SIGNET JEWELERS LTD
Form 10-Q
November 22, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended October 29, 2011 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)

Bermuda	**Not Applicable**
(State or other jurisdiction of incorporation)	**(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 x 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 x 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	x	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 x

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, 86,905,781 shares as of November 16, 2011

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

	13 weeks ended		39 weeks ended		
	October 29, 2011 $million	October 30, 2010 $million	October 29, 2011 $million	October 30, 2010 $million	Notes
Sales	**710.5**	641.8	**2,395.4**	2,166.9	2
Cost of sales	**(480.6)**	(448.2)	**(1,521.0)**	(1,442.5)	
Gross margin	**229.9**	193.6	**874.4**	724.4	
Selling, general and administrative expenses	**(219.6)**	(201.5)	**(707.9)**	(643.7)	
Other operating income, net	**32.2**	26.4	**97.0**	81.3	
Operating income, net	**42.5**	18.5	**263.5**	162.0	2
Interest expense, net	**(0.4)**	(6.5)	**(3.8)**	(21.2)	
Income before income taxes	**42.1**	12.0	**259.7**	140.8	
Income taxes	**(16.0)**	(6.0)	**(91.9)**	(45.8)	
Net income	**26.1**	6.0	**167.8**	95.0	
Earnings per share basic	**$ 0.30**	$ 0.07	**$ 1.94**	$ 1.11	5
diluted	**$ 0.30**	$ 0.07	**$ 1.93**	$ 1.10	5

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

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SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million	Notes
Assets				
Current assets:				
Cash and cash equivalents	**349.6**	302.1	414.9	
Accounts receivable, net	**891.2**	935.9	769.5	6
Other receivables	**27.5**	38.2	22.2	
Other current assets	**97.7**	79.2	77.8	
Deferred tax assets	**0.4**	2.7	1.6	
Income taxes recoverable			0.9	
Inventories	**1,414.0**	1,184.2	1,297.4	
Total current assets	**2,780.4**	2,542.3	2,584.3	
Non-current assets:				
Property, plant and equipment, net of accumulated depreciation of $678.0 million, $645.7 million and $631.8 million, respectively	**385.8**	379.0	389.6	
Other assets	**63.1**	59.7	56.5	
Deferred tax assets	**102.2**	86.0	114.0	
Retirement benefit asset	**32.6**	22.8	3.2	
Total assets	**3,364.1**	3,089.8	3,147.6	2
Liabilities and Shareholders equity				
Current liabilities:				
Loans and overdrafts	**33.6**	31.0	266.7	
Accounts payable	**195.1**	125.9	179.3	
Accrued expenses and other current liabilities	**270.1**	292.4	245.1	7
Deferred revenue	**135.5**	146.0	128.1	7
Deferred tax liabilities	**108.3**	77.1	97.7	
Income taxes payable	**30.0**	38.6		
Total current liabilities	**772.6**	711.0	916.9	
Non-current liabilities:				
Other liabilities	**89.0**	86.6	85.0	
Deferred revenue	**354.3**	353.2	336.7	7
Total liabilities	**1,215.9**	1,150.8	1,338.6	
Commitments and contingencies				10
Shareholders equity:				
Common shares of $0.18 par value: authorized 500 million shares, 86.9 million shares issued and outstanding (January 29, 2011: 86.2 million shares issued and outstanding; October 30, 2010: 85.7 million shares issued and outstanding)	**15.6**	15.5	15.4	
Additional paid-in capital	**217.2**	196.8	178.5	

Other reserves	**235.2**	235.2	235.2
Treasury shares			
Retained earnings	**1,821.4**	1,662.3	1,556.9
Accumulated other comprehensive loss	**(141.2)**	(170.8)	(177.0)
Total shareholders equity	**2,148.2**	1,939.0	1,809.0
Total liabilities and shareholders equity	**3,364.1**	3,089.8	3,147.6

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

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SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	**October 30, 2010 $million**	**October 29, 2011 $million**	**October 30, 2010 $million**
Cash flows from operating activities				
Net income	**26.1**	6.0	**167.8**	95.0
Adjustments to reconcile net income to cash (used in)/provided by operating activities:				
Depreciation of property, plant and equipment	**22.3**	23.8	**67.3**	71.3
Pension	**(2.7)**	(1.2)	**(8.3)**	(5.0)
Share-based compensation	**5.3**	3.2	**12.3**	7.7
Deferred taxation	**4.6**	16.4	**2.2**	20.1
Facility amendment fee amortization and charges	**0.1**	0.6	**1.7**	3.2
Other non-cash movements	**(0.5)**	(0.2)	**(1.0)**	(1.9)
Loss/(gain) on disposal of property, plant and equipment	**0.1**		**0.1**	(0.9)
Changes in operating assets and liabilities:				
Decrease in accounts receivable	**15.4**	27.9	**44.7**	87.6
Decrease in other receivables and other assets	**2.5**	3.6	**8.6**	6.1
(Increase)/decrease in other current assets	**(5.0)**	(6.3)	**3.4**	1.8
Increase in inventories	**(205.0)**	(166.2)	**(211.5)**	(125.9)
Increase in accounts payable	**49.4**	63.9	**60.2**	112.0
Increase/(decrease) in accrued expenses and other liabilities	**28.1**	11.2	**(17.7)**	(20.5)
Decrease in deferred revenue	**(5.4)**	(7.0)	**(9.4)**	(10.9)
Decrease in income taxes payable	**(14.5)**	(33.1)	**(8.4)**	(43.6)
Effect of exchange rate changes on currency swaps	**0.7**	(0.3)	**1.6**	0.8
Net cash (used in)/provided by operating activities	**(78.5)**	(57.7)	**113.6**	196.9
Investing activities				
Purchase of property, plant and equipment	**(34.7)**	(25.1)	**(73.0)**	(41.2)
Proceeds from sale of property, plant and equipment				1.7
Net cash used in investing activities	**(34.7)**	(25.1)	**(73.0)**	(39.5)
Financing activities				
Proceeds from issue of common shares	**1.2**	1.0	**5.6**	2.0
Credit facility fees paid	**(0.1)**	(0.3)	**(1.7)**	(1.3)
Proceeds from/(repayment of) short-term borrowings	**20.7**	12.8	**2.4**	(6.5)
Repayment of long-term debt				(50.9)
Net cash provided by/(used in) financing activities	**21.8**	13.5	**6.3**	(56.7)
Effect of exchange rate changes on cash and cash equivalents	**0.8**	(1.2)	**0.6**	(2.0)
Cash and cash equivalents at beginning of period	**440.2**	485.4	**302.1**	316.2
(Decrease)/increase in cash and cash equivalents	**(91.4)**	(69.3)	**46.9**	100.7
Cash and cash equivalents at end of period	**349.6**	414.9	**349.6**	414.9

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

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SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(Unaudited)

	Common shares at par value $million	Additional paid-in capital $million	Other reserves $million	Treasury shares $million	Retained earnings $million	Accumulated other comprehensive loss $million	Total shareholders equity $million
Balance at January 29, 2011	15.5	196.8	235.2		1,662.3	(170.8)	1,939.0
Net income					167.8		167.8
Foreign currency translation						3.1	3.1
Changes in fair value of derivative instruments, net						25.8	25.8
Dividends					(8.7)		(8.7)
Pension plan, net						0.7	0.7
Share options exercised	0.1	5.5					5.6
Share-based compensation		14.9					14.9
Balance at October 29, 2011	**15.6**	**217.2**	**235.2**		**1,821.4**	**(141.2)**	**2,148.2**

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

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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 (the Company) and its subsidiaries (collectively, Signet) 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 29, 2011.

Use of estimates

The preparation of interim 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 consolidated interim 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, deferred revenue, depreciation and asset impairment, the valuation of employee benefits, income taxes and contingencies.

Fiscal year

Signet s fiscal year ends on the Saturday nearest to January 31. Fiscal 2011 is the year ended January 29, 2011 and Fiscal 2012 is the year ending January 28, 2012. Within these financial statements, the third quarter and the year to date of the relevant fiscal year refers to the 13 and 39 weeks ended October 29, 2011 and October 30, 2010, 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, with nearly all of the UK division s, and about 50% of the US division s operating income normally occurring in the fourth quarter. Selling, general and administrative costs are spread more evenly over the fiscal year.

New accounting pronouncements adopted during the period

Revenue recognition multi-deliverable arrangements

In October 2009, the FASB issued ASU 2009-13, which amends ASC 605-25, Revenue Recognition Multi-Deliverable Arrangements. ASU 2009-13 requires arrangement consideration to be allocated to all deliverables at inception using a relative selling price method and establishes a selling price hierarchy for determining the selling price of a deliverable. The update also expands the disclosure requirements to include additional detail regarding the deliverables, method of calculation of selling price and the timing of revenue recognition. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this amendment did not have a material impact on Signet.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Fair value measurements and disclosures

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 updates FASB ASC 820 Fair Value Measurements . ASU 2010-06 requires new disclosures and provides amendments to clarify existing disclosures. The new requirements include disclosing transfers in and out of Levels 1 and 2 fair value measurements and the reasons for the transfers and further disaggregating activity in Level 3 fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosure regarding the activity in Level 3 measurements, which is effective for fiscal years and interim periods beginning after December 15, 2010. Adoption of ASU 2010-06 increased disclosure requirements but did not affect Signet s financial position, operating results or cash flows.

Disclosures about the credit quality of financing receivables

In July 2010, the FASB issued ASU 2010-20, Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a roll forward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 was effective for Signet s financial statements as of January 29, 2011, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period are required for Signet s consolidated financial statements that include periods beginning on or after January 30, 2011. Adoption of ASU 2010-20 increased disclosure requirements but did not affect Signet s financial position, operating results or cash flows. See Note 6.

New accounting pronouncements to be adopted in subsequent periods

Presentation of comprehensive income

In June 2011, the FASB issued 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. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income, in either the other comprehensive income section of the comprehensive income statement or in the notes as US GAAP currently requires. The standard 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. The adoption of ASU 2011-05 is not expected to have a material impact on Signet s financial statements. Signet is in the process of determining its method of presentation.

Fair value measurements and disclosures

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 amends ASC 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in US GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Signet does not believe that the adoption of this amendment will have a material impact on the financial statements.

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	October 30, 2010 $million	October 29, 2011 $million	October 30, 2010 $million
Sales:				
US	**563.0**	497.0	**1,944.0**	1,737.2
UK	**147.5**	144.8	**451.4**	429.7
Total sales	**710.5**	641.8	**2,395.4**	2,166.9
Operating income/(loss), net:				
US	**56.4**	25.7	**287.0**	174.8
UK	**(5.0)**	(1.6)	**(2.4)**	1.7
Unallocated(1)	**(8.9)**	(5.6)	**(21.1)**	(14.5)
Total operating income, net	**42.5**	18.5	**263.5**	162.0

	October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
Total assets:			
US	**2,660.8**	2,345.5	2,438.1
UK	**441.0**	475.0	399.8
Unallocated(1)	**262.3**	269.3	309.7
Total assets	**3,364.1**	3,089.8	3,147.6

(1) Unallocated principally relates to central costs and assets, which include corporate and general administrative functions.

3. Foreign currency translation

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

	39 weeks ended October 29, 2011	**52 weeks ended January 29, 2011**	**39 weeks ended October 30, 2010**
Income statement (average rate)	**1.62**	1.55(1)	1.53
Balance sheet (period end rate)	**1.61**	1.59	1.60

(1) Not meaningful to these financial statements as the 52 week income statement is not presented.

The year to date average exchange rate is used to prepare the income statement for the 39 weeks ended October 29, 2011 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 29, 2011 is calculated as the difference between the income statement for the 39 weeks ended October 29, 2011 and the previously reported income statement for the 26 weeks ended July 30, 2011. Therefore, the third quarter s income statement includes the impact of the change in the year to date exchange rates between these quarter ends.

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 after November 1, 2008 and is subject to examination by the UK tax authority for tax years after January 31, 2009.

As of January 29, 2011, Signet had $9.0 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 related to financing arrangements and intra-group charges which are subject to different and changing interpretations of tax law.

During the 39 weeks ended October 29, 2011, agreement was reached with the Internal Revenue Service in respect of the treatment of certain financing arrangements and a cash settlement was paid of $2.1 million, excluding interest thereon. A benefit of $1.4 million has been recognized in income tax expense for the 39 weeks ended October 29, 2011 as a result of the reversal of a portion of the reserve for unrecognized tax benefits that had previously been recorded related to these financing arrangements.

Apart from the above, 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 29, 2011.

Signet recognizes accrued interest and, where appropriate, penalties related to unrecognized tax benefits within income tax expense. As of January 29, 2011, Signet had accrued interest of $1.0 million and, after the payment of interest of $0.5 million in respect of the above cash settlement, the amount of accrued interest as of October 29, 2011 is $0.5 million.

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 that were recorded as of January 29, 2011, 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 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 commenced, suspended or discontinued at any time without notice. Reflecting Signet s customary trading quiet periods, the Repurchase Program will be effective from January 16, 2012, and will last 24 months from that date.

Earnings per share

	13 weeks ended		39 weeks ended	
	October 29, 2011	**October 30, 2010**	**October 29, 2011**	**October 30, 2010**
Net income ($million)	**26.1**	6.0	**167.8**	95.0
Basic weighted average number of shares in issue (million)	**86.3**	85.7	**86.2**	85.6

Dilutive effect of share options (million)	**0.8**	0.6	**0.8**	0.6
Diluted weighted average number of shares in issue (million)	**87.1**	86.3	**87.0**	86.2
Earnings per share basic	**$ 0.30**	$ 0.07	**$ 1.94**	$ 1.11
Earnings per share diluted	**$ 0.30**	$ 0.07	**$ 1.93**	$ 1.10

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, as such shares are not considered outstanding and do not qualify for dividends. The effect of this is to reduce the average number of shares in the 13 and 39 week periods ended October 29, 2011 by 586,724 and 568,182 shares, respectively (13 and 39 week periods ended October 30, 2010: 325,537 and 295,029 shares, respectively). The calculation of fully diluted earnings per share for the 13 and 39 week periods ended October 29, 2011 excludes options to purchase 614,508 and 412,664 shares, respectively (13 and 39 week periods ended October 30, 2010: 928,000 and 941,178 shares, respectively) on the basis that their effect on earnings per share was anti-dilutive.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Dividends

A quarterly cash dividend of $0.10 per share on Signet s Common Shares was approved on August 24, 2011. As a result, $8.7 million has been recorded in accrued expenses and other current liabilities reflecting the dividend payable on November 28, 2011 to shareholders of record on October 28, 2011. In addition, this has been recorded as a non-cash transaction in the condensed consolidated statement of cash flows, as the Board of Directors declared a dividend for the third quarter of Fiscal 2012, which is not payable until the fourth quarter of Fiscal 2012.

6. Accounts receivable, net

Signet s accounts receivable primarily consist of US customer in-house finance programs (finance receivables), which are comprised of a large volume of transactions with no one customer representing a significant balance. Financing is only provided for transactions with Signet. The initial acceptance of customer finance arrangements is based on a variety of credit quality indicators, including consumer credit scores, consumer financial information and prior payment experience. Subsequent to the initial finance purchase, Signet monitors the credit quality of its customer finance receivable portfolio based on payment activity that drives the aging of receivables. These credit quality indicators are assessed on a real-time basis by Signet. 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.

The finance receivables are of similar characteristics and are evaluated collectively for impairment rather than evaluating each finance receivable on an individual basis. 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 past due 90 days aged and more on a recency basis, as well as an allowance for those accounts that are current and past due less than 90 days aged 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.

	October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
Accounts receivable by portfolio segment, net:			
US customer in-house finance receivables	**882.2**	927.7	763.9
Other accounts receivable	**9.0**	8.2	5.6
Total accounts receivable, net	**891.2**	935.9	769.5

Other accounts receivable is comprised of gross accounts receivable relating to the insurance loss replacement business in the UK division of $9.6 million (January 29, 2011 and October 30, 2010: $8.7 million and $6.5 million, respectively), with a corresponding valuation allowance of $0.6 million (January 29, 2011 and October 30, 2010: $0.5 million and $0.9 million, respectively).

Allowance for Credit Losses on US Customer In-House Finance Receivables:

	October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
Beginning balance	**(67.8)**	(72.2)	(72.2)

Charge-offs	**66.3**	119.0	84.2
Recoveries	**14.8**	17.4	12.9
Provision	**(85.5)**	(132.0)	(89.5)
Ending balance	**(72.2)**	(67.8)	(64.6)
Ending receivable balance evaluated for impairment	**954.4**	995.5	828.5
US customer in-house finance receivables, net	**882.2**	927.7	763.9

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	October 29, 2011		January 29, 2011		October 30, 2010	
	Gross $million	Valuation allowance $million	Gross $million	Valuation allowance $million	Gross $million	Valuation allowance $million
Performing:						
Current	**758.4**	**(23.6)**	804.4	(24.3)	652.7	(19.3)
Past due less than 90 days aged	**153.0**	**(5.6)**	152.1	(4.5)	134.5	(4.0)
Non Performing:						
Past due 90 days aged and more	**43.0**	**(43.0)**	39.0	(39.0)	41.3	(41.3)
	954.4	**(72.2)**	995.5	(67.8)	828.5	(64.6)

Amounts that are more than 90 days aged are placed on non-accrual status. For the 39 weeks ended October 29, 2011, Signet s bad debt expense for total accounts receivable is net of recoveries of $14.8 million (52 weeks ended January 29, 2011 and 39 weeks ended October 30, 2010: $17.4 million and $12.9 million, respectively).

7. Deferred revenue and warranty reserve

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

	October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
ESP deferred revenue	**484.5**	481.1	458.4
Voucher promotions	**5.3**	18.1	6.4
Total deferred revenue	**489.8**	499.2	464.8
Disclosed as:			
Current liabilities	**135.5**	146.0	128.1
Non-current liabilities	**354.3**	353.2	336.7
Total deferred revenue	**489.8**	499.2	464.8

In addition, other current assets include deferred direct costs in relation to the sale of ESP of $19.1 million as of October 29, 2011(January 29, 2011 and October 30, 2010: $18.8 million and $17.9 million, respectively). Other assets include the long-term portion of these deferred direct costs of $49.8 million as of October 29, 2011(January 29, 2011 and October 30, 2010: $49.2 million and $46.7 million, respectively).

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	**October 30, 2010 $million**	**October 29, 2011 $million**	**October 30, 2010 $million**
ESP deferred revenue, beginning of period	**490.5**	465.9	**481.1**	458.3
Plans sold	**33.3**	29.7	**119.9**	110.6
Revenues recognized	**(39.3)**	(37.2)	**(116.5)**	(110.5)
ESP deferred revenue, end of period	**484.5**	458.4	**484.5**	458.4

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	October 30, 2010 $million	October 29, 2011 $million	October 30, 2010 $million
Warranty reserve, beginning of period	**12.7**	12.6	**13.0**	12.3
Warranties expense	**2.8**	1.0	**5.2**	4.6
Utilized	**(1.6)**	(0.8)	**(4.3)**	(4.1)
Warranty reserve, end of period	**13.9**	12.8	**13.9**	12.8

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

Signet generates revenues and incurs expenses in pounds sterling and US dollars. 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. The fair value of these contracts is recorded in other assets and other liabilities.

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.

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 for funding at October 29, 2011 was a $400 million senior unsecured multi-currency five year revolving credit agreement dated May 24, 2011, under which there were no borrowings as of October 29, 2011. At January 29, 2011 and October 30, 2010, the previous $300 million unsecured multi-currency revolving credit facility was in place, under which there were no borrowings as of January 29, 2011 and October 30, 2010 (see Note 12). At October 30, 2010, borrowings of $229.1 million were outstanding under the US Private Placement Notes, which were prepaid in full on November 26, 2010.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Interest rate risk

Signet s operations had been financed principally by fixed rate notes under the US Private Placement Notes until they were prepaid in full on November 26, 2010. On October 28, 2010, Signet entered into an interest rate protection agreement in relation to this prepayment, that required the payment of a premium determined by the Make Whole provision in the agreement governing the US Private Placement Notes. The Make Whole was determined by reference to medium term US Treasury yields on November 23, 2010, the date the Make Whole was determined.

The notional value of the interest rate protection agreement was $267.9 million and as of October 30, 2010, the fair value of the agreement was $0.0 million. The agreement terminated on November 23, 2010. In the future, Signet may enter into various interest rate protection agreements in order to limit the impact of movements in interest rate on its cash or borrowings. There were no interest rate protection agreements outstanding at January 29, 2011 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. 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 29, 2011 was $44.5 million (January 29, 2011 and October 30, 2010: $39.5 million and $46.9 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 18 months (January 29, 2011 and October 30, 2010: 12 months and 15 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 29, 2011 was $241.4 million (January 29, 2011 and October 30, 2010: $154.3 million and $75.3 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 16 months (January 29, 2011 and October 30, 2010: 12 months and 15 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 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, net.

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.

The bank counterparties to the derivative contracts expose Signet to credit-related losses in the event of their nonperformance. However, to mitigate that risk, Signet only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of October 29, 2011, 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:

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Balance sheet location	Derivative assets Fair value October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current assets	**0.2**	0.2	0.3
Foreign currency contracts	Other assets	**0.1**		
Commodity contracts	Other current assets	**23.9**	2.4	6.9
Commodity contracts	Other assets	**1.2**		
		25.4	2.6	7.2
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current assets	**0.1**		
		0.1		
Total derivative assets		**25.5**	2.6	7.2

	Balance sheet location	Derivative liabilities Fair value October 29, 2011 $million	January 29, 2011 $million	October 30, 2010 $million
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	**(0.4)**	(0.6)	(0.8)
Foreign currency contracts	Other liabilities			(0.2)
Commodity contracts	Other current liabilities	**(0.4)**	(2.5)	
Commodity contracts	Other liabilities	**(0.3)**		
		(1.1)	(3.1)	(1.0)
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	**(1.5)**		(0.4)
		(1.5)		(0.4)
Total derivative liabilities		**(2.6)**	(3.1)	(1.4)

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

	Amount of gain/(loss) in OCI on derivatives (Effective portion) 13 weeks ended		Location of gain/(loss) reclassified from accumulated OCI into income (Effective portion)	Amount of gain/(loss) reclassified from accumulated OCI into income (Effective portion) 13 weeks ended	
	October 29, 2011 $million	October 30, 2010 $million		October 29, 2011 $million	October 30, 2010 $million
Derivatives in cash flow hedging relationships:					
Foreign currency contracts	**1.6**	(1.0)	Cost of sales	**0.1**	1.0
Commodity contracts	**16.8**	10.6	Cost of sales	**4.1**	3.0
Total	**18.4**	9.6		**4.2**	4.0

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Amount of gain/(loss) in OCI on derivatives (Effective portion) 39 weeks ended		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	
	October 29, 2011 $million	October 30, 2010 $million		October 29, 2011 $million	October 30, 2010 $million
Derivatives in cash flow hedging relationships:					
Foreign currency contracts	**0.9**	(0.5)	Cost of sales		3.9
Commodity contracts	**49.9**	17.0	Cost of sales	**10.5**	10.1
Total	**50.8**	16.5		**10.5**	14.0

The ineffective portion of hedging instruments taken into other operating income, net in the 13 and 39 weeks ended October 29, 2011 was $0.0 million and a $0.4 million gain, respectively (13 and 39 weeks ended October 30, 2010: $0.0 million and a $0.4 million gain, respectively).

	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 29, 2011 $million	October 30, 2010 $million		October 29, 2011 $million	October 30, 2010 $million
Derivatives not designated as hedging instruments:					
Foreign currency contracts	**(1.0)**	0.1	Other operating income, net	**(0.3)**	(0.4)
Total	**(1.0)**	0.1		**(0.3)**	(0.4)

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

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:

	October 29, 2011 $million		**January 29, 2011 $million**		**October 30, 2010 $million**	
	Carrying Value	**Fair Value (Level 2)**	**Carrying Value**	**Fair Value (Level 2)**	**Carrying Value**	**Fair Value (Level 2)**
Assets:						
Forward foreign currency contracts and swaps	**0.4**	**0.4**	0.2	0.2	0.3	0.3
Forward commodity contracts	**25.1**	**25.1**	2.4	2.4	6.9	6.9
Liabilities:						
Loans					(266.7)	(311.9)
Forward foreign currency contracts and swaps	**(1.9)**	**(1.9)**	(0.6)	(0.6)	(1.4)	(1.4)
Forward commodity contracts	**(0.7)**	**(0.7)**	(2.5)	(2.5)		

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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. These are held as assets and liabilities within other receivables and other payables, and all contracts have a maturity of less than 18 months. At October 30, 2010, Signet held $229.1 million of US Private Placement Notes. The fair value of this debt was determined by discounting to present value of the known future coupon rate and final Note redemption amounts at market yields as of the balance sheet date. These US Private Placement Notes were paid in full as of November 26, 2010 (see Note 12). 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:

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	**October 30, 2010 $million**	**October 29, 2011 $million**	**October 30, 2010 $million**
Components of net periodic benefit cost:				
Service cost	**1.1**	1.3	**3.6**	3.9
Interest cost	**2.7**	2.6	**8.1**	7.5
Expected return on UK Plan assets	**(3.5)**	(3.2)	**(10.5)**	(9.2)
Amortization of unrecognized prior service credit	**(0.2)**	(0.2)	**(0.7)**	(0.7)
Amortization of unrecognized actuarial loss	**0.7**	1.2	**2.0**	3.5
Net periodic benefit cost	**0.8**	1.7	**2.5**	5.0

For the 39 weeks ended October 29, 2011, Signet contributed $10.8 million to the UK Plan and expects to contribute a minimum aggregate of $14.5 million at current exchange rates to the UK Plan in Fiscal 2012. 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.

10. Commitments and contingencies

Legal proceedings

In March 2008, 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 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. On July 1, 2011, the Second Circuit reversed the District Court s decision and instructed the District Court to confirm the Arbitrator s Award. On July 15, 2011, Sterling filed a petition for rehearing *en banc* of the Second Circuit panel s decision, which was denied on September 6. Sterling plans to appeal the Second Circuit s decision to the U.S. Supreme Court. Sterling s petition seeking authorization to appeal is due on December 5, 2011.

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 from both parties and intends to defend them vigorously.

11. Share-based compensation expense

Signet recorded share-based compensation expense related to the Omnibus Plans and Saving Share Plans of $5.3 million and $12.3 million for the 13 and 39 weeks ended October 29, 2011, respectively ($3.2 million and $7.7 million for the 13 and 39 weeks ended October 30, 2010, respectively).

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 Agreement). This Agreement replaced Signet s previous revolving credit facility, which was due to expire in June 2013. The Agreement 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 Agreement may be increased by an additional $200 million at the request of Signet. The Agreement has a five year term and matures in May 2016, at which time all amounts outstanding under the Agreement will be due and payable. The Agreement also contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. The Agreement requires that Signet maintain at all times a Leverage Ratio (as defined in the Agreement) to be no greater than 2.50 to 1.00 and a Fixed Charge Coverage Ratio (as defined in the Agreement) 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.

As a result of the early termination of the previous credit facility, Signet incurred a write-off of $1.3 million of unamortized deferred financing fees during the second quarter of Fiscal 2012. There were no loans outstanding under this facility at termination. At October 29, 2011, there were no amounts outstanding under the Agreement, with no intra-period borrowings. Signet had stand-by letters of credit of $8.5 million as of October 29, 2011. In addition, as of January 29, 2011 and October 30, 2010, there were no amounts outstanding or significant intra-period fluctuations as it related to the previous credit facility. Signet had stand-by letters of credit of $5.5 million and $5.5 million as of January 29, 2011 and October 30, 2010, respectively.

Signet made a prepayment to its US Private Placement Note Holders on March 9, 2010 of $50.9 million. Following this prepayment, there were $229.1 million of US Private Placement Notes outstanding. The remaining US Private Placement Notes were prepaid in full on November 26, 2010.

13. Comprehensive income

The components of comprehensive income are shown below:

	13 weeks ended		39 weeks ended	
	October 29, 2011 $million	October 30, 2010 $million	October 29, 2011 $million	October 30, 2010 $million
Net income	**26.1**	6.0	**167.8**	95.0
Foreign currency translation	**(4.6)**	3.6	**3.1**	(2.3)
Changes in fair value of derivative instruments	**14.4**	5.6	**40.3**	2.5
Pension plan	**0.5**	1.0	**1.3**	2.8
Deferred tax on items recognized in equity	**(5.2)**	(2.3)	**(15.1)**	(1.8)
Comprehensive income	**31.2**	13.9	**197.4**	96.2

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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, priorities, growth, strategies and the industry in which Signet operates. The use of the words expects, intends, anticipates, estimates, predicts, believes, should, potential, may, forecast, ol target, and other 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, 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 2011 Annual Report on Form 10-K filed with the SEC on March 30, 2011. 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 a leading specialty retail jeweler, with stores in the US, UK, Republic of Ireland and Channel Islands. Signet manages its business as two geographical segments, being the US and the UK divisions.

In the US, Signet operated 1,324 stores in 50 states at October 29, 2011. 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).

On April 13, 2011, the US Census Bureau (the Census Bureau) released substantially revised estimates for US jewelry store sales for calendar 2009 and 2010, from $28.3 billion and $29.7 billion to $25.7 billion and $26.7 billion, respectively. Based on these revised figures, US specialty jewelry store sales declined by 12.4% in calendar 2009 and grew by 3.8% in calendar 2010. The peak level of jewelry store sales was $31.0 billion in calendar 2007. The US division s share of the specialty jewelry market increased to 9.9% in calendar 2009 and 10.3% in calendar 2010 from 8.6% in calendar 2008. These estimates from the Census Bureau may be subject to further significant revision.

On August 4, 2011, the US Bureau of Economic Analysis (BEA) released substantially revised estimates for US jewelry and watch sales for calendar years 2003 to 2010. Based on these revised figures, US jewelry and watch sales declined by 8.4% to $58.1 billion in calendar 2009 and grew by 5.7% to $61.5 billion in calendar 2010. The peak level of estimated jewelry and watch sales was $65.3 billion in calendar 2007. These new estimates from the BEA may be subject to further significant revision.

Accordingly, the specialty jewelry store sector saw a decrease in market share to 44.2% in calendar 2009 and 43.4% in calendar 2010 from 46.3% in calendar 2008.

On June 30, 2011, the US Bureau of Labor Statistics released a preliminary estimate of the number of jewelry store establishments for calendar 2010 of 22,774, down 4.2% from the 2009 estimate of 23,770 establishments. There were an estimated 25,803 jewelry store establishments in 2007. The estimates by the Bureau of Labor Statistics may be subject to revision.

In the UK, Signet s store brands are H.Samuel, Ernest Jones, and Leslie Davis, which are situated in prime High Street locations (main shoppi thoroughfares with high pedestrian traffic) or major shopping malls. The UK division operated 536 stores at October 29, 2011, including 14 stores in the Republic of Ireland and 3 in the Channel Islands.

It is intended that the Board will announce the details of the fourth quarter dividend at the time of the Holiday Trading Statement, currently scheduled for January 10, 2012.

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.

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	13 weeks ended October 29, 2011 $million	13 weeks ended October 30, 2010 $million	Change	Impact of exchange rate movement $million	13 weeks ended October 30, 2010 at constant exchange rates (non-GAAP) $million	Change at constant exchange rates (non-GAAP)
US	**563.0**	497.0	13.3%		497.0	13.3%
UK	**147.5**	144.8	1.9%	4.5	149.3	(1.2)%
Sales	**710.5**	641.8	10.7%	4.5	646.3	9.9%
Cost of sales	**(480.6)**	(448.2)	7.2%	(3.4)	(451.6)	6.4%
Gross margin	**229.9**	193.6	18.8%	1.1	194.7	18.1%
Selling, general and administrative expenses	**(219.6)**	(201.5)	9.0%	(1.5)	(203.0)	8.2%
Other operating income, net	**32.2**	26.4	22.0%		26.4	22.0%
Operating income, net	**42.5**	18.5	129.7%	(0.4)	18.1	134.8%
Interest expense, net	**(0.4)**	(6.5)	93.8%		(6.5)	93.8%
Income before income taxes	**42.1**	12.0	250.8%	(0.4)	11.6	262.9%
Income taxes	**(16.0)**	(6.0)	166.7%	0.2	(5.8)	175.9%
Net income	**26.1**	6.0	335.0%	(0.2)	5.8	350.0%
Earnings per share basic	**$ 0.30**	$ 0.07	328.6%		$ 0.07	328.6%
Earnings per share diluted	**$ 0.30**	$ 0.07	328.6%		$ 0.07	328.6%
Operating income/(loss), net						
US	**56.4**	25.7	119.5%		25.7	119.5%
UK	**(5.0)**	(1.6)	212.5%	(0.1)	(1.7)	194.1%
Unallocated(1)	**(8.9)**	(5.6)	58.9%	(0.3)	(5.9)	50.8%
Operating income, net	**42.5**	18.5	129.7%	(0.4)	18.1	134.8%

	39 weeks ended October 29, 2011 $million	39 weeks ended October 30, 2010 $million	Change	Impact of exchange rate movement $million	39 weeks ended October 30, 2010 at constant exchange rates (non-GAAP) $million	Change at constant exchange rates (non-GAAP)
US	**1,944.0**	1,737.2	11.9%		1,737.2	11.9%
UK	**451.4**	429.7	5.0%	25.3	455.0	(0.8)%
Sales	**2,395.4**	2,166.9	10.5%	25.3	2,192.2	9.3%
Cost of sales	**(1,521.0)**	(1,442.5)	5.4%	(18.5)	(1,461.0)	4.1%
Gross margin	**874.4**	724.4	20.7%	6.8	731.2	19.6%
Selling, general and administrative expenses	**(707.9)**	(643.7)	10.0%	(7.6)	(651.3)	8.7%
Other operating income, net	**97.0**	81.3	19.3%		81.3	19.3%
Operating income, net	**263.5**	162.0	62.7%	(0.8)	161.2	63.5%
Interest expense, net	**(3.8)**	(21.2)	82.1%		(21.2)	82.1%

Income before income taxes	**259.7**	140.8	84.4%	(0.8)	140.0	85.5%
Income taxes	**(91.9)**	(45.8)	100.7%	0.3	(45.5)	102.0%
Net income	**167.8**	95.0	76.6%	(0.5)	94.5	77.6%
Earnings per share basic	**$ 1.94**	$ 1.11	74.8%	(0.1)	$ 1.10	76.4%
Earnings per share diluted	**$ 1.93**	$ 1.10	75.5%		$ 1.10	75.5%
Operating income/(loss), net						
US	**287.0**	174.8	64.2%		174.8	64.2%
UK	**(2.4)**	1.7	(241.2)%	0.1	1.8	(233.3)%
Unallocated(1)	**(21.1)**	(14.5)	45.5%	(0.9)	(15.4)	37.0%
Operating income, net	**263.5**	162.0	62.7%	(0.8)	161.2	63.5%

(1) Unallocated principally relates to central costs, which include corporate and general administrative functions.

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Net cash:

Net cash is a non-GAAP measure defined as cash and cash equivalents less the total of loans, overdrafts and long term debt. Management considers that it is helpful in providing an understanding of the indebtedness of the business.

	October 29, 2011 $million	**January 29, 2011 $million**	**October 30, 2010 $million**
Long-term debt			
Loans and overdrafts	**(33.6)**	(31.0)	(266.7)
	(33.6)	(31.0)	(266.7)
Cash and cash equivalents	**349.6**	302.1	414.9
Net cash	**316.0**	271.1	148.2

Free cash flow:

Free cash flow is a non-GAAP measure defined as the net cash 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 29, 2011 $million	**October 30, 2010 $million**	**October 29, 2011 $million**	**October 30, 2010 $million**
Net cash (used in)/provided by operating activities	**(78.5)**	(57.7)	**113.6**	196.9
Net cash used in investing activities	**(34.7)**	(25.1)	**(73.0)**	(39.5)
Free cash flow	**(113.2)**	(82.8)	**40.6**	157.4

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 201(1) Annual Report on Form 10-K.

In the third quarter of Fiscal 2012, the business continued to utilize its competitive strengths and strong balance sheet to improve sales and enhance operating margins. The consumer environment in the US continued to be stronger than in the UK, which remained challenging. The potential impact of volatility in the financial markets on sales continues to be monitored.

Third Quarter Highlights (third quarter is the 13 weeks ended October 29, 2011)

Same store sales: up 10.6%, US division up 13.9%

Income before income taxes: $42.1 million, up $30.1 million

- Basic and diluted earnings per share: both $0.30, up $0.23

Year To Date Highlights (the 39 weeks ended October 29, 2011)

- Same store sales: up 10.2%, US division up 12.8%
- Income before income taxes: $259.7 million, up $118.9 million, or 84.4%
- Basic and diluted earnings per share: $1.94 and $1.93, up $0.83, an increase of 74.8% and 75.5%, respectively

(1) Fiscal 2011 is the year ended January 29, 2011 and Fiscal 2012 is the year ending January 28, 2012.

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

Operating Data

	Third Quarter		Year To Date	
	Fiscal 2012 %	Fiscal 2011 %	Fiscal 2012 %	Fiscal 2011 %
Sales	**100.0**	100.0	**100.0**	100.0
Cost of sales	**(67.6)**	(69.8)	**(63.5)**	(66.6)
Gross margin	**32.4**	30.2	**36.5**	33.4
Selling, general and administrative expenses	**(30.9)**	(31.4)	**(29.6)**	(29.7)
Other operating income, net	**4.5**	4.1	**4.1**	3.8
Operating income, net	**6.0**	2.9	**11.0**	7.5
Interest expense, net	**(0.1)**	(1.0)	**(0.2)**	(1.0)
Income before income taxes	**5.9**	1.9	**10.8**	6.5
Income taxes	**(2.2)**	(1.0)	**(3.8)**	(2.1)
Net income	**3.7**	0.9	**7.0**	4.4

Sales

In the third quarter of Fiscal 2012, same store sales were up 10.6%, compared to an increase of 7.2% in the third quarter last year. Total sales were $710.5 million in the third quarter (13 weeks ended October 30, 2010: $641.8 million), up $68.7 million or 10.7%. Sales increased by 9.9% at constant exchange rates; non-GAAP measure, discussed herein. The breakdown of the sales performance is set out in the table below.

	Third Quarter Fiscal 2012		
	US	UK	Signet
Sales, million	**$ 563.0**	**$ 147.5**	**$ 710.5**
% of total	79.2%	20.8%	100.0%
	US %	UK %	Signet %
Change in same store sales	13.9	(0.5)	10.6
Change in store space	(0.6)	(0.7)	(0.7)
Total change in sales at constant exchange rates(1)	13.3	(1.2)	9.9
Exchange translation impact		3.1	0.8
Change in total sales as reported	13.3	1.9	10.7

(1) Non-GAAP measure, discussed herein.

In the third quarter of Fiscal 2012, the US division s sales were $563.0 million (13 weeks ended October 30, 2010: $497.0 million) up $66.0 million or 13.3%, and same store sales rose 13.9% compared to a increase of 9.7% in the third quarter last year. In the third quarter of Fiscal

2012, the US division benefited from its competitive strengths and a recovery in the jewelry market. The bridal category and branded differentiated and exclusive products continued to perform well. The average unit selling price, excluding the charm bracelet category rose 12.4%, as consumers purchased more expensive items partly reflecting price increases implemented to offset higher commodity costs. Jared average unit selling price and same store sales were favorably impacted by $76 and 8.3%, respectively, as a result of a one-time watch promotion. See table below for analysis of sales growth.

			Change from previous year		
Third quarter Fiscal 2012	**Sales**	**Average unit selling price(1)**	**Total sales**	**Same store sales**	**Average unit selling price(1)**
Kay	$ 314.3m	$ 449	13.8%	13.0%	8.7%
Jared	$ 194.6m	$ 1,055	18.4%	18.3%	21.7%
Regional brands	$ 54.1m	$ 443	(3.9)%	4.3%	7.3%
US division	**$ 563.0m**	**$ 544**	**13.3%**	**13.9%**	**12.4%**

(1) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

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In the third quarter of Fiscal 2012, the UK division s sales were $147.5 million (13 weeks ended October 30, 2010: $144.8 million), up $2.7 million or 1.9%. Sales fell 1.2% at constant exchange rates; non-GAAP measure, discussed herein. Same store sales were down 0.5%, compared to a decline of 0.6% in the prior year period. However, the UK consumer environment remained challenging, with consumer s disposable income falling. The gold rings and the fashion watch category continued to perform well. In the third quarter, average unit selling price, excluding the charm bracelet category, increased by 6.5%, primarily reflecting the impact of price increases implemented to largely counter pressure on gross merchandise margin. See table below for analysis of sales growth.

			Change from previous year			
Third quarter Fiscal 2012	**Sales**	**Average Unit selling price(1)(2)**	**Total sales**	**Total sales at constant exchange rates(3)(4)**	**Same store sales**	**Average unit selling price(2)**
H.Samuel	$ 78.3m	£ 61	3.0%	(0.2)%	0.0%	5.2%
Ernest Jones(5)	$ 69.2m	£ 300	0.9%	(2.4)%	(1.1)%	12.4%
UK division	**$ 147.5m**	**£ 99**	**1.9%**	**(1.2)%**	**(0.5)%**	**6.5%**

(1) The average unit selling price(2) in the third quarter for H.Samuel was $99, for Ernest Jones was $486 and for the UK division was $160.
(2) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.
(3) Non-GAAP measure, discussed herein.
(4) The exchange translation impact on the total sales of H.Samuel was 3.2% and for Ernest Jones was 3.0%.
(5) Includes stores selling under the Leslie Davis nameplate.

In the year to date, same store sales increased 10.2%, compared to a rise of 5.8% in the comparable period last year. In the year to date, total sales were $2,395.4 million (39 weeks ended October 30, 2010: $2,166.9), up $228.5 million or 10.5%. The increase at constant exchange rates was 9.3%; non-GAAP measure, discussed herein. The breakdown of the sales performance is set out in the table below.

	Year To Date Fiscal 2012		
	US	**UK**	**Signet**
Sales, million	**$ 1,944.0**	**$ 451.4**	**$ 2,395.4**
% of total	81.2%	18.8%	100.0%
	US	**UK**	**Signet**
	%	**%**	**%**
Change in same store sales	12.8	0.4	10.2
Change in store space	(0.9)	(1.2)	(0.9)
Total change in sales at constant exchange rates(1)(2)	11.9	(0.8)	9.3
Exchange translation impact(2)		5.8	1.2
Change in total sales as reported	**11.9**	**5.0**	**10.5**

(1) Non-GAAP measure, discussed herein.
(2) The average US dollar to pound sterling exchange rate for the 39 weeks ended October 29, 2011 was $1.62 (39 weeks ended October 30, 2010: $1.53).

In the year to date, the US division s sales were $1,944.0 million (39 weeks ended October 30, 2010: $1,737.2 million), up $206.8 million or 11.9%. Same store sales rose 12.8% compared to a rise of 7.5% in the prior year period. See table below for analysis of sales growth.

			Change from previous year		
Year to date Fiscal 2012	**Sales**	**Average unit selling price(1)**	**Total sales**	**Same store sales**	**Average unit selling price(1)**
Kay	$ 1,117.2m	$ 393	13.5%	13.6%	11.6%
Jared	$ 636.2m	$ 889	14.4%	14.0%	12.2%
Regional brands	$ 190.6m	$ 403	(3.3)%	4.4%	11.3%
US division	**$ 1,944.0m**	**$ 468**	**11.9%**	**12.8%**	**12.8%**

(1) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

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In the year to date, the UK division s sales were $451.4 million (39 weeks ended October 30, 2010: $429.7 million), up $21.7 million or 5.0%, down 0.8% at constant exchange rates; non-GAAP measure, discussed herein. Same store sales increased 0.4%, compared to a decline of 0.5% in the prior year period. The average unit selling price, excluding the charm bracelet category, increased 6.5%, primarily reflecting the impact of price increases implemented to largely counter pressure on gross merchandise margin. See table below for analysis of sales growth.

			Change from previous year			
Year to date Fiscal 2012	**Sales**	**Average Unit selling price(1)(2)**	**Total sales**	**Total sales at constant exchange rates(3)(4)**	**Same store sales**	**Average unit selling price(2)**
H.Samuel	$ 239.2m	£ 61	6.9%	1.0%	2.0%	7.0%
Ernest Jones(5)	$ 212.2m	£ 284	3.2%	(2.6)%	(1.4)%	9.2%
UK division	**$ 451.4m**	**£ 98**	**5.0%**	**(0.8)%**	**0.4%**	**6.5%**

(1) The average unit selling price(2) year to date for H.Samuel was $99, for Ernest Jones was $460 and for the UK division was $159.
(2) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.
(3) Non-GAAP measure, discussed herein.
(4) The exchange translation impact on the total sales of H.Samuel was 5.9% and for Ernest Jones was 5.8%.
(5) Includes stores selling under the Leslie Davis nameplate.

Cost of sales and gross margin

In the third quarter of Fiscal 2012, gross margin was $229.9 million (13 weeks ended October 30, 2010: $193.6 million), up $36.3 million or 18.8%. The gross margin rate increased 220 basis points over the Fiscal 2011 period, see Operating Data table above, primarily benefiting from leverage of store occupancy costs in the US and UK divisions. In addition, gross margin also benefited from an improved net bad debt to total sales ratio in the US division compared to the third quarter of Fiscal 2011. The net bad debt to total US sales ratio was 5.4% (13 weeks ended October 30, 2010: 5.9%), reflecting a continuation of the improved receivables performance. The average monthly collection rate was 12.2% in the third quarter (13 weeks ended October 30, 2010: 12.1%). In-house customer finance participation in the US division was 61.3% (13 weeks ended October 31, 2010: 60.0%). US net accounts receivable at October 29, 2011 was $882.2 million (October 30, 2010: $763.9 million), primarily reflecting higher sales in the US division. Total gross merchandise margin was down by 50 basis points, with the US division down 40 basis points and the UK division down 80 basis points. Gross merchandise margin was impacted by the higher cost of commodities and a one-time watch promotion in the US division, largely offset by price increases.

Year to date, gross margin was $874.4 million (39 weeks ended October 30, 2010: $724.4 million), up $150.0 million or 20.7%. The gross margin rate increased 310 basis points over the comparable prior year period, see Operating Data table above. Gross margin benefited from leverage of store occupancy costs in the US and UK divisions, as well as an improved net bad debt to total sales ratio in the US division. In the US division, the year to date net bad debt to total US sales ratio was 3.6% (39 weeks ended October 30, 2010: 4.4%). The year to date credit participation was 57.2% (39 weeks ended October 30, 2010: 55.7%). The year to date average monthly collection rate was 12.9% (39 weeks ended October 30, 2010: 12.8%).

Selling, general and administrative expenses

For the third quarter of Fiscal 2012, selling, general and administrative expenses were $219.6 million (13 weeks ended October 30, 2010: $201.5 million), up $18.1 million or 9.0%. The major reasons for the increase were as follows: increased net advertising investment of $3.7 million; $1.5 million attributable to currency fluctuations; $1.1 million to higher 401(k) contributions; $7.1 million of the remaining increase was as a result of store staff costs, which flexed with sales, and the balance primarily reflected increased investment in IT, credit infrastructure, and incentive compensation expense.

On a year to date basis, selling, general and administrative expenses were $707.9 million (39 weeks ended October 30, 2010: $643.7 million), up $64.2 million or 10.0%. The major reasons for the increased expenses were as follows: increased net advertising investment of $14.0 million; $7.6 million attributable to currency fluctuations; $4.1 million to higher 401(k) contributions; $22.8 million of the remaining increase was as a result of store staff costs, which flexed with sales, and the balance primarily reflected increased investment in IT, credit infrastructure and incentive compensation expense.

Other operating income, net

In the third quarter of Fiscal 2012, other operating income increased by $5.8 million to $32.2 million (13 weeks ended October 30, 2010: $26.4 million), up 22.0%. This reflected increased interest income earned from higher outstanding receivables balances.

Other operating income was $97.0 million on a year to date basis (39 weeks ended October 30, 2010: $81.3 million), up $15.7 million or 19.3%.

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Operating income, net

In the third quarter of Fiscal 2012, net operating income was $42.5 million (13 weeks ended October 30, 2010: $18.5 million), up $24.0 million, an increase of 129.7% over the third quarter of Fiscal 2011. Operating margin was 6.0% (13 weeks ended October 30, 2010: 2.9%).

In the third quarter of Fiscal 2012, the US division s net operating income increased by $30.7 million to $56.4 million (13 weeks ended October 30, 2010: $25.7 million), an increase of 119.5%. The US division s operating margin in the third quarter was 10.0% (13 weeks ended October 30, 2010: 5.2%), up 480 basis points. In the UK division, net operating loss was $5.0 million in the third quarter (13 weeks ended October 30, 2010: $1.6 million loss), an increase in loss of $3.4 million. The UK division s operating margin in the third quarter was -3.4% (13 weeks ended October 30, 2010: -1.1%), down 230 basis points.

For the year to date, net operating income increased $101.5 million, or 62.7%, to $263.5 million (39 weeks ended October 30, 2010: $162.0 million). Operating margin was 11.0% for the year to date (39 weeks ended October 30, 2010: 7.5%). The US division s net operating income increased $112.2 million to $287.0 million (39 weeks ended October 30, 2010: $174.8 million), an increase of 64.2%. The US division s operating margin was 14.8% (39 weeks ended October 30, 2010: 10.1%), up 470 basis points. For the year to date in the UK division, net operating loss was $2.4 million (39 weeks ended October 30, 2010: $1.7 million income), a deterioration of $4.1 million. The UK division s operating margin was -0.5% (39 weeks ended October 30, 2010: 0.4%), down 90 basis points.

Interest expense, net

In the third quarter of Fiscal 2012, net interest expense was $0.4 million (13 weeks ended October 30, 2010: $6.5 million). For the year to date, net interest expense was $3.8 million (39 weeks ended October 30, 2010: $21.2 million) and includes a write off of $1.3 million of unamortized deferred financing fees related to the termination of prior revolving credit facility. The decrease in interest expense primarily reflects the prepayment of the US Private Placement Notes in Fiscal 2011 that incurred a blended fixed rate of interest of 8%.

Income before income taxes

For the third quarter of Fiscal 2012, income before income taxes was $42.1 million (13 weeks ended October 30, 2010: $12.0 million), an increase of $30.1 million or 250.8%. For the year to date, income before income taxes was up $118.9 million to $259.7 million (39 weeks ended October 30, 2010: $140.8 million), an increase of 84.4%.

Income taxes

In the third quarter of Fiscal 2012, income tax expense was $16.0 million (13 weeks ended October 30, 2010: $6.0 million), reflecting higher income before income taxes.

For the 39 weeks ended October 29, 2011, income tax expense was $91.9 million (39 weeks ended October 30, 2010: $45.8 million), being an effective tax rate of 35.4% (39 weeks ended October 30, 2010: 32.5%). The increase in the effective tax rate was due to a greater proportion of US income, which is taxed at higher rates, and the favorable resolution at a higher level of non-recurring tax issues in the prior fiscal year. The anticipated effective tax rate for Fiscal 2012 is approximately 35.4%.

Net income

For the third quarter of Fiscal 2012, net income was $26.1 million (13 weeks ended October 30, 2010: $6.0 million), up $20.1 million, an increase of 335.0%. For the year to date, net income was $167.8 million (39 weeks ended October 30, 2010: $95.0 million), up $72.8 million, an increase of 76.6%.

Earnings per share

Basic and diluted earnings per share were both $0.30 per share for the third quarter (13 weeks ended October 30, 2010: both $0.07), up $0.23, an increase of 328.6%. In the year to date, basic and diluted earnings per share were $1.94 and $1.93 per share, respectively, both up $0.83 (39 weeks ended October 30, 2010: $1.11 and $1.10 per share, respectively), an increase of 74.8% and 75.5%, respectively, from the comparable prior year period.

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LIQUIDITY AND CAPITAL RESOURCES

Highlights

Free cash flow[1] of $40.6 million for the 39 weeks ended October 29, 2011;

Net cash[1] of $316.0 million at October 29, 2011 compared to net cash[1] of $148.2 million at October 30, 2010 and $271.1 million at January 29, 2011.

(1) Non-GAAP measure, discussed herein.

Set out in the table below is a summary of Signet s cash flows activity for the year to date for Fiscal 2012 and Fiscal 2011.

	39 weeks ended	
	October 29, 2011 $million	October 30, 2010 $million
Summary cash flow		
Net cash provided by operating activities	113.6	196.9
Net cash used in investing activities	(73.0)	(39.5)
Net cash provided by/(used in) financing activities	6.3	(56.7)
Increase in cash and cash equivalents	46.9	100.7
Cash and cash equivalents at beginning of period	302.1	316.2
Effect of exchange rate changes on cash and cash equivalents	0.6	(2.0)
Cash and cash equivalents at end of period	349.6	414.9

Operating activities

During the 39 weeks ended October 29, 2011, net cash provided by operating activities was $113.6 million (39 weeks ended October 30, 2010: $196.9 million). Net income increased $72.8 million to $167.8 million, reflecting the improved operating performance of the business. Adjustments to reconcile net income to cash provided by operating activities were $74.3 million compared to $94.5 million in the prior year primarily reflecting lower deferred taxation adjustments. Changes in operating assets and liabilities resulted in a reduction in cash flow of $128.5 million (39 weeks ended October 30, 2010: an increase of $7.4 million). The reasons for this change are primarily an increase in inventories reflecting seasonality and higher commodity costs partially offset by improved inventory efficiency, a smaller decrease of accounts receivable mainly reflecting seasonal collection patterns, partly offset by sales growth, and other movements in operating assets and liabilities, including a seasonal decrease in accrued expenses and other liabilities and a lower increase in accounts payable than the prior year, principally due to timing differences.

Investing activities

In the 39 weeks ended October 29, 2011, net cash used in investing activities was $73.0 million (39 weeks ended October 30, 2010: $39.5 million). Capital expenditures in the US division were $59.7 million (39 weeks ended October 30, 2010: $33.5 million) and in the UK division were $13.1 million (39 weeks ended October 30, 2010: $6.0 million), reflecting planned increases.

Stores opened and closed in the 39 weeks ended October 29, 2011, together with planned changes for the balance of Fiscal 2012, are set out in the tables below.

US Division

	Kay mall[1]	Kay off-mall	Regional brands	Jared[2]	Total	Annual net space change
January 29, 2011	780	128	229	180	1,317	(2)%
Opened	8	10		1	19	
Closed	(5)	(1)	(6)		(12)	
October 29, 2011	**783**	**137**	**223**	**181**	**1,324**	
Openings, planned	1	1		2	4	
Closures, forecast	(3)	(4)	(16)		(23)	
January 28, 2012	781	134	207	183	1,305	0%

(1) Includes stores in downtown locations.
(2) A Jared store is equivalent in size to about four mall stores.

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UK Division

	H.Samuel	Ernest Jones[1]	Total	Annual net space change
January 29, 2011	338	202	540	(2)%
Opened	2[2]	2	4	
Closed	(2)	(6)[2]	(8)	
October 29, 2011	**338**	**198**	**536**	
Openings, planned				
Closures, forecast	(5)	(1)	(6)	
January 28, 2012	333	197	530	(1)%

(1) Includes stores selling under the Leslie Davis nameplate.
(2) Includes one Ernest Jones store rebranded as H.Samuel.

Free cash flow

In the 39 weeks ended October 29, 2011, positive free cash flow was $40.6 million (39 weeks ended October 30, 2010: $157.4 million); non-GAAP measure, discussed herein. The increase in net income adjusted for non-cash items was offset by a lower inflow from changes in operating assets and liabilities.

Financing activities

During the 39 weeks ended October 29, 2011, $5.6 million (39 weeks ended October 30, 2010: $2.0 million) was received for the issuance of Common Shares pursuant to Signet s equity compensation programs.

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 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 commenced, suspended or discontinued at any time without notice. Reflecting Signet s customary trading quiet periods, the Repurchase Program will be effective from January 16, 2012, and will last 24 months from that date.

Movement in cash and indebtedness

Loans and overdrafts at October 29, 2011 was $33.6 million (October 30, 2010: $266.7 million), the reduction reflecting the prepayment of the US Private Placement Notes on November 26, 2010, with cash and cash equivalents of $349.6 million (October 30, 2010: $414.9 million). Net cash at October 29, 2011 was $316.0 million (October 30, 2010: $148.2 million); non-GAAP measure, discussed herein.

Signet has significant amounts of cash and cash equivalents invested in numerous 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 are for various durations of up to one month and have an average duration of under seven days.

At October 29, 2011, Signet maintained a $400 million revolving credit facility which was undrawn at October 29, 2011, with no intra-period borrowings. This facility was entered into on May 24, 2011 and replaced an existing $300 million revolving credit facility which was in effect and undrawn at October 29, 2010, with no significant intra-period fluctuations. Signet had stand-by letters of credit of $5.5 million and $5.5 million as of January 29, 2011 and October 30, 2010, respectively. As of October 29, 2011, Signet had stand-by letters of credit of $8.5 million associated with the $400 million revolving credit facility.

OBLIGATIONS AND COMMITMENTS

Signet s contractual obligations and commitments at October 29, 2011 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 29, 2011, filed with the SEC on March 30, 2011.

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, with nearly all of the UK division s, and about 50% of the US division s operating income normally occurring in the fourth quarter. Selling, general and administrative costs are spread more evenly over the fiscal year.

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 Fiscal 2011 Annual Report on Form 10-K for the year ended January 29, 2011, filed with the SEC on March 30, 2011.

Accounting changes and recent accounting standards

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our condensed consolidated financial statement, see Note 1, in Item 1.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Signet is exposed to market risk from fluctuations in commodity costs, foreign currency exchange rates, and interest rates, 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.

Signet also hedges a significant portion of forecasted merchandise purchases using commodity forward contracts. Also, as certain of the UK division s purchases are denominated in US dollars and its net cash flows are in pounds sterling, Signet enters into foreign currency forward exchange contracts and foreign currency swaps to manage the exposure to the US dollar. These contracts, within parameters established by Signet s Board, 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 29, 2011 has not materially changed since January 29, 2011. The market risk profile as of January 29, 2011 is disclosed in Signet s Fiscal 2011 Annual Report on Form 10-K, filed with the SEC on March 30, 2011.

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 29, 2011.

Changes in Internal Control over Financial Reporting

During the third quarter of Fiscal 2012, there were no changes in Signet s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Signet 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 2011 Annual Report on Form 10-K, filed with the SEC on March 30, 2011.

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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
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.

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)

Date: November 22, 2011

By: /s/ RONALD RISTAU
Name: **Ronald Ristau**
Title: **Chief Financial Officer**

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