segments do not include certain central costs. There are no material transactions between the operating segments.

<i>(in millions)</i>	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Sales:				
US	\$ 575.6	\$ 563.0	\$ 2,029.0	\$ 1,944.0
UK	140.6	147.5	441.1	451.4
Total sales	\$ 716.2	\$ 710.5	\$ 2,470.1	\$ 2,395.4
Operating income/(loss):				
US	\$ 67.9	\$ 56.4	\$ 322.9	\$ 287.0
UK	(5.5)	(5.0)	(8.8)	(2.4)
Unallocated ⁽¹⁾	(9.9)	(8.9)	(21.3)	(21.1)
Total operating income	\$ 52.5	\$ 42.5	\$ 292.8	\$ 263.5

<i>(in millions)</i>	October 27, 2012	January 28, 2012	October 29, 2011
----------------------	---------------------	---------------------	---------------------

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Total assets:			
US	\$ 2,876.8	\$ 2,747.5	\$ 2,660.8
UK	474.0	427.3	441.0
Unallocated ⁽²⁾	70.3	436.6	262.3
Total assets	\$ 3,421.1	\$ 3,611.4	\$ 3,364.1

- (1) Unallocated principally relates to central costs, which include corporate and general administrative functions.
- (2) Unallocated principally relates to central assets, which include corporate and general administrative functions. The asset balance in the prior periods has primarily consisted of cash which has subsequently been utilized for the repurchase of common shares.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****3. Foreign currency translation**

The exchange rates used in these financial statements for the translation of UK pound sterling transactions and balances into US dollars are as follows:

	39 weeks ended October 27, 2012	52 weeks ended January 28, 2012	39 weeks ended October 29, 2011
Income statement (average rate)	1.58	1.60	1.62
Balance sheet (period end rate)	1.61	1.57	1.61

The year to date average exchange rate is used to prepare the income statement for the 39 weeks ended October 27, 2012 and is calculated from the weekly average exchange rates weighted by sales of the UK division. The income statement for the 13 weeks ended October 27, 2012 is calculated as the difference between the income statement for the 39 weeks ended October 27, 2012 and the previously reported income statement for the 26 weeks ended July 28, 2012. Therefore, the third quarter's income statement includes the impact of the change in the year to date exchange rates between these quarter ends.

4. Income taxes

Signet has business activity in all states within the US and files income tax returns for the US federal jurisdiction and all applicable states. Signet also files income tax returns in the UK and certain other foreign jurisdictions. Signet is subject to US federal and state examinations by tax authorities for tax years ending after November 1, 2008 and is subject to examination by the UK tax authority for tax years ending after January 31, 2010.

As of January 28, 2012, Signet had approximately \$4.8 million of unrecognized tax benefits in respect of uncertain tax positions, all of which would favorably affect the effective income tax rate if resolved in Signet'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 39 weeks ended October 27, 2012.

Signet recognizes accrued interest and, where appropriate, penalties related to unrecognized tax benefits within income tax expense. As of January 28, 2012, Signet had accrued interest of \$0.4 million and there has been no material change in the amount of accrued interest as of October 27, 2012.

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 January 28, 2012, due to settlement of the uncertain tax positions with the tax authorities.

5. Shareholders' equity and earnings per share*Share repurchase*

On October 26, 2011, the Board of Directors announced that it had authorized a program to repurchase up to \$300 million of Signet's common shares (the Repurchase Program). The Repurchase Program will be funded through Signet's existing cash reserves and liquidity sources. Repurchased shares may be used by Signet for general corporate purposes. Repurchases may be made from time to time in the open

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

market, through block trades or otherwise. The timing, manner, price and amount of any repurchases will be determined by Signet in its discretion, and will be subject to economic and market conditions, stock prices, applicable legal requirements and other factors. The Repurchase Program may be suspended or discontinued at any time, or from time to time, without notice. The Repurchase Program became effective on January 16, 2012, and lasts 24 months. On July 17, 2012, Signet announced that its Board of Directors had authorized a \$50 million increase in the existing Repurchase Program, bringing the total authorization to \$350 million, of which \$50.1 million remained available as of October 27, 2012 and set to expire in January 2014.

The Company repurchased 6,425,296 shares at an average price of \$44.70 in the 39 weeks ended October 27, 2012 under the Repurchase Program, which are being held as treasury shares. The Company did not repurchase any shares held as treasury in the 39 weeks ended October 29, 2011.

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Earnings per share**

<i>(in millions, except per share amounts)</i>	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net income	\$ 34.9	\$ 26.1	\$ 188.1	\$ 167.8
Basic weighted average number of shares	80.5	86.3	82.9	86.2
Dilutive effect of share options	0.4	0.8	0.5	0.8
Diluted weighted average number of shares	80.9	87.1	83.4	87.0
Earnings per share basic	\$ 0.43	\$ 0.30	\$ 2.27	\$ 1.94
Earnings per share diluted	\$ 0.43	\$ 0.30	\$ 2.26	\$ 1.93

The basic weighted average number of shares excludes non-vested time-based restricted shares, shares held by the Employee Stock Ownership Trust and treasury shares. Such shares are not considered outstanding and do not qualify for dividends, except for time-based restricted shares for which dividends are earned and payable by the Company subject to full vesting. The effect of excluding these shares is to reduce the average number of shares in the 13 and 39 week periods ended October 27, 2012 by 6,711,229 and 4,309,714 shares, respectively (13 and 39 week periods ended October 29, 2011: 586,724 and 568,182 shares, respectively). The calculation of fully diluted earnings per share for the 13 and 39 week periods ended October 27, 2012 excludes options to purchase 274,023 and 240,548 shares, respectively (13 and 39 week periods ended October 29, 2011: 614,508 and 412,664 shares, respectively) on the basis that their effect on earnings per share was anti-dilutive.

Dividends

For the third quarter of Fiscal 2013, a cash dividend of \$0.12 per share on Signet's Common Shares was approved on September 7, 2012 for payment on November 26, 2012 to shareholders of record on October 26, 2012. As a result, \$9.7 million has been recorded in accrued expenses and other current liabilities reflecting this dividend, which is not presented in the condensed consolidated statement of cash flows as it is a non-cash transaction as of October 27, 2012. For the first and second quarters of Fiscal 2013, a cash dividend of \$0.12 per share on Signet's Common Shares was paid on May 29, 2012 and August 28, 2012, respectively.

6. Accounts receivable, net

Signet's accounts receivable primarily consist of US customer in-house financing receivables. The accounts receivable portfolio consists of a population that is of similar characteristics and is evaluated collectively for impairment. The allowance is an estimate of the losses as of the balance sheet date, and is calculated using a proprietary model that analyzes factors such as delinquency rates and recovery rates. A 100% allowance is made for any amount that is more than 90 days aged on a recency basis, as well as an allowance for those amounts 90 days aged and under, based on historical loss information and payment performance. The calculation is reviewed by management to assess whether, based on economic events, additional analyses are required to appropriately estimate losses inherent in the portfolio.

<i>(in millions)</i>	October 27, 2012	January 28, 2012	October 29, 2011
Accounts receivable by portfolio segment, net:			

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

US customer in-house finance receivables	\$ 987.6	\$ 1,077.4	\$ 882.2
Other accounts receivable	10.6	10.8	9.0
 Total accounts receivable, net	 \$ 998.2	 \$ 1,088.2	 \$ 891.2

Signet grants credit to customers based on a variety of credit quality indicators, including customer financial information and prior payment experience. On an ongoing basis, management monitors the credit exposure based on past due status and collection experience, as it has found a meaningful correlation between the past due status of customers and the risk of loss.

Other accounts receivable is comprised of gross accounts receivable relating to the insurance loss replacement business in the UK division of \$11.2 million (January 28, 2012 and October 29, 2011: \$11.3 million and \$9.6 million, respectively) with a corresponding valuation allowance of \$0.6 million (January 28, 2012 and October 29, 2011: \$0.5 million and \$0.6 million, respectively).

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)***Allowance for Credit Losses on US Customer In-House Finance Receivables:*

	39 weeks ended October 27, 2012	52 weeks ended January 28, 2012	39 weeks ended October 29, 2011
<i>(in millions)</i>			
Beginning balance	\$ (78.1)	\$ (67.8)	\$ (67.8)
Charge-offs	79.3	92.8	66.3
Recoveries	16.6	19.3	14.8
Provision	(98.0)	(122.4)	(85.5)
Ending balance	(80.2)	(78.1)	(72.2)
Ending receivable balance evaluated for impairment	1,067.8	1,155.5	954.4
US customer in-house finance receivables, net	\$ 987.6	\$ 1,077.4	\$ 882.2

Credit Quality Indicator and Age Analysis of Past Due US Customer In-House Finance Receivables:

	October 27, 2012		January 28, 2012		October 29, 2011	
	Gross	Valuation allowance	Gross	Valuation allowance	Gross	Valuation allowance
<i>(in millions)</i>						
Performing:						
Current, aged 0-30 days	\$ 841.8	\$ (25.8)	\$ 932.6	\$ (28.9)	\$ 758.4	\$ (23.6)
Past due, aged 31-90 days	178.1	(6.5)	180.2	(6.5)	153.0	(5.6)
Non Performing:						
Past due, aged more than 90 days	47.9	(47.9)	42.7	(42.7)	43.0	(43.0)
	\$ 1,067.8	\$ (80.2)	\$ 1,155.5	\$ (78.1)	\$ 954.4	\$ (72.2)

7. Deferred revenue and warranty reserve*Deferred revenue*

Deferred revenue is comprised primarily of extended service plans (ESP) and voucher promotions and other as follows:

	October 27, 2012	January 28, 2012	October 29, 2011
<i>(in millions)</i>			
ESP deferred revenue	\$ 517.7	\$ 511.7	\$ 484.5

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Voucher promotions and other	8.3	16.4	5.3
Total deferred revenue	\$ 526.0	\$ 528.1	\$ 489.8
Disclosed as:			
Current liabilities	\$ 149.1	\$ 154.1	\$ 135.5
Non-current liabilities	376.9	374.0	354.3
Total deferred revenue	\$ 526.0	\$ 528.1	\$ 489.8

In addition, other current assets include deferred direct costs in relation to the sale of ESP of \$21.0 million as of October 27, 2012 (January 28, 2012 and October 29, 2011: \$20.2 million and \$19.1 million, respectively). Other assets include the long-term portion of these deferred direct costs of \$52.8 million as of October 27, 2012 (January 28, 2012 and October 29, 2011: \$52.8 million and \$49.8 million, respectively).

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

<i>(in millions)</i>	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
ESP deferred revenue, beginning of period	\$ 523.7	\$ 490.5	\$ 511.7	\$ 481.1
Plans sold	36.0	33.3	130.2	119.9
Revenues recognized	(42.0)	(39.3)	(124.2)	(116.5)
ESP deferred revenue, end of period	\$ 517.7	\$ 484.5	\$ 517.7	\$ 484.5

Warranty reserve

The warranty reserve for diamond and gemstone guarantees provided by the US division, included in accrued expenses and other current liabilities, is as follows:

<i>(in millions)</i>	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Warranty reserve, beginning of period	\$ 17.6	\$ 12.7	\$ 15.1	\$ 13.0
Warranty expense	1.6	2.8	7.7	5.2
Utilized	(1.6)	(1.6)	(5.2)	(4.3)
Warranty reserve, end of period	\$ 17.6	\$ 13.9	\$ 17.6	\$ 13.9

<i>(in millions)</i>	October 27, 2012	January 28, 2012	October 29, 2011
Disclosed as:			
Current liabilities	\$ 6.6	\$ 5.9	\$ 5.5
Non-current liabilities	11.0	9.2	8.4
Total warranty reserve	\$ 17.6	\$ 15.1	\$ 13.9

8. Financial instruments and fair value

Signet's principal financial instruments are comprised of cash, cash deposits/investments and overdrafts, accounts receivable and payable, derivatives and a revolving credit facility. Signet does not enter into derivative transactions for trading purposes. Derivative transactions are used by Signet for risk management purposes to address risks inherent in Signet's business operations and sources of finance. The main risks arising from Signet's operations are market risk including foreign currency risk and commodity risk, liquidity risk and interest rate risk. Signet uses these financial instruments to manage and mitigate these risks under policies reviewed and approved by the Board.

Market risk

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Signet generates revenues and incurs expenses in US dollars and pounds sterling. As a portion of Signet's UK division purchases are denominated in US dollars, Signet enters into foreign currency forward exchange contracts, foreign currency option contracts and foreign currency swaps to manage this exposure to the US dollar.

Signet holds a fluctuating amount of pounds sterling cash reflecting the cash generative characteristics of the UK division. Signet's objective is to minimize net foreign exchange exposure to the income statement on pound sterling denominated items through managing this level of cash, pound sterling denominated intercompany balances and US dollar to pound sterling swaps. In order to manage the foreign exchange exposure and minimize the level of pound sterling cash held by Signet, the pound sterling denominated subsidiaries pay dividends regularly to their immediate holding companies and excess pounds sterling are sold in exchange for US dollars.

Signet's policy is to minimize the impact of precious metal commodity price volatility on operating results through the use of outright forward purchases of, or by entering into options to purchase, precious metals within treasury guidelines approved by the Board. In particular, Signet undertakes some hedging of its requirement for gold through the use of options, forward contracts and commodity purchasing, while fluctuations in the cost of diamonds are not hedged.

Table of Contents

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Liquidity risk

Signet's objective is to ensure that it has access to, or 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. Signet manages liquidity risks as part of its overall risk management policy. Management produces forecasting and budgeting information that is reviewed and monitored by the Board. Cash generated from operations and external financing are the main sources of funding supplementing Signet's resources in meeting liquidity requirements.

The main external source of funding is a \$400 million senior unsecured multi-currency five year revolving credit facility, under which there were no borrowings as of October 27, 2012, January 28, 2012, or October 29, 2011.

Interest rate risk

Signet may enter into various interest rate protection agreements in order to limit the impact of movements in interest rates on its cash or borrowings. There were no interest rate protection agreements outstanding as of October 27, 2012, January 28, 2012 or October 29, 2011.

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. Signet does not anticipate non-performance by counterparties of its financial instruments, except for customer in-house financing receivables as disclosed in Note 6. Signet does not require collateral or other security to support cash investments or financial instruments with credit risk; however it is Signet's policy to only hold cash and cash equivalent investments and to transact financial instruments with financial institutions with a certain minimum credit rating. Management does not believe Signet is exposed to any significant concentrations of credit risk that arise from cash and cash equivalent investments, derivatives or accounts receivable.

Derivatives

Signet enters into forward foreign currency exchange contracts and foreign currency option contracts, principally in US dollars, in order to limit the impact of movements in foreign exchange rates on its forecast foreign currency purchases. The total notional amount of these foreign currency contracts outstanding as of October 27, 2012 was \$75.9 million (January 28, 2012 and October 29, 2011: \$48.9 million and \$44.5 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 15 months (January 28, 2012 and October 29, 2011: 13 months and 18 months, respectively).

Signet enters into forward purchase contracts and option purchase contracts for commodities in order to reduce its exposure to significant movements in the price of the underlying precious metal raw material. The total notional amount of commodity contracts outstanding as of October 27, 2012 was \$219.6 million (January 28, 2012 and October 29, 2011: \$211.2 million and \$241.4 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 14 months (January 28, 2012 and October 29, 2011: 12 months and 16 months, respectively).

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period in which the hedged item affects net income or loss. Gains and losses on derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness, are recognized immediately in other operating income.

Foreign currency contracts not designated as cash flow hedges are used to hedge currency flows through Signet's bank accounts to mitigate Signet's exposure to foreign currency exchange risk in its cash and borrowings.

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

The bank counterparties to the derivative contracts expose Signet to credit-related losses in the event of their non-performance. However, to mitigate that risk, Signet only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of October 27, 2012, Signet believes that this credit risk did not materially change the fair value of the foreign currency or commodity contracts.

The following table summarizes the fair value and presentation of derivative instruments in the condensed consolidated balance sheets:

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

<i>(in millions)</i>	Balance sheet location	Derivative assets		
		October 27, 2012	Fair value January 28, 2012	October 29, 2011
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current assets	\$ 0.4	\$ 1.1	\$ 0.2
Foreign currency contracts	Other assets	0.1	0.1	0.1
Commodity contracts	Other current assets	5.2	16.1	23.9
Commodity contracts	Other assets			1.2
		5.7	17.3	25.4
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current assets			0.1
				0.1
Total derivative assets		\$ 5.7	\$ 17.3	\$ 25.5

<i>(in millions)</i>	Balance sheet location	Derivative liabilities		
		October 27, 2012	Fair value January 28, 2012	October 29, 2011
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	\$ (0.7)	\$ (0.2)	\$ (0.4)
Foreign currency contracts	Other liabilities	(0.2)		
Commodity contracts	Other current liabilities	(2.3)	(1.0)	(0.4)
Commodity contracts	Other liabilities	(0.3)		(0.3)
		(3.5)	(1.2)	(1.1)
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	(0.5)		(1.5)
		(0.5)		(1.5)
Total derivative liabilities		\$ (4.0)	\$ (1.2)	\$ (2.6)

The following tables summarize the effect of derivative instruments on the condensed consolidated income statements:

Amount of gain/(loss) recognized in OCI on	Location of gain/(loss)	Amount of gain/(loss) reclassified from accumulated OCI into
--	-------------------------	--

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

	derivatives (Effective portion)		reclassified from accumulated OCI into income (Effective portion)	income (Effective portion)	
	13 weeks ended			13 weeks ended	
	October 27, 2012	October 29, 2011		October 27, 2012	October 29, 2011
<i>(in millions)</i>					
Derivatives in cash flow hedging relationships:					
Foreign currency contracts	\$ (1.1)	\$ 1.6	Cost of sales	\$ 0.1	\$ 0.1
Commodity contracts	7.9	16.8	Cost of sales	2.8	4.1
Total	\$ 6.8	\$ 18.4		\$ 2.9	\$ 4.2

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

<i>(in millions)</i>	Amount of gain/(loss) recognized in OCI on derivatives (Effective portion)		Location of gain/(loss) reclassified from accumulated OCI into income (Effective portion)	Amount of gain/(loss) reclassified from accumulated OCI into income (Effective portion)	
	39 weeks ended			39 weeks ended	
	October 27, 2012	October 29, 2011		October 27, 2012	October 29, 2011
	Derivatives in cash flow hedging relationships:				
Foreign currency contracts	\$ (1.0)	\$ 0.9	Cost of sales	\$ 0.3	\$
Commodity contracts	(6.3)	49.9	Cost of sales	17.1	10.5
Total	\$ (7.3)	\$ 50.8		\$ 17.4	\$ 10.5

The ineffective portion of hedging instruments taken into other operating income in the 13 and 39 weeks ended October 27, 2012 was \$0.0 million (13 and 39 weeks ended October 29, 2011:\$0.0 million and \$0.4 million gain, respectively).

<i>(in millions)</i>	Amount of gain/(loss) recognized in income on derivatives 13 weeks ended		Location of gain/(loss) recognized in income on derivatives	Amount of gain/(loss) recognized in income on derivatives 39 weeks ended			
	October 27, 2012	October 29, 2011		October 27, 2012	October 29, 2011		
	Derivatives not designated as hedging instruments:						
	Foreign currency contracts	\$ (1.6)		\$ (1.0)	Other operating income, net	\$ (0.5)	\$ (0.3)
Total	\$ (1.6)	\$ (1.0)		\$ (0.5)	\$ (0.3)		

Fair value

The estimated fair value of Signet's financial instruments held or issued to finance Signet'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 Signet would realize upon disposition nor do they indicate Signet's intent or ability to dispose of the financial instrument. Assets and liabilities that are carried at fair value are required to 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

Table of Contents**SIGNET JEWELERS LIMITED****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Signet 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 Signet uses to determine fair value on an instrument-specific basis are detailed below:

<i>(in millions)</i>	October 27, 2012		January 28, 2012		October 29, 2011	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Assets:						
Forward foreign currency contracts	\$ 0.5	\$ 0.5	\$ 1.2	\$ 1.2	\$ 0.4	\$ 0.4
Forward commodity contracts	5.2	5.2	16.1	16.1	25.1	25.1
Liabilities:						
Forward foreign currency contracts	(1.4)	(1.4)	(0.2)	(0.2)	(1.9)	(1.9)
Forward commodity contracts	(2.6)	(2.6)	(1.0)	(1.0)	(0.7)	(0.7)

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, current foreign currency forward rates or current commodity forward rates. 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.

9. Pensions

Signet operates a defined benefit pension plan in the UK (the UK Plan). The components of net periodic pension cost were as follows:

<i>(in millions)</i>	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Components of net periodic pension cost:				
Service cost	\$ 0.9	\$ 1.1	\$ 2.7	\$ 3.6
Interest cost	2.4	2.7	7.1	8.1
Expected return on UK Plan assets	(2.9)	(3.5)	(8.6)	(10.5)
Amortization of unrecognized prior service credit	(0.4)	(0.2)	(1.2)	(0.7)
Amortization of unrecognized actuarial loss	0.8	0.7	2.4	2.0
Net periodic pension cost	\$ 0.8	\$ 0.8	\$ 2.4	\$ 2.5

In the 39 weeks ended October 27, 2012, Signet contributed \$10.3 million to the UK Plan and expects to contribute a minimum aggregate of \$13.7 million at current exchange rates to the UK Plan in Fiscal 2013. These contributions are in accordance with a deficit recovery plan that was in response to the funding deficit indicated by the April 5, 2009 actuarial valuation.

Table of Contents

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. Commitments and contingencies

Legal proceedings

In March 2008, a group of private plaintiffs filed a class action lawsuit for an unspecified amount against Sterling Jewelers Inc. (Sterling), a subsidiary of Signet, in the U.S. District Court for the Southern District of New York alleging that US store-level employment practices are discriminatory as to compensation and promotional activities. In June 2008, the District Court referred the matter to private arbitration where the plaintiffs sought to proceed on a class-wide basis. In June 2009, the arbitrator ruled that the arbitration agreements allowed the plaintiff to proceed on a class-wide basis and attempt to seek class certification. Sterling challenged the ruling and the District Court vacated the arbitrator's decision in July 2010. The plaintiffs appealed that order to the U.S. Court of Appeals for the Second Circuit. In July 2011, the Second Circuit reversed the District Court's decision and instructed the District Court to confirm the Arbitrator's Award (i.e., to allow the private plaintiff to move forward with a proposed class claim in arbitration). Sterling filed a petition for rehearing en banc of the Second Circuit panel's decision, which was denied on September 6, 2011. Sterling appealed the Second Circuit's decision to the U.S. Supreme Court on December 15, 2011, which was denied on March 19, 2012. The arbitration proceeding is in the early stages, and discovery is ongoing.

On September 23, 2008, the U.S. Equal Employment Opportunity Commission (EEOC) filed a lawsuit against Sterling in the U.S. District Court for the Western District of New York. The EEOC's lawsuit alleges that Sterling engaged in a pattern or practice of gender discrimination with respect to pay and promotions of female retail store employees from January 1, 2003 to the present. The EEOC asserts claims for unspecified monetary relief and non-monetary relief against the Company on behalf of a class of female employees subjected to these alleged practices. Discovery is now ongoing in the case.

Sterling denies the allegations of both parties and intends to defend these cases vigorously. At this point, no outcome or amount of loss is able to be estimated.

In addition, in the third quarter of Fiscal 2013, a favorable settlement of \$3.9 million relating to the De Beers anti-trust litigation was received and recorded within selling, general and administrative expenses in the US division.

In the ordinary course of business, Signet may be subject, from time to time, to various other proceedings, lawsuits, disputes or claims incidental to its business or not significant to Signet's consolidated financial position.

11. Share-based compensation expense

Signet recorded share-based compensation expense of \$4.3 million and \$11.4 million for the 13 and 39 weeks ended October 27, 2012, respectively, related to the Omnibus Plans and Saving Share Plans (13 and 39 weeks ended October 29, 2011: \$5.3 million and \$12.3 million, respectively).

12. Loans, overdrafts and long-term debt

In May 2011, Signet entered into a \$400 million senior unsecured multi-currency five year revolving credit facility agreement (the Credit Facility). The Credit Facility contains an expansion option that, with the consent of the lenders or the addition of new lenders, and subject to certain conditions, availability under the Credit Facility may be increased by an additional \$200 million at the request of Signet. The Credit Facility has a five year term and matures in May 2016, at which time all amounts outstanding under the Credit Facility will be due and payable. The Credit Facility also contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. The Credit Facility requires that Signet maintain at all times a Leverage Ratio (as defined in the Credit Facility) to be no greater than 2.50 to 1.00 and a Fixed Charge Coverage Ratio (as defined in the Credit Facility) to be no less than 1.40 to 1.00, both determined as of the end of each fiscal quarter of Signet for the trailing twelve months.

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

At October 27, 2012, January 28, 2012, and October 29, 2011, there were no amounts outstanding under the Credit Facility, with no intra-period borrowings. Signet had stand-by letters of credit of \$8.2 million, \$8.2 million and \$8.5 million as of October 27, 2012, January 28, 2012 and October 29, 2011, respectively.

13. Subsequent event

As of October 29, 2012, Signet acquired Ultra Stores, Inc. from Crystal Financial LLC and its other stockholders for \$58.4 million in cash, which includes a working capital adjustment of approximately \$1.4 million. Ultra Stores is a leading jewelry retailer and operates 107 stores, primarily in outlet centers and through 33 licensed jewelry departments. The primary purpose of the acquisition was to immediately increase Signet's share of the US outlet channel for jewelry. Prior to closing the Ultra Stores, Inc. acquisition, Signet incurred approximately \$2.5 million of acquisition-related expenses for professional services during the third quarter ended October 27, 2012. The results of Ultra Stores, Inc. will be reported as a component of the results of the US division.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this document and include statements regarding, among other things, Signet's results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words expects, intends, anticipates, estimates, predicts, believes, should, potential, may, forecast, objective, plan, similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to consumer credit, seasonality of Signet's business, financial market risks, deterioration in consumers' financial condition, exchange rate fluctuations, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet's information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, and risks relating to Signet being a Bermuda corporation.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward-looking statement, see the Risk Factors section of Signet's Fiscal 2012 Annual Report on Form 10-K filed with the SEC on March 22, 2012. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

OVERVIEW

Signet is the largest specialty retail jeweler in the US and UK. Signet manages its business as two geographical segments, the US and the UK divisions.

In the US, Signet operated 1,337 stores in 50 states at October 27, 2012. Its store brands are located nationally in malls and off-mall locations as Kay Jewelers (Kay), and regionally under a number of well-established mall-based brands. Destination superstores are operated nationwide as Jared The Galleria Of Jewelry (Jared).

In the UK, Signet's store brands are H.Samuel, Ernest Jones, and Leslie Davis, which are situated in prime High Street locations (main shopping thoroughfares with high pedestrian traffic) or major shopping malls. The UK division operated 520 stores at October 27, 2012, including 14 stores in the Republic of Ireland and 3 in the Channel Islands.

Non-GAAP measures

Signet provides certain non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitute for, financial information prepared in accordance with US GAAP.

Exchange translation impact

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. Management considers this a useful measure for analyzing and explaining changes and trends in Signet's results. The impact of the re-calculation, including a reconciliation to Signet's US GAAP results, is analyzed below.

Table of Contents

	13 weeks ended		Change	Impact of exchange rate movement	13 weeks ended October 29, 2011 at constant exchange rates (non-GAAP)	Change at constant exchange rates (non- GAAP)
	October 27, 2012	October 29, 2011				
<i>(in millions, except per share amounts)</i>						
Sales:						
US	\$ 575.6	\$ 563.0	2.2%	\$	\$ 563.0	2.2%
UK	140.6	147.5	(4.7)%	(3.7)	143.8	(2.2)%
	716.2	710.5	0.8%	(3.7)	706.8	1.3%
Cost of sales	(480.8)	(480.6)		2.7	(477.9)	(0.6)%
Gross margin	235.4	229.9	2.4%	(1.0)	228.9	2.8%
Selling, general and administrative expenses	(222.6)	(219.6)	(1.4)%	1.3	(218.3)	(2.0)%
Other operating income, net	39.7	32.2	23.3%		32.2	23.3%
Operating income/(loss):						
US	67.9	56.4	20.4%		56.4	20.4%
UK	(5.5)	(5.0)	(10.0)%	0.1	(4.9)	(12.2)%
Unallocated	(9.9)	(8.9)	(11.2)%	0.2	(8.7)	(13.8)%
	52.5	42.5	23.5%	0.3	42.8	22.7%
Interest expense, net	(0.9)	(0.4)	nm		(0.4)	nm
Income before income taxes	51.6	42.1	22.6%	0.3	42.4	21.7%
Income taxes	(16.7)	(16.0)	(4.4)%	(0.1)	(16.1)	(3.7)%
Net income	\$ 34.9	\$ 26.1	33.7%	\$ 0.2	\$ 26.3	32.7%
Earnings per share basic	\$ 0.43	\$ 0.30	43.3%	\$	\$ 0.30	43.3%
Earnings per share diluted	\$ 0.43	\$ 0.30	43.3%	\$	\$ 0.30	43.3%

nm not meaningful

Table of Contents

	39 weeks ended		Change	Impact of exchange rate movement	39 weeks ended October 29, 2011 at constant exchange rates (non-GAAP)	Change at constant exchange rates (non- GAAP)
	October 27, 2012	October 29, 2011				
<i>(in millions, except per share amounts)</i>						
Sales:						
US	\$ 2,029.0	\$ 1,944.0	4.4%	\$	\$ 1,944.0	4.4%
UK	441.1	451.4	(2.3)%	(11.2)	440.2	0.2%
	2,470.1	2,395.4	3.1%	(11.2)	2,384.2	3.6%
Cost of sales	(1,569.8)	(1,521.0)	(3.2)%	8.1	(1,512.9)	(3.8)%
Gross margin	900.3	874.4	3.0%	(3.1)	871.3	3.3%
Selling, general and administrative expenses	(727.4)	(707.9)	(2.8)%	3.7	(704.2)	(3.3)%
Other operating income, net	119.9	97.0	23.6%		97.0	23.6%
Operating income/(loss):						
US	322.9	287.0	12.5%		287.0	12.5%
UK	(8.8)	(2.4)	nm	0.1	(2.3)	nm
Unallocated	(21.3)	(21.1)	(0.9)%	0.5	(20.6)	(3.4)%
	292.8	263.5	11.1%	0.6	264.1	10.9%
Interest expense, net	(2.5)	(3.8)	34.2%		(3.8)	34.2%
Income before income taxes	290.3	259.7	11.8%	0.6	260.3	11.5%
Income taxes	(102.2)	(91.9)	(11.2)%	(0.2)	(92.1)	(11.0)%
Net income	\$ 188.1	\$ 167.8	12.1%	\$ 0.4	\$ 168.2	11.8%
Earnings per share basic	\$ 2.27	\$ 1.94	17.0%	\$ 0.01	\$ 1.95	16.4%
Earnings per share diluted	\$ 2.26	\$ 1.93	17.1%	\$	\$ 1.93	17.1%

nm not meaningful

Free cash flow

Free cash flow is a non-GAAP measure defined as the net cash (used in)/provided by operating activities less net cash flows used in investing activities. Management considers that it is helpful in understanding how the business is generating cash from its operating and investing activities that can be used to meet the financing needs of the business. Free cash flow does not represent the residual cash flow available for discretionary expenditure.

	13 weeks ended		39 weeks ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
<i>(in millions)</i>				
Net cash (used in)/provided by operating activities	\$ (16.6)	\$ (78.5)	\$ 100.2	\$ 113.6
Net cash used in investing activities	(46.1)	(34.7)	(100.9)	(73.0)
Free cash flow	\$ (62.7)	\$ (113.2)	\$ (0.7)	\$ 40.6

Table of Contents**RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Financial Statements and the related notes in Part I of this Quarterly Report on Form 10-Q, as well as the financial and other information included in Signet's Fiscal 2012⁽¹⁾ Annual Report on Form 10-K.

Third Quarter Highlights (third quarter is the 13 weeks ended October 27, 2012)

Same store sales: up 1.4%

Operating income: \$52.5 million, up \$10.0 million, an increase of 23.5%

Diluted earnings per share: up by 43.3% to \$0.43

Year to Date Highlights

Same store sales: up 3.2%

Operating income: \$292.8 million, up \$29.3 million, an increase of 11.1%

Diluted earnings per share: up by 17.1% to \$2.26

(1) Fiscal 2013 is the year ending February 2, 2013 and Fiscal 2012 is the year ended January 28, 2012.

Certain operating data as a percentage of sales were as follows:

Operating Data

	Third Quarter		Year To Date	
	Fiscal 2013 %	Fiscal 2012 %	Fiscal 2013 %	Fiscal 2012 %
Sales	100.0	100.0	100.0	100.0
Cost of sales	(67.1)	(67.6)	(63.6)	(63.5)
Gross margin	32.9	32.4	36.4	36.5
Selling, general and administrative expenses	(31.1)	(30.9)	(29.4)	(29.6)
Other operating income, net	5.5	4.5	4.9	4.1
Operating income	7.3	6.0	11.9	11.0
Interest expense, net	(0.1)	(0.1)	(0.1)	(0.2)
Income before income taxes	7.2	5.9	11.8	10.8
Income taxes	(2.3)	(2.2)	(4.2)	(3.8)

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Net income 4.9 3.7 7.6 7.0

Third quarter sales

In the third quarter of Fiscal 2013, Signet's same store sales were up 1.4% compared to an increase of 10.6% in the 13 weeks ended October 29, 2011 (third quarter of Fiscal 2012). Total sales were \$716.2 million compared to \$710.5 million in the third quarter of Fiscal 2012, up \$5.7 million or 0.8% compared to an increase of 10.7% in the third quarter of Fiscal 2012. eCommerce sales were \$19.6 million compared to \$14.5 million in the third quarter of Fiscal 2012, up \$5.1 million or 35.2%. The breakdown of the sales performance is set out in the table below.

	Change from previous year					Total sales as reported	Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	constant exchange rate ⁽²⁾	Exchange translation impact ⁽²⁾	Total sales		
Third quarter of Fiscal 2013							
US division	1.2%	1.0%	2.2%		2.2%	\$ 575.6	
UK division	2.3%	(4.5)%	(2.2)%	(2.5)%	(4.7)%	\$ 140.6	
Signet	1.4%	(0.1)%	1.3%	(0.5)%	0.8%	\$ 716.2	

(1) Includes all sales from stores not open for 12 months.

(2) Non-GAAP measure, discussed herein.

Table of Contents**US sales**

In the third quarter of Fiscal 2013, the US division's sales were \$575.6 million compared to \$563.0 million in the third quarter of Fiscal 2012, up \$12.6 million or 2.2%. Same store sales increased 1.2% compared to an increase of 13.9% in the third quarter of Fiscal 2012, driven primarily by Kay same store sales increase of 5.5%. Same store sales at Jared declined 4.1%, primarily due to a one-time watch event in Fiscal 2012 and discontinuation of the associated watch line. The loss of these sales reduced Jared same store sales by approximately 9.6% and US total same store sales by 3.5%. Across both Kay and Jared, same store sales were strong in the fashion jewelry and bridal categories, driven by branded and exclusive merchandise. See the table below for further analysis of sales.

	Change from previous year			Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	Total sales as reported	
Third quarter of Fiscal 2013				
Kay	5.5%	1.8%	7.3%	\$ 337.2
Jared	(4.1)%	1.6%	(2.5)%	\$ 189.8
Regional brands	(5.0)%	(5.2)%	(10.2)%	\$ 48.6
US division	1.2%	1.0%	2.2%	\$ 575.6

(1) Includes all sales from stores not open for 12 months.

UK sales

In the third quarter of Fiscal 2013, the UK division's sales were \$140.6 million compared to \$147.5 million in the third quarter of Fiscal 2012, down \$6.9 million or 4.7%. Same store sales increased 2.3% compared to a decrease of 0.5% in the third quarter of Fiscal 2012. The primary driver was a strong performance in prestige and fashion watches. See the table below for further analysis of sales.

	Change from previous year				Total sales as reported	Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	Total sales at constant exchange rate ⁽²⁾	Exchange translation impact ⁽²⁾		
Third quarter of Fiscal 2013						
H.Samuel	1.3%	(4.2)%	(2.9)%	(2.5)%	(5.4)%	\$ 74.1
Ernest Jones ⁽³⁾	3.6%	(5.1)%	(1.5)%	(2.4)%	(3.9)%	\$ 66.5
UK division	2.3%	(4.5)%	(2.2)%	(2.5)%	(4.7)%	\$ 140.6

(1) Includes all sales from stores not open for 12 months.

(2) Non-GAAP measure, discussed herein.

(3) Includes stores selling under the Leslie Davis nameplate.

Year to date sales

In the year to date, Signet's same store sales increased 3.2% compared to an increase of 10.2% in the comparable period last year. In the year to date, total sales were \$2,470.1 million compared to \$2,395.4 million in the 39 weeks ended October 29, 2011, up \$74.7 million or 3.1%. eCommerce sales were \$65.9 million compared to \$49.1 million in the 39 weeks ended October 29, 2011, up \$16.8 million or 34.2%. The breakdown of the sales performance is set out in the table below.

Table of Contents

Year to Date Fiscal 2013	Change from previous year					Total sales as reported	Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	at constant exchange rate ⁽²⁾⁽³⁾	Exchange translation impact ⁽²⁾	Total sales		
US division	3.5%	0.9%	4.4%		4.4%	\$ 2,029.0	
UK division	1.9%	(1.7)%	0.2%	(2.5)%	(2.3)%	\$ 441.1	
Signet	3.2%	0.4%	3.6%	(0.5)%	3.1%	\$ 2,470.1	

(1) Includes all sales from stores not open for 12 months.

(2) Non-GAAP measure, discussed herein.

(3) The average US dollar to pound sterling exchange rate for the 39 weeks ended October 27, 2012 was \$1.58 compared to \$1.62 for the 39 weeks ended October 29, 2011.

US sales

In the year to date, the US division's sales were \$2,029.0 million compared to \$1,944.0 million in the 39 weeks ended October 29, 2011, up \$85.0 million or 4.4%. Same store sales increased 3.5% compared to an increase of 12.8% in the prior year period. The impact of the one-time watch event in Fiscal 2012 and the discontinuation of the associated watch line reduced Jared same store sales by approximately 2.9% and US total same store sales by 1.0%. Branded and exclusive merchandise and bridal continue to be key drivers of US sales. See the table below for further analysis of sales.

Year to Date Fiscal 2013	Change from previous year			Total sales as reported	Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	Total sales		
Kay	6.8%	1.4%	8.2%	\$ 1,208.4	
Jared	(0.4)%	1.6%	1.2%	\$ 643.8	
Regional brands	(2.8)%	(4.4)%	(7.2)%	\$ 176.8	
US division	3.5%	0.9%	4.4%	\$ 2,029.0	

(1) Includes all sales from stores not open for 12 months.

UK sales

In the year to date, the UK division's sales were \$441.1 million compared to \$451.4 million in the 39 weeks ended October 29, 2011, down \$10.3 million or 2.3%. Same store sales increased 1.9% compared to an increase of 0.4% in the prior year period. Branded jewelry, watches and bridal were key drivers of the sales increase. See the table below for further analysis of sales.

Year to Date Fiscal 2013	Change from previous year					Total sales as reported	Total sales (in millions)
	Same store sales	Non same store sales, net ⁽¹⁾	at constant exchange rate ⁽²⁾⁽³⁾	Exchange translation impact ⁽²⁾	Total sales		

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

H.Samuel	1.1%	(1.2)%	(0.1)%	(2.5)%	(2.6)%	\$ 232.9
Ernest Jones ⁽⁴⁾	2.9%	(2.3)%	0.6%	(2.5)%	(1.9)%	\$ 208.2
UK division	1.9%	(1.7)%	0.2%	(2.5)%	(2.3)%	\$ 441.1

- (1) Includes all sales from stores not open for 12 months.
- (2) Non-GAAP measure, discussed herein.
- (3) The average US dollar to pound sterling exchange rate for the 39 weeks ended October 27, 2012 was \$1.58 compared to \$1.62 for the 39 weeks ended October 29, 2011.
- (4) Includes stores selling under the Leslie Davis nameplate.

Table of Contents***Cost of sales and gross margin***

In the third quarter of Fiscal 2013, the gross margin was \$235.4 million or 32.9% of sales, an increase of 50 basis points compared to \$229.9 million or 32.4% of sales in the third quarter of Fiscal 2012. Gross margin dollars in the US increased \$7.8 million compared to the third quarter of Fiscal 2012, reflecting a gross margin rate increase of 70 basis points. This improvement is primarily a result of an increase in the gross merchandise margin rate of 90 basis points over that of the third quarter of Fiscal 2012, principally due to favorable changes in sales mix. The US net bad debt to US sales ratio was unchanged at 5.4% compared to the third quarter of Fiscal 2012. In the UK, gross margin dollars decreased \$2.3 million compared to the third quarter of Fiscal 2012, reflecting a gross margin rate decline of 30 basis points. The decrease in rate is a result of a decline in gross merchandise margin of 130 basis points, caused primarily by customers' preferences for promotional merchandise. Partially offsetting the decline were favorable store occupancy expenses due to store closures and negotiated rent reductions.

For the year to date, the gross margin was \$900.3 million or 36.4% of sales compared to \$874.4 million or 36.5% of sales in the 39 weeks ended October 29, 2011. Gross margin in the US increased \$34.9 million compared to the 39 weeks ended October 29, 2011, primarily as a result of increased sales and an increased gross merchandise margin movement of 40 basis points primarily due to favorable changes in the sales mix. Store occupancy expenses were relatively unchanged, benefiting the gross margin rate. The US net bad debt to US sales ratio was 3.8% excluding the impact of a change in credit cycle processing in the first quarter of Fiscal 2013 compared to 3.6% in the 39 weeks ended October 29, 2011, and 4.0% including the impact. In the UK, gross margin dollars decreased \$9.0 million compared to the 39 weeks ended October 29, 2011, primarily as a result of a decrease in gross merchandise margin of 170 basis points caused by customers' preference for promotional merchandise and merchandise mix, which were partially offset by lower store occupancy expenses.

Selling, general and administrative expenses

In the third quarter of Fiscal 2013, selling, general and administrative expenses were \$222.6 million or 31.1% of sales compared to \$219.6 million or 30.9% of sales in the third quarter Fiscal 2012. The increase of 20 basis points was primarily due to acquisition-related costs of \$2.5 million and administrative cost increases to support strategic initiatives. This was partially offset by a \$3.9 million favorable settlement from the De Beers anti-trust litigation.

For the year to date, selling, general and administrative expenses were \$727.4 million or 29.4% of sales compared to \$707.9 million or 29.6% of sales in the 39 weeks ended October 29, 2011. The decrease of 20 basis points primarily reflected control of store expenses partially offset by increased advertising expenses.

Other operating income, net

In the third quarter of Fiscal 2013, other operating income, net was \$39.7 million or 5.5% of sales compared to \$32.2 million or 4.5% of sales in the third quarter of Fiscal 2012. This increase primarily reflected interest income earned from higher outstanding receivable balances and a change in the mix of finance programs selected by customers. Year to date, other operating income, net was \$119.9 million or 4.9% of sales compared to \$97.0 million or 4.1% of sales in the 39 weeks ended October 29, 2011.

Operating income

In the third quarter of Fiscal 2013, operating income was \$52.5 million or 7.3% of sales compared to \$42.5 million or 6.0% of sales in the third quarter of Fiscal 2012. The US division's operating income was \$67.9 million or 11.8% of sales compared to \$56.4 million or 10.0% of sales in the third quarter of Fiscal 2012. The operating loss for the UK division was \$5.5 million or (3.9)% of sales compared to operating loss of \$5.0 million or (3.4)% of sales in the third quarter of Fiscal 2012. Unallocated costs were \$9.9 million compared to \$8.9 million in the third quarter of Fiscal 2012.

For the year to date, operating income was \$292.8 million or 11.9% of sales compared to \$263.5 million or 11.0% of sales in the 39 weeks ended October 29, 2011. The US division's operating income was \$322.9 million or 15.9% of sales compared to \$287.0 million or 14.8% of sales in the 39 weeks ended October 29, 2011. The operating loss for the UK division was \$8.8 million or (2.0)% of sales compared to operating loss of \$2.4 million or (0.5)% of sales in the 39 weeks ended October 29, 2011. Unallocated costs were \$21.3 million compared to \$21.1 million in the third quarter of Fiscal 2012.

Interest expense, net

In the third quarter of Fiscal 2013, net interest expense was \$0.9 million compared to \$0.4 million in the third quarter of Fiscal 2012. Year to date, net interest expense was \$2.5 million compared to \$3.8 million in the 39 weeks ended October 29, 2011, in which the prior year included a

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

\$1.3 million write off of unamortized deferred financing fees related to the termination of the prior revolving credit facility.

Income before income taxes

In the third quarter of Fiscal 2013, income before income taxes was \$51.6 million or 7.2% of sales compared to \$42.1 million or 5.9% of sales in the third quarter of Fiscal 2012. Year to date, income before income taxes was \$290.3 million or 11.8% compared to \$259.7 million or 10.8% of sales in the 39 weeks ended October 29, 2011.

Table of Contents**Income taxes**

In the third quarter of Fiscal 2013, income tax expenses were \$16.7 million compared to \$16.0 million in the third quarter of Fiscal 2012. Year to date, income tax expenses were \$102.2 million (35.2% effective tax rate) compared to \$91.9 million (35.4% effective tax rate) in the 39 weeks ended October 29, 2011. The expected effective tax rate for Fiscal 2013 is 35.4%, which is consistent with Fiscal 2012.

Net income

In the third quarter of Fiscal 2013, net income was \$34.9 million or 4.9% of sales compared to \$26.1 million or 3.7% of sales in the third quarter of Fiscal 2012. Year to date, net income was \$188.1 million or 7.6% of sales compared to \$167.8 million or 7.0% of sales in the 39 weeks ended October 29, 2011.

Earnings per share

In the third quarter of Fiscal 2013, diluted earnings per share increased \$0.13 to \$0.43 compared to \$0.30 in the third quarter of Fiscal 2012, up 43.3%. The weighted average diluted number of common shares outstanding was 80.9 million compared to 87.1 million in the third quarter of Fiscal 2012. Signet had no share repurchases in the third quarter of Fiscal 2013 or Fiscal 2012. Year to date, diluted earnings per share increased \$0.33 to \$2.26 compared to \$1.93 in the 39 weeks ended October 29, 2011, up 17.1%. The weighted average diluted common shares outstanding were 83.4 million compared to 87.0 million in the 39 weeks ended October 29, 2011. Signet repurchased 6,425,296 shares through the 39 weeks ended October 27, 2012 compared to 0 shares in the 39 weeks ended October 29, 2011.

Dividends per share

In the third quarter of Fiscal 2013, dividends of \$0.12 were approved by the Board of Directors compared to \$0.10 in the third quarter of Fiscal 2012. For the year to date, dividends of \$0.36 have been approved by the Board of Directors compared to \$0.10 in the 39 weeks ended October 29, 2011.

LIQUIDITY AND CAPITAL RESOURCES**Highlights**

As of October 27, 2012, \$287.2 million of cash has been used to purchase 6.4 million shares under the Repurchase Program.

Cash and cash equivalents of \$166.0 million at October 27, 2012 compared to \$349.6 million at October 29, 2011 and \$486.8 million at January 28, 2012.

Set out in the table below is a summary of Signet's cash flow activity for the year to date for Fiscal 2013 and Fiscal 2012.

<i>(in millions)</i>	39 weeks ended	
	October 27, 2012	October 29, 2011
Summary cash flow		
Net cash provided by operating activities	\$ 100.2	\$ 113.6
Net cash used in investing activities	(100.9)	(73.0)
Net cash (used in)/provided by financing activities	(318.9)	6.3
(Decrease)/increase in cash and cash equivalents	(319.6)	46.9
Cash and cash equivalents at beginning of period	486.8	302.1
Effect of exchange rate changes on cash and cash equivalents	(1.2)	0.6

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Cash and cash equivalents at end of period	\$ 166.0	\$ 349.6
--	----------	----------

Operating activities

During the 39 weeks ended October 27, 2012, net cash provided by operating activities was \$100.2 million compared to \$113.6 million in the 39 weeks ended October 29, 2011, a decrease of \$13.4 million. The main reasons for the decrease were higher tax expense due to increased US division profits and timing differences associated with accounts payable payments. These were partially offset by increased net income and collections on accounts receivable.

In the 39 weeks ended October 27, 2012, accounts receivable decreased \$90.3 million compared to a decrease of \$44.7 million in the 39 weeks ended October 29, 2011, reflecting seasonal collection patterns and a higher accounts receivable balance. In the US division, the credit participation rate was 59.0% and the average monthly collection rate was 12.6% as of the 39 weeks ended October 27, 2012 compared to 57.2% and 12.9%, respectively, in the 39 weeks ended October 29, 2011. The year to date credit participation rate has historically been at its highest level at the end of the third quarter due to a higher penetration of bridal business, which historically is lower in the fourth quarter. The annual credit participation rate was 56.1% for Fiscal 2012.

Table of Contents

Inventory levels increased \$207.8 million compared to an increase of \$211.5 million in the 39 weeks ended October 29, 2011. Inventory levels for the third quarter reflect the normal seasonal build. As compared to the prior year comparable period, the inventory levels reflect primarily the impact of higher commodity costs and strategic investments. These increases were more than offset by management actions to improve inventory turn.

Other movements in operating assets and liabilities include a decrease in accrued expenses and other liabilities of \$39.5 million compared to a decrease of \$17.7 million in the 39 weeks ended October 29, 2011, driven primarily by timing differences associated with payroll taxes, sales tax and rent.

Accounts payable increased by \$32.6 million compared to an increase of \$60.2 million in the 39 weeks ended October 29, 2011, driven by increased payments for inventory purchases and a decrease in income taxes payable of \$61.0 million compared to a decrease of \$8.4 million in the 39 weeks ended October 29, 2011, due to payment of a higher level of year-end tax expense driven primarily by operating performance.

Investing activities

In the 39 weeks ended October 27, 2012, net cash used in investing activities was \$100.9 million compared to \$73.0 million in the 39 weeks ended October 29, 2011, as of result of increased capital investment in the existing businesses. In the US division, capital additions were \$84.5 million compared to \$59.8 million in the 39 weeks ended October 29, 2011 and in the UK division were \$16.4 million compared to \$13.2 million in the 39 weeks ended October 29, 2011, reflecting planned increases in IT and store investment.

Stores opened and closed in the 39 weeks ended October 27, 2012, together with planned changes for the balance of Fiscal 2013 are set out in the tables below.

The total net selling square footage at the end of the fourth quarter is expected to be 3.13 million including 0.16 million net selling square footage added as a result of the acquisition of 107 Ultra store locations.

US Division

	Kay mall	Kay off-mall	Total Kay	Ultra	Jared	Regional brands	Total	Annual net space change
January 28, 2012	766	154	920		183	215	1,318	1.2%
Opened	7	22	29		3		32	
Closed	(2)	(6)	(8)			(5)	(13)	
October 27, 2012	771	170	941		186	210	1,337	
Openings, planned	1	11	12	107	4		123	
Closures, planned	(2)		(2)			(13)	(15)	
February 2, 2013	770	181	951	107 ⁽¹⁾	190	197	1,445	10.5%

(1) Includes 107 stores and excludes licensed jewelry departments.

UK Division

	H.Samuel	Ernest Jones ⁽¹⁾	Total	Annual net space change
January 28, 2012	337	198	535	(0.1)%

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Opened		1 ⁽²⁾	1	
Closed	(11) ⁽²⁾	(5)	(16)	
October 27, 2012	326	194	520	
Openings, planned				
Closures, planned	(9)	(4)	(13)	
February 2, 2013	317	190	507	(3.4)%

(1) Includes stores selling under the Leslie Davis nameplate.

(2) Includes one H.Samuel store rebranded to an Ernest Jones store.

Financing activities

Dividends

On February 27, 2012, the \$0.10 per share cash dividend for the fourth quarter of Fiscal 2012 was paid out in the aggregate amount of \$8.7 million. On May 29, 2012 and August 28, 2012, cash dividends of \$0.12 per share were paid out for the first and second quarters in the amounts of \$10.3 million and \$9.6 million, respectively. For the third quarter of Fiscal 2013, a cash dividend of \$0.12 per share on Signet's Common Shares was approved on September 7, 2012 for payment on November 26, 2012 to shareholders of record on October 26, 2012. As a result, \$9.7 million has been recorded in accrued expenses and other current liabilities reflecting this dividend, which is not presented in the condensed consolidated statement of cash flows as it is a non-cash transaction as of October 27, 2012.

Table of Contents*Share repurchase*

The Company's share repurchase activity was as follows (no shares were repurchased during the third quarter):

	Third Quarter		Year To Date	
	Fiscal 2013	Fiscal 2012	Fiscal 2013	Fiscal 2012
Cost of repurchases (in millions)	\$	\$	\$ 287.2	\$
Shares repurchased (in thousands)			6,425.3	
Average cost per share	\$	\$	\$ 44.70	\$

At October 27, 2012, \$50.1 million remained available for future repurchases under the Board authorized \$350 million repurchase program, which is set to expire in January 2014. Since the repurchase program became effective on January 16, 2012, Signet has repurchased 6,681,537 shares for a cost of \$299.9 million, resulting in an average cost per share of \$44.88.

Proceeds from exercise of share options

During the 39 weeks ended October 27, 2012, \$8.0 million compared to \$5.6 million for the 39 weeks ended October 29, 2011, was received for the exercise of share options pursuant to Signet's equity compensation programs. Other than equity based compensation awards granted to employees and directors, Signet has not issued Common Shares as a financing activity for over ten years.

Movement in cash and indebtedness

Cash and cash equivalents at October 27, 2012 were \$166.0 million compared to \$349.6 million at October 29, 2011; see non-GAAP measures discussed herein. Signet has significant amounts of cash and cash equivalents invested in various AAA rated liquidity funds and at a number of financial institutions. The amount invested in each liquidity fund or at each financial institution takes into account the credit rating and size of the liquidity fund or financial institution and is invested for short-term durations.

Signet maintains its \$400 million Credit Facility which, at October 27, 2012 and October 29, 2011, was undrawn, with no intra-period borrowings. Signet had stand-by letters of credit of \$8.2 million and \$8.5 million as of October 27, 2012 and October 29, 2011, respectively.

OBLIGATIONS AND COMMITMENTS

Signet's contractual obligations and commitments at October 27, 2012 and the effects such obligations and commitments are expected to have on Signet's liquidity and cash flows in future periods have not changed materially outside the ordinary course from those disclosed in Signet's Annual Report on Form 10-K for the year ended January 28, 2012, filed with the SEC on March 22, 2012.

SEASONALITY

Signet's sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season. Due to sales leverage, Signet's operating income is even more seasonal; about 45% to 50% of operating income normally occurs in the fourth quarter, comprised of nearly all of the UK division's and about 40% to 50% of the US division's operating income.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with US GAAP requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. Management maintains a process to review the application of Signet's accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a multinational organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. There have been no material changes to the policies and estimates as discussed in Signet's Annual Report on Form 10-K for the year ended January 28, 2012, filed with the SEC on March 22, 2012.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Signet is exposed to market risk from fluctuations in foreign currency exchange rates, interest rates and precious metal prices, which could affect its consolidated financial position, earnings and cash flows. Signet manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Signet uses derivative financial instruments as risk management tools and not for trading purposes.

As certain of the UK division's purchases are denominated in US dollars and its net cash flows are in pounds sterling, Signet's policy is to enter into foreign currency forward exchange contracts and foreign currency swaps to manage the exposure to the US dollar. Signet also hedges a significant portion of forecasted merchandise purchases using commodity forward contracts. These contracts are entered into with large, reputable financial institutions, thereby minimizing the credit exposure from our counter-parties.

Signet has significant amounts of cash and cash equivalents invested at several financial institutions. The amount invested at each financial institution takes into account the long-term credit rating and size of the financial institution. However, with the current financial environment and the possible instability of financial institutions, Signet cannot be assured that it will not experience any losses on these balances. The interest rates earned on cash and cash equivalents will fluctuate in line with short-term interest rates.

Signet's market risk profile as of October 27, 2012 has not materially changed since January 28, 2012. The market risk profile as of January 28, 2012 is disclosed in Signet's Fiscal 2012 Annual Report on Form 10-K, filed with the SEC on March 22, 2012.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on this review, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 27, 2012.

Changes in Internal Control over Financial Reporting

During the third quarter of Fiscal 2013, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 10 of the Financial Statements set forth in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of Signet's Fiscal 2012 Annual Report on Form 10-K, filed with the SEC on March 22, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases of Equity Securities

On October 26, 2011, Signet announced a program to repurchase up to \$300 million of Signet's Common Shares, which amount was increased on July 17, 2012 to \$350 million (the Repurchase Program). The Repurchase Program became effective on January 16, 2012, and will last 24 months from that date. There were no repurchases of equity securities during the third quarter of Fiscal 2013. At October 27, 2012, \$50,135,969 remained available for repurchases under the Repurchase Program.

Table of Contents

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Number	Description of Exhibits
10.1 *	Third Amended and Restated Employment Agreement, dated August 24, 2012, between Sterling Jewelers Inc. and Ed Hrabak.
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.
Management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNET JEWELERS LIMITED
(Registrant)

November 20, 2012

By: /s/ Ronald Ristau

Ronald Ristau
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)