

SIGNET JEWELERS LTD  
Form 8-K  
May 27, 2010

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

**Form 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported):**27-05-2010

**SIGNET JEWELERS LIMITED**  
(Exact name of registrant as specified in its charter)

**Commission File Number: 1-32349**

**Bermuda**  
(State or other jurisdiction of  
incorporation)

(IRS Employer  
Identification No.)

**Clarendon House  
2 Church Street  
Hamilton  
HM11  
Bermuda**  
(Address of principal executive offices, including zip code)

**441 296 5872**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item No. 2.02 - 1st Quarter Results

signet REPORTS ENCOURAGING FIRST quarter results

**HAMILTON, Bermuda, May 27, 2010** - Signet Jewelers Limited ("Signet") (NYSE and LSE: SIG), the world's largest specialty retail jeweler, today announced its results for the 13 weeks ended May 1, 2010 ("first quarter fiscal 2011").

**First Quarter Highlights**

- **Same store sales: up 5.8%**
- **Total sales: \$810.0 million, up 6.2%**
- **Income before income taxes: \$76.8 million, up 85.5%**
- **Basic and diluted earnings per share: \$0.61 and \$0.60, up 96.8% and 93.5%**
- **Free cash flow now expected to be towards the top end of the anticipated \$150 million to \$200 million range for fiscal 2011<sup>(1)</sup>**

*(1) Fiscal 2010 is the year ended January 30, 2010 and fiscal 2011 is the year ending January 29, 2011.*

Terry Burman, Chief Executive of Signet commented: "We are very pleased with our start to the year. Jared and Ernest Jones performed particularly well. Our ability to create differentiated and sought after product, supported by superior customer service and memorable marketing campaigns, is an important driver of sales. We continue to focus on enhancing our sustainable competitive advantages, improving our execution and maintaining a strong balance sheet and financial flexibility. We therefore believe we remain well positioned to gain profitable market share."

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*Signet is the world's largest specialty retail jeweler and operated 1,904 stores at May 1, 2010; these included 1,354 stores in the US, where it trades as "Kay Jewelers," "Jared The Galleria Of Jewelry" and under a number of regional names. At that date Signet also operated 550 stores in the UK division, where it trades as "H.Samuel," "Ernest Jones" and "Leslie Davis." Further information on Signet is available at [www.signetjewelers.com](http://www.signetjewelers.com). See also [www.kay.com](http://www.kay.com), [www.jared.com](http://www.jared.com), [www.hsamuel.co.uk](http://www.hsamuel.co.uk) and [www.ernestjones.co.uk](http://www.ernestjones.co.uk)*

## Conference call

There will be a conference call today at 8.30 a.m. EDT (1.30 p.m. BST and 5.30 a.m. Pacific Time) and a simultaneous audio webcast and slide presentation available at [www.signetjewelers.com](http://www.signetjewelers.com). The slides are available to be downloaded from the website ahead of the conference call. To help ensure the conference call begins in a timely manner, could all participants please dial in 5 to 10 minutes prior to the scheduled start time. The call details are:

|                                     |                     |                       |
|-------------------------------------|---------------------|-----------------------|
| US dial-in:                         | +1 212 444 0895     |                       |
| European dial-in:                   | +44 (0)20 7138 0845 |                       |
| US replay until June 1, 2010:       | +1 347 366 9565     | Access code: 5573546# |
| European replay until June 1, 2010: | +44 (0)20 7111 1244 | Access code: 5573546# |

## Quarterly Performance

During the first quarter Signet made good progress towards achieving its financial objectives for fiscal 2011. These are:

- \$150 million to \$200 million positive free cash flow;
- Capital expenditure of about \$80 million;
- Controllable costs<sup>(1)</sup> to be little changed from fiscal 2010 at constant exchange rates.

(1) Controllable costs exclude net bad debt charge, expense movements resulting from sales variance to plan, the impact of amendments to the Truth In Lending Act and the US vacation entitlement policy change in fiscal 2010.

## Sales and operating income

Same store sales were up 5.8%, an encouraging start to fiscal 2011. Total sales rose by 6.2% to \$810.0 million (13 weeks to May 2, 2009: \$762.6 million), reflecting an underlying increase of 5.2% at constant exchange rates; non-GAAP measure, see Note 13. The breakdown of the performance was as follows:

|                       | US             | UK             | Signet         |
|-----------------------|----------------|----------------|----------------|
| <b>Sales, million</b> | <b>\$667.1</b> | <b>\$142.9</b> | <b>\$810.0</b> |
| % of total            | 82.4%          | 17.6%          | 100.0%         |

| <b>Change in sales</b>                | <b>US</b>         | <b>UK</b>         | <b>Signet</b>     |
|---------------------------------------|-------------------|-------------------|-------------------|
|                                       | <u>%</u>          | <u>%</u>          | <u>%</u>          |
| Same store sales                      | 7.2               | (0.2)             | 5.8               |
| Change in net store space             | <u>(0.4)</u>      | <u>(1.5)</u>      | <u>(0.6)</u>      |
| Change at constant exchange rates     | 6.8               | (1.7)             | 5.2               |
| Exchange translation <sup>(1)</sup>   | <u>-</u>          | <u>5.5</u>        | <u>1.0</u>        |
| <b>Total sales growth as reported</b> | <b><u>6.8</u></b> | <b><u>3.8</u></b> | <b><u>6.2</u></b> |

(1) The average pound sterling to US dollar exchange rate was £1/\$1.53 (13 weeks to May 2, 2009: £1/\$1.45).

Gross margin was \$296.3 million (13 weeks to May 2, 2009: \$255.5 million), up by 16.0% and by 15.0% at constant exchange rates; non-GAAP measure, see Note 13. Gross margin rate increased by 310 basis points, the factors influencing the change are set out in the table below. Selling, general and administrative expenses benefited from a further small decrease in controllable costs. Other operating income decreased by 6.7% to \$27.7 million (13 weeks to May 2, 2009: \$29.7 million) as a result of the comparable prior year figure including a gain on foreign exchange of \$0.9 million and some of the unfavorable impact of the amendments to the Truth In Lending Act.

Operating income increased by 63.2% to \$85.5 million (13 weeks to May 2, 2009: \$52.4 million which included a \$4.0 million non-recurring, favorable impact from a change in US vacation entitlement policy), up 63.8% at constant exchange rates; non-GAAP measure, see Note 13. Operating margin was 10.6% (13 weeks to May 2, 2009: 6.9%), the factors influencing the change in operating margin are set out in the table below.

| <b>Change in operating margin</b>            | <b>US</b>          | <b>UK</b>           | <b>Signet</b>                     |
|--|--------------------|---------------------|-----------------------------------|
|  | <u>%</u>           | <u>%</u>            | <u>%</u>                          |
| <b>Q1 fiscal 2010 operating margin</b>       | <b>9.0</b>         | <b>(0.9)</b>        | <b>6.9<sup>(1)</sup></b>          |
| Gross merchandise margin movement            | 0.9                | (1.0)               | 0.5                               |
| Net bad debt movement                        | 1.2                | -                   | 1.0                               |
| Leverage, primarily of store occupancy costs | 1.7                | 0.5                 | 1.6                               |
| <b>Gross margin</b>                          | <b>3.8</b>         | <b>(0.5)</b>        | <b>3.1</b>                        |
| Selling, general & administrative expenses   | 1.4                | 0.2                 | 1.0                               |
| Other operating income                       | <u>(0.5)</u>       | <u>0.2</u>          | <u>(0.4)</u>                      |
| <b>Q1 fiscal 2011 operating margin</b>       | <b><u>13.7</u></b> | <b><u>(1.0)</u></b> | <b><u>10.6</u></b> <sup>(1)</sup> |

(1) Includes unallocated costs, principally central costs.

### **Interest income and expense, income before income taxes and taxation**

Interest income was \$0.1 million (13 weeks to May 2, 2009: \$0.6 million). Interest expense of \$8.8 million (13 weeks to May 2, 2009: \$11.6 million) benefitted from the repayment of debt and lower fees.

Income before income taxes rose by 85.5% to \$76.8 million (13 weeks to May 2, 2009: \$41.4 million). The tax rate was 32.3% (13 weeks to May 2, 2009: 36.5%), which is the anticipated rate for fiscal 2011 and similar to the annual rate for fiscal 2010.

Basic and diluted earnings per share increased by 96.8% and 93.5% to \$0.61 and \$0.60 respectively (13 weeks to May 2, 2009: basic and diluted \$0.31).

## Cash Flow

Set out below is a summary of Signet's cash flows and movement in net cash/(net debt) for the first quarters of fiscal 2011 and fiscal 2010; non-GAAP measure, see Note 13:

### First Quarter

|  | <b>fiscal<br/>2011</b> | <b>fiscal<br/>2010</b> |
|--|------------------------|------------------------|
|  | (\$ million)           |                        |
| Net income   | 52.0                   | 26.3                   |
| Adjustments to reconcile net income to net cash provided by operations | <u>32.7</u>            | <u>36.8</u>            |
| Net income adjusted for non-cash items <sup>(1)</sup>                  | 84.7                   | 63.1                   |
| Changes in operating assets and liabilities                            | <u>99.5</u>            | <u>134.9</u>           |
| Net cash provided by operating activities                              | 184.2                  | 198.0                  |
| Net cash flows used in investing activities                            | <u>(6.3)</u>           | <u>(8.4)</u>           |
| Free cash flow <sup>(1)</sup>  | 177.9                  | 189.6                  |
| Facility fees  | (1.0)                  | (8.4)                  |
| Net change in Common Shares  | <u>0.8</u>             | =                      |
|  | 177.7                  | 181.2                  |
| Cash & cash equivalents less total debt at start of period             | (7.9)                  | (470.7)                |
| Effect of exchange rate changes on cash & cash equivalents             | 1.0                    | 0.4                    |
| Effect of exchange rate changes on debt                                | =                      | <u>(1.1)</u>           |
| <b>Net cash/(net debt)<sup>(1)</sup></b>                               | <b><u>170.8</u></b>    | <b><u>(290.2)</u></b>  |

(1) Non-GAAP measure, see Note 13.

Positive free cash flow was \$177.9 million in the 13 weeks to May 1, 2010 (13 weeks to May 2, 2009: \$189.6 million); non-GAAP measure, see Note 13. Net income adjusted for non-cash items increased by \$21.6 million to \$84.7 million (13 weeks to May 2, 2009: \$63.1 million). Changes in operating assets and liabilities generated cash flows of \$99.5 million (13 weeks to May 2, 2009: \$134.9 million). Inventories decreased by \$38.9 million (13 weeks to May 2, 2009: \$43.2 million decrease) as a result of a better than expected sales performance, store closures and timing differences that are expected to reverse in subsequent quarters. Accounts receivable decreased by \$55.1 million (13 weeks to May 2, 2009: \$55.3 million decline), reflecting a higher opening level of receivables and an improvement in collection rate offset by higher sales in the first quarter of fiscal 2011.

Net cash flow used in investing activities was \$6.3 million (13 weeks to May 2, 2009: \$8.4 million). Capital expenditure for fiscal 2011 continues to be planned to be about \$80 million, a level broadly consistent with

maintenance capital expenditure. Changes in operating assets and liabilities, and investing activities, due to new US space were \$2.2 million and \$1.1 million respectively.

For fiscal 2011, positive free cash flow is now expected to be towards the top end of the anticipated \$150 million to \$200 million range, subject to general economic conditions.

In the 13 weeks to May 1, 2010, a sum of \$0.8 million (13 weeks to May 2, 2009: nil) was received for the issuance of Common Shares pursuant to Signet's equity compensation programs.

## Liquidity

Net cash at May 1, 2010 was \$170.8 million (May 2, 2009: \$290.2 million net debt); non-GAAP measure, see Note 13. Debt at May 1, 2010 was \$276.3 million (May 2, 2009: \$359.4 million), with cash and cash equivalents of \$447.1 million (May 2, 2009: \$69.2 million). During the first quarter of fiscal 2011, there was a prepayment at par of \$50.9 million of the private placement notes. In addition, a change was agreed with Signet's revolving credit facility banking group that the facility be reduced to \$300 million from \$370 million. The facility was undrawn at May 1, 2010 (May 2, 2009: \$40.0 million).

## Operating Review

### US division (~80% of annual sales)

The US division's sales were up by 6.8% to \$667.1 million (13 weeks to May 2, 2009: \$624.9 million), see table below for analysis. Same store sales were up 7.2%. Operating income increased by 61.5% to \$91.1million (13 weeks to May 2, 2009: \$56.4 million, which included a \$4.0 million non-recurring, favorable impact from the change in vacation entitlement policy). The operating margin was 13.7% (13 weeks to May 2, 2009: 9.0%); see table above for an analysis of the movement in operating margin.

|                                  | Sales                  | Average<br>unit<br>selling<br>price | <u>Change from previous year</u> |                        |                                     |
|----------------------------------|------------------------|-------------------------------------|----------------------------------|------------------------|-------------------------------------|
|                                  |                        |                                     | Total<br>sales                   | Same<br>store<br>sales | Average<br>unit<br>selling<br>price |
| <b>First quarter fiscal 2011</b> |                        |                                     |                                  |                        |                                     |
| Kay                              | \$386.8m               | \$322                               | 4.0%                             | 4.2%                   | 6.0%                                |
| Regional brands                  | \$76.9m                | \$339                               | (6.4)%                           | 2.7%                   | (1.4)%                              |
| Jared                            | <u>\$203.4m</u>        | \$741 <sup>(1)</sup>                | 19.0%                            | 15.8%                  | 2.9% <sup>(1)</sup>                 |
| <b>US</b>                        | <b><u>\$667.1m</u></b> | <b>\$380<sup>(1)</sup></b>          | <b>6.8%</b>                      | <b>7.2%</b>            | <b>5.1%<sup>(1)</sup></b>           |

(1) Excludes the charm bracelet category.

While the wider economic environment in the US remains challenging, the division continued to benefit from both its sustainable competitive advantages, as many competitors are financially constrained, and the accelerated level of capacity reduction within the sector in recent years. Kay achieved a further increase in same store sales. Jared's sales increase reflected a continued recovery in expenditure among households with above average incomes and the impact of merchandising initiatives. Set out above is the sales performance by format. In the US division, average selling price rose by 5.1%, excluding the charm bracelet category in Jared, as a result of changes in mix and selective price increases.

Gross merchandise margin was up 90 basis points, benefitting from price increases implemented during the quarter, lower average diamond inventory costs and favorable changes in the sales mix, offsetting a higher cost of gold. As a result of higher than anticipated diamond and gold costs, it is now expected that the US division's gross merchandise margin for fiscal 2011 will be broadly similar to the level of fiscal 2010, however this remains subject to future movements in commodity costs.

Credit participation was little changed at 51.6% (13 weeks to May 2, 2009: 51.2%). The net bad debt to total sales ratio was down by 120 basis points over the comparable period in fiscal 2010, with an underlying improvement in performance being evident. While some of the amendments to the Truth In Lending Act were implemented on February 22, 2010, their full impact on fiscal 2011 remains uncertain and continues to have an expected net direct adverse impact on operating income in the \$15 million to \$20 million range.

During the first quarter of fiscal 2011, costs continued to be tightly managed and controllable expenses were slightly below last year, with a small benefit from the fiscal 2010 cost saving program continuing into the first quarter of fiscal 2011. The additional impact of the cost saving program in the balance of fiscal 2011 is expected to be minimal.

Net cash flows used in investing activities in the US were \$5.3 million (13 weeks to May 2, 2009: \$7.0 million). Stores opened and closed in the quarter, together with planned changes for the balance of fiscal 2011 are set out below.

|                    | <b>Kay<br/>mall</b> | <b>Kay<br/>Off-mall</b> | <b>Regionals</b> | <b>Jared<sup>(1)</sup></b> | <b>Total</b> | <b>Annual net<br/>space change</b> |
|--------------------|---------------------|-------------------------|------------------|----------------------------|--------------|------------------------------------|
| January 30, 2010   | 794                 | 129                     | 260              | 178                        | 1,361        | (1)%                               |
| Opened             | -                   | -                       | -                | 1                          | 1            |                                    |
| Closed             | <u>(4)</u>          | <u>(2)</u>              | <u>(2)</u>       | <u>-</u>                   | <u>(8)</u>   |                                    |
| <b>May 1, 2010</b> | <b>790</b>          | <b>127</b>              | <b>258</b>       | <b>179</b>                 | <b>1,354</b> |                                    |
| Openings, planned  | 5                   | 2                       | -                | 1                          | 8            |                                    |
| Closures, forecast | <u>(7)</u>          | <u>(2)</u>              | <u>(34)</u>      | <u>-</u>                   | <u>(43)</u>  |                                    |
| January 29, 2011   | <u>788</u>          | <u>127</u>              | <u>224</u>       | <u>180</u>                 | <u>1,319</u> | (2)%                               |

(1) A Jared store is equivalent in size to just over four mall stores.



**UK division (~20% of annual sales)**

The UK division's sales were up by 3.8% to \$142.9 million (13 weeks to May 2, 2009: \$137.7 million); see table below for analysis. Same store sales were down 0.2%. There was an operating loss of \$1.4 million (13 weeks to May 2, 2009: \$1.3 million loss); see table above for an analysis of the movement in operating margin.

|                                  | Sales                  | <u>Change from previous year</u> |             |   |                  |                            |
|----------------------------------|------------------------|----------------------------------|-------------|---|------------------|----------------------------|
|                                  |                        | Average unit selling price       | Total sales | Sales at constant exchange rates <sup>(1)</sup> | Same store sales | Average unit selling price |
| <b>First quarter fiscal 2011</b> |                        |                                  |             |   |                  |                            |
| H.Samuel                         | \$74.5m                | £54                              | 2.2%        | (3.1)%  | (2.1)%           | 5.9%                       |
| Ernest Jones                     | <u>\$68.4m</u>         | £253 <sup>(2)</sup>              | 7.0%        | 1.4%  | 1.8%             | 11.6% <sup>(2)</sup>       |
| <b>UK</b>                        | <b><u>\$142.9m</u></b> | <b>£89<sup>(2)</sup></b>         | <b>3.8%</b> | <b>(1.7)%</b>                                   | <b>(0.2)%</b>    | <b>11.3%<sup>(2)</sup></b> |

(1) Non-GAAP measure, see Note 13.

(2) Excludes the charm bracelet category.

The general economic environment during the quarter in the UK was more challenging than in the US, with uncertainty related to the general election having a detrimental impact on consumer confidence. H.Samuel's same store sales were lower than the comparable quarter in fiscal 2010, while those of Ernest Jones were better. The charm bracelet category again performed well.

In the first quarter of fiscal 2011, the average unit selling price in the UK division rose by 11.3%, excluding the charm bracelet category in Ernest Jones. This reflected higher prices and merchandise mix changes. Gross merchandise margin declined by 100 basis points, with an increase in the cost of gold, a higher value added tax rate and the impact of the weak pound sterling to US dollar exchange rate being partly offset by price changes. It continues to be anticipated that the UK division's gross merchandise margin for fiscal 2011 will be somewhat lower than that of fiscal 2010, subject to future movements in commodity costs, exchange, and the value added tax rate, all potentially mitigated by possible price increases. In sterling terms, controllable costs were slightly lower.

Net cash flows used in investing activities in the UK were \$1.0 million (13 weeks to May 2, 2009: \$1.4 million). Stores opened and closed in the quarter, together with planned changes for the balance of fiscal 2011 are set out below.

|                    | <u>H.Samuel</u> | <u>Ernest Jones</u> <sup>(1)</sup> | <u>Total</u> |
|--------------------|-----------------|------------------------------------|--------------|
| January 30, 2010   | 347             | 205                                | 552          |
| Opened             | -               | -                                  | -            |
| Closed             | <u>(1)</u>      | <u>(1)</u>                         | <u>(2)</u>   |
| <b>May 1, 2010</b> | <b>346</b>      | <b>204</b>                         | <b>550</b>   |
| Openings, planned  | -               | -                                  | -            |

|                    |            |            |             |
|--------------------|------------|------------|-------------|
| Closures, forecast | <u>(8)</u> | <u>(5)</u> | <u>(13)</u> |
| January 29, 2011   | <u>338</u> | <u>199</u> | <u>537</u>  |

(1) Includes stores trading as Leslie Davis.

#### Unallocated costs

Unallocated costs, principally central costs, were \$4.2 million (13 weeks to May 2, 2009: \$2.7 million), reflecting the impact of the change in the average exchange translation rate and a gain on foreign exchange in the comparable prior year period.

#### Management Succession

On April 15, 2010, Ron Ristau joined Signet as Chief Financial Officer Designate, and he will succeed Walker Boyd who retires on June 25, 2010. The formal search for a Chief Executive Officer began in late February 2010 and is progressing.

#### Investor Relations Program Details

##### BoA Merrill Lynch 2010 SMID Cap Conference, Boston

Signet will be taking part in the BoA Merrill Lynch small mid cap conference on Wednesday, June 9, 2010. Present will be Terry Burman, Chief Executive and Ron Ristau, CFO Designate. The presentation, which is scheduled for 3.20 p.m. EDT, will be available on [www.signetjewelers.com](http://www.signetjewelers.com).

##### Investor day and store tour, Akron, Ohio

An investor day and store tour for professional investors is to be held in Akron, Ohio on Tuesday, June 15, 2010. Please go to [www.signetjewelers.com](http://www.signetjewelers.com) for further details.

##### Annual general meeting

The annual general meeting is to be held at 11.00 a.m. EDT on June 17, 2010 at the Hilton Akron/Fairlawn, 3180 West Market Street, Akron, Ohio, 44333, USA.

#### Second quarter results

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The second quarter results for the 13 weeks ending July 31, 2010 are expected to be announced on Thursday, August 26, 2010.

*This release 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 release and include statements regarding, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words "expects," "intends," "anticipates," "estimates," "predicts," "believes," "should," "potential," "may," "forecast," "objective," "plan," or "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, and financial market risks.*

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially, see the "Risk Factors" section of Signet's fiscal 2010 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 30, 2010. Actual results may differ materially from those anticipated in such forward-looking statements. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

**Unaudited condensed consolidated income statements**

|  | <b>13 weeks<br/>ended<br/>May 1,<br/>2010<br/>\$million</b> | 13 weeks<br>ended<br>May 2,<br>2009<br>\$million | Notes |
|--|---|--|-------|
| Sales  | <b>810.0</b>  | 762.6  | 2     |
| Cost of sales                                | <b>(513.7)</b>  | (507.1)  |       |
| Gross margin                                 | <b>296.3</b>  | 255.5  |       |
| Selling, general and administrative expenses | <b>(238.5)</b>  | (232.8)  |       |
| Other operating income, net                  | <b>27.7</b>   | 29.7   |       |
| Operating income, net                        | <b>85.5</b>   | 52.4   | 2     |

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|                            |               |        |   |
|----------------------------|---------------|--------|---|
| Interest income            | <b>0.1</b>    | 0.6    |   |
| Interest expense           | <b>(8.8)</b>  | (11.6) |   |
| Income before income taxes | <b>76.8</b>   | 41.4   |   |
| Income taxes               | <b>(24.8)</b> | (15.1) |   |
| Net income                 | <b>52.0</b>   | 26.3   |   |
| Earnings per share - basic | <b>\$0.61</b> | \$0.31 | 5 |
| - diluted                  | <b>\$0.60</b> | \$0.31 | 5 |

All of the above relate to continuing activities attributable to equity shareholders.

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

**Unaudited condensed consolidated balance sheets**

|  | <b>May 1,</b>    | May 2,      | January   |       |
|--|------------------|-------------|-----------|-------|
|  | 2010             | 2009        | 30, 2010  |       |
|  | (Unaudited)      | (Unaudited) | (Audited) | Notes |
|  | <b>\$million</b> | \$million   | \$million |       |

**Assets**

Current assets:

|                           |                |         |         |   |
|---------------------------|----------------|---------|---------|---|
| Cash and cash equivalents | <b>447.1</b>   | 69.2    | 316.2   |   |
| Accounts receivable, net  | <b>801.7</b>   | 770.1   | 858.0   |   |
| Other receivables         | <b>25.2</b>    | 65.0    | 27.9    |   |
| Other current assets      | <b>51.1</b>    | 58.0    | 58.4    |   |
| Deferred tax assets       | <b>0.7</b>     | -       | 2.2     |   |
| Inventories               | <b>1,122.0</b> | 1,327.1 | 1,173.1 | 6 |
| Total current assets      | <b>2,447.8</b> | 2,289.4 | 2,435.8 |   |

Non-current assets:

|  |              |       |       |  |
|--|--------------|-------|-------|--|
|  | <b>375.2</b> | 437.7 | 396.9 |  |
|--|--------------|-------|-------|--|

Property, plant and equipment, net of accumulated depreciation of \$577.8 million, \$575.8 million and \$566.0 million, respectively

|                              |                |         |         |   |
|------------------------------|----------------|---------|---------|---|
| Other intangible assets, net | <b>23.6</b>    | 23.4    | 24.2    |   |
| Other assets                 | <b>12.0</b>    | 9.7     | 12.6    |   |
| Deferred tax assets          | <b>52.8</b>    | 59.3    | 54.7    |   |
| <br>                         |                |         |         |   |
| Total assets                 | <b>2,911.4</b> | 2,819.5 | 2,924.2 | 2 |

### Liabilities and Shareholders' equity

#### Current liabilities:

|  |              |       |       |   |
|--|--------------|-------|-------|---|
| Loans and overdrafts                           | <b>47.2</b>  | 79.4  | 44.1  |   |
| Accounts payable                               | <b>104.2</b> | 108.8 | 66.2  |   |
| Accrued expenses and other current liabilities | <b>233.9</b> | 256.9 | 272.1 |   |
| Deferred revenue                               | <b>115.9</b> | 113.5 | 120.1 | 7 |
| Deferred tax liabilities                       | <b>79.6</b>  | 58.1  | 74.7  |   |
| Income taxes payable                           | <b>32.1</b>  | 55.6  | 44.1  |   |

|                           |              |       |       |  |
|---------------------------|--------------|-------|-------|--|
| Total current liabilities | <b>612.9</b> | 672.3 | 621.3 |  |
|---------------------------|--------------|-------|-------|--|

#### Non-current liabilities:

|                               |              |       |       |   |
|-------------------------------|--------------|-------|-------|---|
| Long-term debt                | <b>229.1</b> | 280.0 | 280.0 |   |
| Other liabilities             | <b>78.9</b>  | 72.7  | 79.6  |   |
| Deferred revenue              | <b>143.1</b> | 142.4 | 140.9 | 7 |
| Retirement benefit obligation | <b>1.8</b>   | 12.6  | 4.8   |   |

|                   |                |         |         |  |
|-------------------|----------------|---------|---------|--|
| Total liabilities | <b>1,065.8</b> | 1,180.0 | 1,126.6 |  |
|-------------------|----------------|---------|---------|--|

Commitments and contingencies (see note 10)

#### Shareholders' equity:

|  |                |         |         |  |
|--|----------------|---------|---------|--|
| Common shares of \$0.18 par value: authorized 500 million shares, 85.5 million shares issued and outstanding (May 2, 2009: 85.3 million shares issued and outstanding; January 30, 2010: 85.5 million shares issued and outstanding) | <b>15.4</b>    | 15.3    | 15.4    |  |
| Additional paid-in capital   | <b>172.4</b>   | 165.1   | 169.9   |  |
| Other reserves   | <b>235.2</b>   | 235.2   | 235.2   |  |
| Treasury shares  | -              | (10.7)  | (1.1)   |  |
| Retained earnings  | <b>1,607.9</b> | 1,427.2 | 1,556.4 |  |
| Accumulated other comprehensive loss   | <b>(185.3)</b> | (192.6) | (178.2) |  |

|  |                |         |         |
|--|----------------|---------|---------|
| Total shareholders' equity                 | <b>1,845.6</b> | 1,639.5 | 1,797.6 |
| Total liabilities and shareholders' equity | <b>2,911.4</b> | 2,819.5 | 2,924.2 |

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

### Unaudited condensed consolidated statements of cash flows

|   | <b>13 weeks<br/>ended<br/>May 1,<br/>2010<br/>\$million</b> | 13 weeks<br>ended<br>May 2,<br>2009<br>\$million |
|---|---|--|
| <b>Cash flows from operating activities</b>                               |   |  |
| Net income  | <b>52.0</b>   | 26.3   |
| Adjustments to reconcile net income to cash flows provided by operations: |   |  |
| Depreciation of property, plant and equipment                             | <b>22.4</b>   | 24.2   |
| Amortization of other intangible assets                                   | <b>2.0</b>  | 1.4  |
| Pension expense   | <b>(1.9)</b>  | -  |
| Share-based compensation expense  | <b>2.3</b>  | 0.7  |
| Deferred taxation   | <b>6.3</b>  | (2.6)  |
| Facility fees included in net income                                      | <b>2.3</b>  | 3.4  |
| Other non-cash movements  | <b>(0.7)</b>  | 9.3  |
| Loss on disposal of property, plant and equipment                         | <b>-</b>  | 0.4  |
| Changes in operating assets and liabilities:                              |   |  |
| Decrease in accounts receivable   | <b>55.1</b>   | 55.3   |
| Decrease in other receivables   | <b>3.7</b>  | 16.9   |
| Decrease/(increase) in other current assets                               | <b>10.0</b>   | (18.4)   |
| Decrease in inventories   | <b>38.9</b>   | 43.2   |
| Increase in accounts payable  | <b>38.5</b>   | 65.9   |
| Decrease in accrued expenses and other liabilities                        | <b>(33.6)</b>   | (20.6)   |
| Decrease in deferred revenue  | <b>(1.8)</b>  | (7.0)  |
| Decrease in income taxes payable  | <b>(11.1)</b>   | (0.4)  |
| Effect of exchange rate changes on currency swaps                         | <b>(0.2)</b>  | -  |
| Net cash provided by operating activities                                 | <b>184.2</b>  | 198.0  |
| <b>Investing activities</b>   |   |  |
| Purchase of property, plant and equipment                                 | <b>(4.7)</b>  | (7.3)  |

|  |        |         |
|--|--------|---------|
| Purchase of other intangible assets                          | (1.6)  | (1.1)   |
| Net cash flows used in investing activities                  | (6.3)  | (8.4)   |
| <b>Financing activities</b>                                  |        |         |
| Proceeds from issue of common shares                         | 0.8    | -       |
| Facility fees paid   | (1.0)  | (8.4)   |
| Proceeds from/(repayment of) short-term borrowings           | 3.1    | (109.2) |
| Repayment of long-term debt                                  | (50.9) | (100.0) |
| Net cash flows used in financing activities                  | (48.0) | (217.6) |
| Cash and cash equivalents at beginning of period             | 316.2  | 96.8    |
| Increase/(decrease) in cash and cash equivalents             | 129.9  | (28.0)  |
| Effect of exchange rate changes on cash and cash equivalents | 1.0    | 0.4     |
| Cash and cash equivalents at end of period                   | 447.1  | 69.2    |

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

**Unaudited condensed consolidated statement of shareholders' equity**

|   | Common<br>shares at<br>par value | Additional<br>paid-in<br>capital | Other<br>reserves | Treasury<br>shares | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>loss | Total<br>shareholders'<br>equity |
|---|----------------------------------|----------------------------------|-------------------|--------------------|----------------------|---|----------------------------------|
|   | \$million                        | \$million                        | \$million         | \$million          | \$million            | \$million                                     | \$million                        |
| Balance at January 30, 2010                             | 15.4                             | 169.9                            | 235.2             | (1.1)              | 1,556.4              | (178.2)                                       | 1,797.6                          |
| Net income  | -                                | -                                | -                 | -                  | 52.0                 | -   | 52.0                             |
| Foreign currency translation<br>adjustments             | -                                | -                                | -                 | -                  | -                    | (11.2)  | (11.2)                           |
| Changes in fair value of derivative<br>instruments, net | -                                | -                                | -                 | -                  | -                    | 3.5   | 3.5                              |
| Actuarial gain on pension plan, net                     | -                                | -                                | -                 | -                  | -                    | 0.6   | 0.6                              |
| Share options exercised                                 | -                                | 0.2                              | -                 | 1.1                | (0.5)                | -   | 0.8                              |
| Share-based compensation expense                        | -                                | 2.3                              | -                 | -                  | -                    | -   | 2.3                              |

|                               |             |              |              |                  |                |                |
|-------------------------------|-------------|--------------|--------------|------------------|----------------|----------------|
| <b>Balance at May 1, 2010</b> | <b>15.4</b> | <b>172.4</b> | <b>235.2</b> | <b>- 1,607.9</b> | <b>(185.3)</b> | <b>1,845.6</b> |
|-------------------------------|-------------|--------------|--------------|------------------|----------------|----------------|

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

### Unaudited condensed consolidated statements of comprehensive income

|   | <b>13 weeks</b>  | <b>13 weeks</b>  |
|---|------------------|------------------|
|   | ended            | ended            |
|   | <b>May 1,</b>    | <b>May 2,</b>    |
|   | <b>2010</b>      | <b>2009</b>      |
|   | <b>\$million</b> | <b>\$million</b> |
| Net income                                      | <b>52.0</b>      | 26.3             |
| Foreign currency translation                    | <b>(11.2)</b>    | 4.0              |
| Changes in fair value of derivative instruments | <b>5.2</b>       | (2.3)            |
| Actuarial gain                                  | <b>1.2</b>       | 1.1              |
| Prior service cost                              | <b>(0.3)</b>     | (0.2)            |
| Deferred tax on items recognized in equity      | <b>(2.0)</b>     | 0.3              |
| <br>  |                  |                  |
| Comprehensive income                            | <b>44.9</b>      | 29.2             |

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

### Notes to the interim unaudited condensed consolidated financial statements

#### 1. Principal accounting policies and basis of preparation

##### Basis of preparation



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

These interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Form 10-K for the year ended January 30, 2010, filed with the Securities and Exchange Commission ("SEC") on March 30, 2010.

These interim financial statements of the Group are unaudited. They have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, certain information and footnote disclosures normally included in complete consolidated financial statements prepared in accordance with US GAAP have been condensed or omitted from these interim financial statements. However, these interim financial statements include all adjustments (consisting of normal recurring accruals and adjustments) that are, in the opinion of management, necessary to fairly state the results of the interim periods. Subsequent events have been evaluated up to the date of issue of these interim financial statements.

#### **Use of estimates in interim financial statements**

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 sales 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, the valuation of inventory, depreciation and asset impairment, the valuation of employee benefits, income taxes and contingencies.

#### **Seasonality**

Signet's business is highly seasonal with a very significant proportion of its sales and operating profit generated during its fourth quarter, which includes the Christmas season. Management expects such a seasonal fluctuation in sales and profit to continue. Therefore, operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

#### **New accounting pronouncements to be adopted in future periods**

##### 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 is not expected to have a material impact on Signet.

## 2. Segmental information

The consolidated 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 service 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 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 which is consistent with the treatment in Signet's management accounts. There are no material transactions between the operating segments.

|                             | <b>13 weeks<br/>ended</b> | 13 weeks<br>ended |
|-----------------------------|---------------------------|-------------------|
|                             | May 1,                    | May 2,            |
|                             | 2010                      | 2009              |
|                             | <b>\$million</b>          | \$million         |
| Sales:                      |                           |                   |
| US                          | <b>667.1</b>              | 624.9             |
| UK                          | <b>142.9</b>              | 137.7             |
| <br>                        |                           |                   |
| Total sales                 | <b>810.0</b>              | 762.6             |
| <br>                        |                           |                   |
| Operating income, net:      |                           |                   |
| US                          | <b>91.1</b>               | 56.4              |
| UK                          | <b>(1.4)</b>              | (1.3)             |
| Unallocated <sup>(1)</sup>  | <b>(4.2)</b>              | (2.7)             |
| <br>                        |                           |                   |
| Total operating income, net | <b>85.5</b>               | 52.4              |
|                             | <b>May 1,</b>             | May 2,            |

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|               | 2010           | 2009      | January<br>30,<br>2010 |
|---------------|----------------|-----------|------------------------|
|               | \$million      | \$million | \$million              |
| Total assets: |                |           |                        |
| US            | <b>2,220.1</b> | 2,411.6   | 2,280.7                |
| UK            | <b>342.8</b>   | 377.3     | 383.6                  |
| Unallocated   | <b>348.5</b>   | 30.6      | 259.9                  |
| <br>          |                |           |                        |
| Total assets  | <b>2,911.4</b> | 2,819.5   | 2,924.2                |

(1) Unallocated principally relates to central costs.

### 3. Exchange rates

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

|                                 | May 1,<br>2010 | May 2,<br>2009 | January<br>30, 2010 |
|---------------------------------|----------------|----------------|---------------------|
| Income statement (average rate) | <b>1.53</b>    | 1.45           | 1.59                |
| Balance sheet (closing rate)    | <b>1.53</b>    | 1.49           | 1.60                |

### 4. Taxation

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 October 29, 2005 and is subject to examination by the UK tax authority for tax years after January 31, 2005.

As of January 30, 2010, Signet had approximately \$14.9 million of unrecognized tax benefits in respect of uncertain tax positions, all of which would favorably affect the effective income tax rate if resolved in Signet's favor. These unrecognized tax benefits relate to financing arrangements and intra-group charges which are subject to different and changing interpretations of tax law. There has been no material change in the amount of unrecognized tax benefits in respect of uncertain tax positions during the 13 weeks ended May 1, 2010.

Signet recognizes accrued interest and, where appropriate, penalties related to unrecognized tax benefits within income tax expense. As of January 30, 2010 Signet had accrued interest of \$2.2 million and there has been no material change in the amount of accrued interest as of May 1, 2010.

Over the next twelve months management believes that it is reasonably possible that there could be a reduction of substantially all of the unrecognized tax benefits as of January 30, 2010, due to settlement of the uncertain tax positions with the tax authorities.

## 5. Earnings per share

|  | <b>13 weeks<br/>ended<br/>May 1,<br/>2010</b> | 13 weeks<br>ended<br>May 2,<br>2009 |
|--|---|-------------------------------------|
| Net income (\$million)                                       | <b>52.0</b>                                   | 26.3                                |
| Basic weighted average number of shares in issue (million)   | <b>85.5</b>                                   | 85.2                                |
| Dilutive effect of share options (million)                   | <b>0.7</b>                                    | 0.2                                 |
| Diluted weighted average number of shares in issue (million) | <b>86.2</b>                                   | 85.4                                |

|                              |               |        |
|------------------------------|---------------|--------|
| Earnings per share - basic   | <b>\$0.61</b> | \$0.31 |
| Earnings per share - diluted | <b>\$0.60</b> | \$0.31 |

The basic weighted average number of shares excludes shares held by the Employee Stock Ownership Trust 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 week period ended May 1, 2010 by 19,175 shares (13 week period ended May 2, 2009: 81,951 shares). The calculation of fully diluted earnings per share for the 13 week period ended May 1, 2010 excludes options to purchase 985,817 shares (13 week period ended May 2, 2009: 3,162,191 share options) on the basis that their effect on earnings per share was anti-dilutive.

#### 6. Inventories

|                        | <b>May 1,</b><br>2010<br><b>\$million</b> | May 2, 2009<br>\$million | January 30,<br>2010<br>\$million |
|------------------------|---|--------------------------|----------------------------------|
| Raw materials          | <b>4.7</b>                                | 10.8                     | 9.5                              |
| Finished goods         | <b>1,117.3</b>                            | 1,316.3                  | 1,163.6                          |
| <b>Total inventory</b> | <b>1,122.0</b>                            | 1,327.1                  | 1,173.1                          |

#### 7. Deferred revenue

|                           | <b>May 1,</b><br>2010<br><b>\$million</b> | May 2, 2009<br>\$million | January 30,<br>2010<br>\$million |
|---------------------------|---|--------------------------|----------------------------------|
| Warranty deferred revenue | <b>247.4</b>                              | 243.8                    | 243.6                            |
| Other                     | <b>11.6</b>                               | 12.1                     | 17.4                             |

|  |              |                                      |                             |
|--|--------------|--------------------------------------|-----------------------------|
| Total deferred revenue                         | <b>259.0</b> | 255.9                                | 261.0                       |
| Disclosed as:                                  |              |                                      |                             |
| Current liabilities                            | <b>115.9</b> | 113.5                                | 120.1                       |
| Non-current liabilities                        | <b>143.1</b> | 142.4                                | 140.9                       |
| Total deferred revenue                         | <b>259.0</b> | 255.9                                | 261.0                       |
|  |              | <b>13 weeks<br/>ended<br/>May 1,</b> | 13 weeks<br>ended<br>May 2, |
|  |              | 2010                                 | 2009                        |
|  |              | <b>\$million</b>                     | \$million                   |
| Warranty deferred revenue, beginning of period |              | 243.6                                | 243.1                       |
| Warranties sold                                |              | 44.8                                 | 40.2                        |
| Revenues recognized                            |              | (41.0)                               | (39.5)                      |
| Warranty deferred revenue, end of period       |              | <b>247.4</b>                         | 243.8                       |

## 8. Derivative instruments and hedging activities

Signet is exposed to foreign currency exchange risk arising from various currency exposures. 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 at May 1, 2010 was \$31.5 million (May 2, 2009: \$43.6 million; January 30, 2010: \$37.2 million). These contracts have been designated as cash flow hedges and will be settled over the next 14 months (May 2, 2009: 15 months; January 30, 2010: 17 months).

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 at May 1, 2010 was \$74.8 million (May 2, 2009: \$88.9 million; January 30, 2010: \$100.0 million). These contracts have been designated as cash flow hedges and will be settled over the next 9 months (May 2, 2009: 9 months; January 30, 2010: 12 months).

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

net. Signet does not hold derivative contracts for trading purposes.

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

The bank counterparties to the foreign exchange forward contracts expose the Company to credit-related losses in the event of their nonperformance. However, to mitigate that risk, the Company only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of May 1, 2010 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:

|  | Balance sheet location | Derivative assets |             |                  |
|--|------------------------|-------------------|-------------|------------------|
|  |                        | May 1, 2010       | May 2, 2009 | January 30, 2010 |
|  |                        | Fair value        | Fair value  | Fair value       |
|  |                        | \$million         | \$million   | \$million        |
| Derivatives designated as hedging instruments:     |                        |                   |             |                  |
| Foreign currency contracts                         | Other current assets   | <b>1.6</b>        | 8.0         | 0.6              |
| Commodity contracts                                | Other current assets   | <b>6.6</b>        | 5.4         | 2.4              |
|  |                        | <b>8.2</b>        | 13.4        | 3.0              |
| Derivatives not designated as hedging instruments: |                        |                   |             |                  |
| Foreign currency contracts                         | Other current assets   | -                 | -           | -                |
|  |                        | -                 | -           | -                |
| Total derivative assets                            |                        | <b>8.2</b>        | 13.4        | 3.0              |

| Balance sheet | Derivative liabilities |        |
|---------------|------------------------|--------|
|               | May 1,                 | May 2, |

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|  | location                  | 2010       | 2009       | January 30, |
|--|---------------------------|------------|------------|-------------|
|  |                           | Fair value | Fair value | 2010        |
|  |                           | \$million  | \$million  | Fair value  |
|  |                           |            |            | \$million   |
| Derivatives designated as hedging instruments:     |                           |            |            |             |
| Foreign currency contracts                         | Other current liabilities | -          | (0.1)      | (0.4)       |
| Commodity contracts                                | Other current liabilities | -          | (1.5)      | (1.6)       |
|  |                           | -          | (1.6)      | (2.0)       |
| Derivatives not designated as hedging instruments: |                           |            |            |             |
| Foreign currency contracts                         | Other current liabilities | -          | -          | -           |
|  |                           | -          | -          | -           |
| Total derivative liabilities                       |                           | -          | (1.6)      | (2.0)       |

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

| Amount of gain/(loss) recognized in OCI on derivatives<br>(Effective portion) | Location of gain/(loss) reclassified from accumulated OCI into income<br>(Effective portion) | Amount of gain/(loss) reclassified from accumulated OCI into income<br>(Effective portion) |
|---|--|--|
| <b>13 weeks ended</b> 13 weeks ended  |  | <b>13 weeks ended</b> 13 weeks ended   |



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|   | May 1,<br>2010 | May 2,<br>2009 |               | May 1,<br>2010 | May 2,<br>2009 |
|---|----------------|----------------|---------------|----------------|----------------|
|   | \$million      | \$million      |               | \$million      | \$million      |
| Derivatives in cash flow hedging relationships: |                |                |               |                |                |
| Foreign currency contracts                      | <b>1.8</b>     | 0.6            | Cost of sales | <b>1.4</b>     | 0.1            |
| Commodity contracts                             | <b>8.1</b>     | (4.2)          | Cost of sales | <b>3.3</b>     | (1.4)          |
| <br>  |                |                |               |                |                |
| Total   | <b>9.9</b>     | (3.6)          |               | <b>4.7</b>     | (1.3)          |

The ineffective portion of hedging instruments taken to other operating income, net was \$nil in the current and comparative periods.

There was no gain or loss recognized on derivatives not designated as hedging instruments to be reported within other operating income in the income statement in the current and comparative periods.

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:

| <b>May 1, 2010</b> |                    | May 2, 2009      |                    | January 30, 2010 |                    |
|--------------------|--------------------|------------------|--------------------|------------------|--------------------|
| <b>\$million</b>   |                    | <b>\$million</b> |                    | <b>\$million</b> |                    |
| <b>Carrying</b>    | <b>Significant</b> | <b>Carrying</b>  | <b>Significant</b> | <b>Carrying</b>  | <b>Significant</b> |
|                    | <b>other</b>       |                  | <b>other</b>       |                  | <b>other</b>       |
| <b>Value</b>       | <b>observable</b>  | <b>Value</b>     | <b>observable</b>  | <b>Value</b>     | <b>observable</b>  |

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|  | inputs<br>(Level 2) |                | inputs<br>(Level 2) |         | inputs<br>(Level 2) |         |
|--|---------------------|----------------|---------------------|---------|---------------------|---------|
| Assets:                                      |                     |                |                     |         |                     |         |
| Forward foreign currency contracts and swaps | <b>1.6</b>          | <b>1.6</b>     | 8.0                 | 8.0     | 0.6                 | 0.6     |
| Forward commodity contracts                  | <b>6.6</b>          | <b>6.6</b>     | 5.4                 | 5.4     | 2.4                 | 2.4     |
| Liabilities:                                 |                     |                |                     |         |                     |         |
| Borrowings                                   | <b>(276.3)</b>      | <b>(307.6)</b> | (359.4)             | (354.1) | (324.1)             | (371.3) |
| Forward foreign currency contracts and swaps | -                   | -              | (0.1)               | (0.1)   | (0.4)               | (0.4)   |
| Forward commodity contracts                  | -                   | -              | (1.5)               | (1.5)   | (1.6)               | (1.6)   |

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 eighteen months. Signet's long-term debt consists of \$229.1 million of fixed rate investor certificate notes ("Private Placement Notes") under a Note Purchase Agreement. The fair value of this debt is determined by discounting to present value the known future coupon and final Note redemption amounts at market yields as of the balance sheet date. 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 scheme in the UK (the "Group Scheme"). The components of net periodic pension cost were as follows:

|  | <b>13 weeks<br/>ended</b> | 13 weeks<br>ended |           |
|--|---------------------------|-------------------|-----------|
|  | <b>May 1,</b>             | May 2,            | Fiscal    |
|  | <b>2010</b>               | 2009              | 2010      |
|  | <b>\$million</b>          | \$million         | \$million |
| Components of net periodic benefit cost: |                           |                   |           |
| Service cost                             | <b>1.3</b>                | 1.0               | 4.3       |
| Interest cost                            | <b>2.5</b>                | 2.4               | 10.7      |

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|   |              |       |        |
|---|--------------|-------|--------|
| Expected return on Group Scheme assets          | <b>(3.0)</b> | (2.6) | (11.2) |
| Amortization of unrecognized prior service cost | <b>(0.3)</b> | (0.2) | (1.0)  |
| Amortization of unrecognized actuarial loss     | <b>1.2</b>   | 1.1   | 4.7    |
| Net periodic benefit cost                       | <b>1.7</b>   | 1.7   | 7.5    |

Signet expects to contribute a minimum of \$15.2 million to the Group Scheme in fiscal 2011.

## 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 federal court alleging that US store-level employment practices are discriminatory as to compensation and promotional activities. On September 23, 2008, the US Equal Employment Opportunities 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. Sterling denies the allegations from both parties and intends to defend them vigorously.

## 11. Share-based compensation expense

Signet recorded net share-based compensation expense of \$2.3 million and \$0.7 million for the 13 weeks ended May 1, 2010 and May 2, 2009. This is after charging \$0.1 million (13 weeks ended May 2, 2009: \$nil) that relates to the change in fair value during the period of certain awards that have an inflation condition and are accounted for as liability awards.

## 12. Long-term debt

In accordance with its borrowing agreements, Signet made a prepayment to its private placement note holders on March 9, 2010 of \$50.9 million. Following this prepayment there were \$229.1 million of private placement notes

outstanding. A change was agreed with Signet's Revolving Credit Facility banking group that the facility would be reduced to \$300 million from \$370 million on March 19, 2010.

### 13. Non-GAAP measures

A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these non-GAAP measures are given below. Management does not, nor does it suggest investors should consider such non-GAAP measures in isolation from, or in substitute for, information prepared in accordance with GAAP.

#### Exchange translation impact

In particular, 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 of sales; cost of sales; gross margin; selling, general and administrative expenses; operating income; income before taxes; net income and earnings per share at constant exchange rates, including a reconciliation to Signet's GAAP results, is analyzed below.

|  | <b>13 weeks</b><br>ended<br>May 1,<br>2010<br>\$million | 13 weeks<br>ended<br>May 2,<br>2009<br>\$million | Change<br>as<br>reported<br>% | Impact of<br>exchange<br>rate<br>movement<br>\$million | At constant<br>exchange<br>rates<br>(non-GAAP)<br>\$million | Change at<br>constant<br>exchange<br>rates<br>(non-GAAP)<br>% |
|--|---|--|-------------------------------|--|---|---|
| US   | <b>667.1</b>  | 624.9  | 6.8%                          | -  | 624.9   | 6.8%  |
| UK   | <b>142.9</b>  | 137.7  | 3.8%                          | 7.6  | 145.3   | -1.7%   |
| <b>Sales</b>                                 | <b>810.0</b>  | 762.6  | 6.2%                          | 7.6  | 770.2   | 5.2%  |
| Cost of sales                                | <b>(513.7)</b>  | (507.1)  | 1.3%                          | (5.5)  | (512.6)   | 0.2%  |
| Gross margin                                 | <b>296.3</b>  | 255.5  | 16.0%                         | 2.1  | 257.6   | 15.0%   |
| Selling, general and administrative expenses | <b>(238.5)</b>  | (232.8)  | 2.4%                          | (2.3)  | (235.1)   | 1.4%  |
| Other operating income, net                  | <b>27.7</b>   | 29.7   | -6.7%                         | -  | 29.7  | -6.7%   |
| <b>Operating income, net</b>                 | <b>85.5</b>   | 52.4   | 63.2%                         | (0.2)  | 52.2  | 63.8%   |
| Interest income                              | <b>0.1</b>  | 0.6  | -83.3%                        | -  | 0.6   | -83.3%  |

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|                                     |               |        |        |       |        |        |
|-------------------------------------|---------------|--------|--------|-------|--------|--------|
| Interest expense                    | <b>(8.8)</b>  | (11.6) | -24.1% | -     | (11.6) | -24.1% |
| <b>Income before income taxes</b>   | <b>76.8</b>   | 41.4   | 85.5%  | (0.2) | 41.2   | 86.4%  |
| Income taxes                        | <b>(24.8)</b> | (15.1) | 64.2%  | 0.1   | (15.0) | 65.3%  |
| <b>Net income</b>                   | <b>52.0</b>   | 26.3   | 97.7%  | (0.1) | 26.2   | 98.5%  |
| Earnings per share - basic          | <b>\$0.61</b> | \$0.31 | 96.8%  | -     | \$0.31 | 96.8%  |
| Earnings per share - diluted        | <b>\$0.60</b> | \$0.31 | 93.5%  | -     | \$0.31 | 93.5%  |
| <b>Operating income/(loss), net</b> |               |        |        |       |        |        |
| US                                  | <b>91.1</b>   | 56.4   | 61.5%  | -     | 56.4   | 61.5%  |
| UK                                  | <b>(1.4)</b>  | (1.3)  | 7.7%   | (0.1) | (1.4)  | -      |
| Unallocated                         | <b>(4.2)</b>  | (2.7)  | 55.6%  | (0.1) | (2.8)  | 50.0%  |
| <b>Operating income, net</b>        | <b>85.5</b>   | 52.4   | 63.2%  | (0.2) | 52.2   | 63.8%  |

**Net income adjusted for non-cash items**

Net income adjusted for non-cash items shows the amount of net cash flow generated from Signet's operating activities before changes in operating assets and liabilities. It is a useful measure to summarize the cash generated from activities reported in the income statement.

**Net cash or net debt**

*Net cash or net debt is the total of loans and overdrafts, long term debt and cash and cash equivalents, and it is helpful in providing a measure of indebtedness of the business.*

|                           | <b>May 1,</b>    | May 2,    | January   |
|---------------------------|------------------|-----------|-----------|
|                           | 2010             | 2009      | 30, 2010  |
|                           | <b>\$million</b> | \$million | \$million |
| Long-term debt            | <b>(229.1)</b>   | (280.0)   | (280.0)   |
| Loans and overdrafts      | <b>(47.2)</b>    | (79.4)    | (44.1)    |
|                           | <b>(276.3)</b>   | (359.4)   | (324.1)   |
| Cash and cash equivalents | <b>447.1</b>     | 69.2      | 316.2     |

|                     |              |         |       |
|---------------------|--------------|---------|-------|
| Net cash/(net debt) | <b>170.8</b> | (290.2) | (7.9) |
|---------------------|--------------|---------|-------|

## 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.*

|   | <b>13 weeks<br/>ended May<br/>1, 2010</b> | 13 weeks<br>ended<br>May 2,<br>2009 |
|---|---|-------------------------------------|
|   | <b>\$million</b>                          | \$million                           |
| Net cash provided by operating activities   | <b>184.2</b>                              | 198.0                               |
| Net cash flows used in investing activities | <b>(6.3)</b>                              | (8.4)                               |
| <br>Free cash flow                          | <br><b>177.9</b>                          | <br>189.6                           |

## SIGNATURES

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

SIGNET JEWELERS LIMITED

Date: May 27, 2010

By: /s/ Mark Jenkins

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Mark Jenkins  
Group Company Secretary