SIGNET GROUP PLC
Form 6-K
September 04, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Special Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities and Exchange Act of 1934

For the date of September 4, 2002

SIGNET GROUP plc

(Translation of registrant's name into English)

Zenith House
The Hyde
London NW9 6EW
England

(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F Form 40-F

Signet Group plc
(LSE: SIG and Nasdaq NMS: SIGY)
Unaudited Interim Results
For 26 weeks ended 3 August 2002

Embargoed until 12.00 noon (BST) **4 September 2002**

SIGNET ANNOUNCES STRONG FIRST HALF RESULTS

Group profit before tax: £47.5m (2001/02: £40.2m)	**up 18%**
Earnings per share: 1.8p (2001/02: 1.6p)	**up 13%**
Group sales: £682.8m (2001/02: £629.7m)	**up 8%**
Group like for like sales	**up 7%**
Interim dividend per share: 0.310p (2001/02: 0.289p)	**up 7%**

Terry Burman, Group Chief Executive, commented:

The significant advance in first half results demonstrates the competitive strengths of the Group. The US business again outperformed the industry and gained further market share. The UK business performed well, with a particularly strong contribution from Ernest Jones.

Looking ahead, the Group remains focused on implementing its proven growth strategy while maintaining the strength of the balance sheet. Our businesses on both sides of the Atlantic are well positioned to compete and, while the important fourth quarter lies ahead, the Board takes encouragement from the strong first half performance.

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Signet operated 1,643 speciality retail jewellery stores at 3 August 2002; these included 1,037 stores in the US, where the Group trades as Kay Jewelers , Jared The Galleria Of Jewelry and under a number of regional names. At that date Signet operated 606 stores in the UK, where the Group trades as H.Samuel , Ernest Jones and Leslie Davis . Further information on Signet is available at www.signetgroupplc.com

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SIGNET GROUP plc

Interim Results Statement

GROUP

In the 26 weeks to 3 August 2002 Group profit before tax rose by 18.2% to £47.5 million (H1 2001/02: £40.2 million). Earnings per share increased by 12.5% to 1.8p (H1 2001/02: 1.6p) reflecting an anticipated rise in the effective tax rate. Total sales advanced by 8.4% to £682.8 million (H1 2001/02: £629.7 million), the like for like increase being 7.0%. Group operating profit increased by 12.8% to £56.5 million (H1 2001/02: £50.1 million). At a constant exchange rate profit before tax increased by 20.6%, total sales by 10.1% and operating profit by 15.1%.

Continued strengthening in key areas of the Group s operations contributed to the improvement in overall results. In the US, consumers responded positively to the new marketing and merchandising programmes and like for like sales were up by 6.7%. The division again outperformed the competition and gained further market share. UK like for like sales rose by 7.7%, a strong result at the upper end of retail sector performance. Diamonds, together with fashion and luxury watches, performed particularly well, reflecting the success of the strategy to increase market penetration in these categories.

The Board has declared an interim dividend of 0.310p per ordinary share (H1 2001/02: 0.289p).

OPERATING REVIEW

US (73% of Group sales)

US operating profit rose by 7.7% to £51.8 million (H1 2001/02: £48.1 million). Sales rose by 7.8% to £499.1 million (H1 2001/02: £462.9 million), the like for like increase being 6.7%. At a constant exchange rate US sales increased by 10.1% and operating profit by 10.0%. As anticipated, gross margin for the six months eased slightly reflecting planned changes in the sales mix. Operating margin was unchanged at 10.4%, the sales volume leverage of fixed costs being offset by the impact of the lower margin earned on Jared sales during the development phase of this concept. Bad debt charges decreased to 2.7% (H1 2001/02: 3.1%) of total sales, this being broadly in line with the average of the previous five years.

The tightened real estate criteria implemented last year continued to be applied. During the period there were 21 mall store openings and 14 closures. It is expected that 17 mall stores will be opened in the second half and nine closed. 51 mall stores were refurbished or relocated in the first half, with a further 41 scheduled for the second half. Five new Jared destination superstores were opened in the period, with a further seven planned for the second half. The like for like sales performance of the Jared stores continues to exceed that of the US business as a whole. It is expected that approximately 6% will have been added to total US selling space by the end of the current year and that the store complement will consist of 985 mall stores and 67 Jared stores.

Operating costs and inventory levels remain under close control. The bridal and diamond categories again performed well. Exclusive merchandise programmes, such as the Leo diamond, continue to be successfully developed. Marketing activity in the first half benefited from lower TV advertising costs, improved execution and new initiatives. For the Christmas period a further shift to television and

radio advertising is anticipated, an increase of over 10% in broadcast advertising impressions being planned. The testing of television commercials for Jared is being expanded to ten markets. It is expected that the overall advertising cost to sales ratio will be broadly maintained at the same level as last year.

UK (27% of Group sales)

UK operating profit rose by 57.4% to £7.4 million (H1 2001/02: £4.7 million). Sales increased by 10.2% to £183.7 million (H1 2001/02: £166.8 million). The like for like increase was 7.7%, although slight moderation in the pace of growth was evident in the last two months of the period. H.Samuel (16% of Group sales) and Ernest Jones (11% of Group sales) achieved like for like sales increases of 4.2% and 13.3% respectively. Gross margin was similar to last year's level and the operating margin increased to 4.0% (H1 2001/02: 2.8%) reflecting improved store productivity.

The focus on diamonds, together with fashion and luxury watches, continued. The proportion of diamonds in the sales mix was up by more than one percentage point on the first half of last year. The average selling price in H.Samuel increased by 10.2% and by 13.5% in Ernest Jones. In the second half the testing of tactical radio advertising will be expanded and a test of television advertising for H.Samuel will also take place. It is planned to refurbish or relocate some 30 H.Samuel and 17 Ernest Jones stores this year. The year should also see the opening of a further four H.Samuel and eight Ernest Jones stores, which, net of ten store closures, will bring the total up to 416 H.Samuel and 192 Ernest Jones stores at the year end.

Group costs, net interest and taxation

Group central costs were unchanged at £2.7 million. Net interest payable fell to £9.0 million (H1 2001/02: £9.9 million), primarily as a result of the lower level of net debt. The tax charge was £16.9 million (H1 2001/02: £13.9 million), reflecting an anticipated increase in the effective tax rate from 34.6% to 35.5%.

Net debt

Net debt at 3 August 2002 was £193.7 million (28 July 2001: £272.7 million; £248.4 million at a constant exchange rate). Group gearing (that is the ratio of net debt to shareholders' funds) at 3 August 2002 was 29.7% (28 July 2001: 45.6%). Since the beginning of this financial year net debt has decreased by £8.0 million, but at a constant exchange rate increased by £10.6 million (H1 2001/02: increase £36.4 million). Total fixed capital expenditure in the current year is expected to be circa £65 million (2001/02: £60.7 million).

PROSPECTS

In the US the trading environment has improved since last year, although the outlook remains somewhat uncertain. In the UK market conditions during the first half remained favourable, but it is generally anticipated that growth in consumer expenditure is likely to moderate.

The Group remains focused on implementing its proven growth strategy while maintaining the strength of the balance sheet. Our businesses on both sides of the Atlantic are well positioned to compete and, although the important fourth quarter lies ahead, the Board takes encouragement from the strong first half performance.

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There will be an analysts presentation at 2.30 p.m. London time today (9.30 a.m. New York time). For all interested parties there will be a simultaneous webcast available at www.signetgroupplc.com and a live conference call. The details for the conference call are:

European dial-in:	+44 (0) 20 8240 8243	Password Signet
Replay:	+44 (0) 20 8288 4459	Access code: 791772
US dial-in:	+1 303 713 7888	Password Signet
Replay:	+1 703 736 7336	Access code: 791772

This release includes certain forward-looking information that is based upon management s beliefs as well as on assumptions made by, and data currently available to, management. This information, which has been, or in the future may be, included in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, is subject to a number of risks and uncertainties, including but not limited to the factors identified in the Company s filings with the U.S. Securities and Exchange Commission, including its 2001/02 Annual Report on Form 20-F filed with the Commission on May 16, 2002. Actual results may differ materially from those anticipated in such forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein may not be realised. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

The interim report will be posted to shareholders on or around 20 September 2002. Copies of the interim report may be obtained from the Company Secretary, Zenith House, The Hyde, London NW9 6EW.

The third quarter sales for the 13 weeks ending 2 November 2002 are expected to be announced on Thursday 7 November 2002.

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Unaudited interim consolidated profit and loss account

for the periods ended 3 August 2002

	Notes	**13 weeks ended 3 August 2002**	13 weeks ended 28 July 2001	**26 weeks ended 3 August 2002**	26 weeks ended 28 July 2001	53 weeks ended 2 February 2002
		£m	£m	**£m**	£m	£m
Sales	2,3	**328.0**	317.2	**682.8**	629.7	1,578.1
Operating profit	3	**28.0**	27.1	**56.5**	50.1	200.7
Net interest payable and similar charges		**(4.4)**	(4.8)	**(9.0)**	(9.9)	(17.9)
Profit on ordinary activities before taxation		**23.6**	22.3	**47.5**	40.2	182.8
Tax on profit on ordinary activities	4	**(8.4)**	(7.7)	**(16.9)**	(13.9)	(63.1)
Profit for the financial period		**15.2**	14.6	**30.6**	26.3	119.7
Dividends	6	**(5.3)**	(4.9)	**(5.3)**	(4.9)	(30.5)
Retained profit attributable to ordinary shareholders		**9.9**	9.7	**25.3**	21.4	89.2
Earnings per 0.5p ordinary share						
– basic	7	**0.9p**	0.9p	**1.8p**	1.6p	7.1p
– diluted		**0.9p**	0.8p	**1.8p**	1.5p	7.0p

All of the above relates to continuing activities.

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SIGNET GROUP plc

Unaudited consolidated balance sheet

at 3 August 2002

3 August 2002	28 July 2001 as restated(1)	2 February 2002

	Notes	**£m**	£m	£m
Fixed assets				
Intangible assets		**21.3**	24.6	24.2
Tangible assets		**206.5**	198.1	214.1
		227.8	222.7	238.3
Current assets				
Stocks		**520.1**	503.9	555.5
Debtors (see note below)		**310.7**	327.5	380.7
Cash at bank and in hand		**23.5**	55.8	66.5
		854.3	887.2	1,002.7
Creditors: amounts falling due within one year		**(221.6)**	(444.9)	(320.5)
Bank loans and overdrafts		**(30.4)**	(277.7)	(38.8)
Other		**(191.2)**	(167.2)	(281.7)
Net current assets (see note below)		**632.7**	442.3	682.2
Total assets less current liabilities		**860.5**	665.0	920.5
Creditors: amounts falling due after more than one year		**(193.1)**	(58.7)	(224.6)
Bank loans		**(179.0)**	(50.8)	(208.5)
Other		**(14.1)**	(7.9)	(16.1)
Deferred tax		**(8.9)**	(1.9)	(9.2)
Provisions for liabilities and charges		**(6.4)**	(6.9)	(7.0)
Total net assets		**652.1**	597.5	679.7
Capital and reserves equity				
Called up share capital		**8.6**	8.5	8.6
Reserves		**643.5**	589.0	671.1
Shareholders funds	8	**652.1**	597.5	679.7

Note: Debtors and net current assets include amounts recoverable after more than one year of £19.1m (28 July 2001: £19.1m, 2 February 2002: £19.1m).

Unaudited consolidated statement of total recognised gains and losses

for the periods ended 3 August 2002

	13 weeks ended 3 August 2002	13 weeks ended 28 July 2001	**26 weeks ended 3 August 2002**	26 weeks ended 28 July 2001	53 weeks ended 2 February 2002
	£m	£m	**£m**	£m	£m

Profit for the financial period	**15.2**	14.6	**30.6**	26.3	119.7
Adjustment to property revaluation	–	–	–	–	2.1
Translation differences (2 February 2002: net of £0.5m tax charge)	**(35.0)**	(0.4)	**(55.7)**	7.1	28.0
Total recognised gains and losses relating to the period	**(19.8)**	14.2	**(25.1)**	33.4	149.8

(1) The Group adopted FRS 19 Deferred Tax during the year ended 2 February 2002. This led to an additional provision for deferred tax of £6.2m, which was accounted for as a prior year adjustment charged directly to shareholders funds. There was no material effect on the profit and loss account for the year ended 2 February 2002.

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Unaudited consolidated cash flow statement

for the periods ended 3 August 2002

	13 weeks ended 3 August 2002	13 weeks ended 28 July 2001	**26 weeks ended 3 August 2002**	26 weeks ended 28 July 2001	53 weeks ended 2 February 2002
	£m	£m	**£m**	£m	£m
Net cash inflow from operating activities	**30.8**	43.9	**79.1**	58.5	188.0
Net cash outflow from returns on investments and Servicing of finance	**(4.7)**	(4.9)	**(9.0)**	(10.2)	(17.9)
Taxation	**(13.8)**	(11.9)	**(33.5)**	(37.7)	(57.9)
Net cash outflow for capital expenditure and Financial investment	**(12.2)**	(15.1)	**(24.3)**	(27.8)	(60.7)
Equity dividends paid	**(25.6)**	(22.8)	**(25.6)**	(22.8)	(27.7)
Cash (outflow)/inflow before use of liquid resources and financing	**(25.5)**	(10.8)	**(13.3)**	(40.0)	23.8
Management of liquid resources decrease/(increase) in bank deposits	**38.0**	(4.6)	**47.0**	(15.7)	(27.9)
Cash (outflow)/inflow from financing	**(8.7)**	15.2	**(8.4)**	59.0	(7.6)

Increase/(decrease) in cash in the period	**3.8**	(0.2)	**25.3**	3.3	(11.7)

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period	**3.8**	(0.2)	**25.3**	3.3	(11.7)
Cash outflow/(inflow) from decrease/(increase) in debt	**8.8**	(13.6)	**11.1**	(55.4)	16.5
Cash (inflow)/outflow from (decrease)/increase in liquid Resources	**(38.0)**	4.6	**(47.0)**	15.7	27.9
Change in net debt resulting from cash flows	**(25.4)**	(9.2)	**(10.6)**	(36.4)	32.7
Translation difference	**12.3**	(4.9)	**18.6**	(7.2)	(5.3)
Movement in net debt in the period	**(13.1)**	(14.1)	**8.0**	(43.6)	27.4
Opening net debt	**(180.6)**	(258.6)	**(201.7)**	(229.1)	(229.1)
Closing net debt	**(193.7)**	(272.7)	**(193.7)**	(272.7)	(201.7)

Reconciliation of operating profit to operating cash flow

Operating profit	**28.0**	27.1	**56.5**	50.1	200.7
Depreciation and amortisation charges	**8.7**	8.1	**18.0**	15.4	34.7
Decrease/(increase) in stocks	**8.2**	27.7	**(5.9)**	18.4	(30.0)
Decrease/(increase) in debtors	**9.2**	14.0	**40.0**	48.7	(2.2)
Decrease in creditors	**(22.9)**	(32.7)	**(28.9)**	(73.8)	(15.1)
Decrease in other provisions	**(0.4)**	(0.3)	**(0.6)**	(0.3)	(0.1)
Net cash inflow from operating activities	**30.8**	43.9	**79.1**	58.5	188.0

SIGNET GROUP plc

Notes to the unaudited interim financial results
for the periods ended 3 August 2002

1. Basis of preparation

These interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared on a basis which is consistent with the financial statements for the 53 weeks ended 2 February 2002. The comparative figures for the 53 weeks ended 2 February 2002 are not the Company s statutory accounts for that period. Those accounts have been reported on by the Company s auditors under Section 235 of the Companies Act 1985 and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. Sales

Sales represent net sales to customers outside the Group, exclusive of value added and sales taxes.

3. Segmental information

	13 weeks ended 3 August 2002	13 weeks ended 28 July 2001	**26 weeks ended 3 August 2002**	26 weeks ended 28 July 2001	**53 weeks ended 2 February 2002**
	£m	£m	**£m**	£m	£m
Sales by origin and destination					
UK, Channel Islands & Republic of Ireland	**96.2**	86.4	**183.7**	166.8	452.1
US	**231.8**	230.8	**499.1**	462.9	1,126.0
	328.0	317.2			