SIGNET JEWELERS LTD
Form 10-Q
December 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended October 31, 2015 or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
Commission file number 1-32349

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

Bermuda	Not Applicable
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
(441) 296 5872
(Address and telephone number including area code of principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

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

Common Stock, $0.18 par value, 79,531,968 shares as of November 30, 2015

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in millions, except per share amounts)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014	Notes
Sales	$1,216.4	$ 1,177.9	$4,157.6	$ 3,459.9	4
Cost of sales	(848.7)	(832.0)	(2,733.2)	(2,297.8)	
Gross margin	367.7	345.9	1,424.4	1,162.1	
Selling, general and administrative expenses	(395.0)	(388.7)	(1,301.0)	(1,078.4)	
Other operating income, net	60.9	53.5	187.2	161.2	
Operating income	33.6	10.7	310.6	244.9	4
Interest expense, net	(11.7)	(12.6)	(33.8)	(28.1)	
Income (loss) before income taxes	21.9	(1.9)	276.8	216.8	
Income taxes	(6.9)	0.6	(80.8)	(63.5)	8
Net income (loss)	$15.0	$ (1.3)	$196.0	$ 153.3	
Basic earnings (loss) per share	$0.19	$ (0.02)	$2.46	$ 1.92	5
Diluted earnings (loss) per share	$0.19	$ (0.02)	$2.45	$ 1.91	5
Basic weighted average common shares outstanding	79.3	79.9	79.7	79.9	5
Diluted weighted average common shares outstanding	79.5	79.9	79.9	80.2	5
Dividends declared per share	$0.22	$ 0.18	$0.66	$ 0.54	6

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

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SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	13 weeks ended					
	October 31, 2015			November 1, 2014		
(in millions)	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income (loss)			$ 15.0			$ (1.3)
Other comprehensive income (loss):						
Foreign currency translation adjustments	$(4.2)	$ —	(4.2)	$(21.4)	$ —	(21.4)
Available-for-sale securities:						
Unrealized loss on securities, net	(0.1)	—	(0.1)	—	—	—
Cash flow hedges:						
Unrealized gain (loss)	2.2	(1.1)	1.1	(2.7)	1.2	(1.5)
Reclassification adjustment of losses to net income (loss)	1.1	(0.2)	0.9	2.7	(0.8)	1.9
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	0.9	(0.2)	0.7	0.5	(0.1)	0.4
Reclassification adjustment to net income for amortization of prior service credits	(0.6)	0.1	(0.5)	(0.4)	0.1	(0.3)
Total other comprehensive (loss) income	$(0.7)	$ (1.4)	$ (2.1)	$(21.3)	$ 0.4	$ (20.9)
Total comprehensive income (loss)			$ 12.9			$ (22.2)

	39 weeks ended					
	October 31, 2015			November 1, 2014		
(in millions)	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			$ 196.0			$ 153.3
Other comprehensive income (loss):						
Foreign currency translation adjustments	$(1.4)	$ —	(1.4)	$(14.1)	$ —	(14.1)
Available-for-sale securities:						
Unrealized loss on securities, net	(0.4)	—	(0.4)	(0.2)	—	(0.2)
Cash flow hedges:						
Unrealized loss	(15.0)	4.7	(10.3)	(2.2)	0.9	(1.3)
Reclassification adjustment of losses to net income	2.9	(0.7)	2.2	15.2	(5.2)	10.0
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	2.6	(0.5)	2.1	1.5	(0.3)	1.2
Reclassification adjustment to net income for amortization of prior service credits	(1.7)	0.3	(1.4)	(1.3)	0.3	(1.0)
Total other comprehensive (loss) income	$(13.0)	$ 3.8	$ (9.2)	$(1.1)	$ (4.3)	$ (5.4)
Total comprehensive income			$ 186.8			$ 147.9

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

SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except par value per share amount)	October 31, 2015	January 31, 2015	November 1, 2014	Notes
Assets				
Current assets:				
Cash and cash equivalents	$ 77.2	$ 193.6	$ 87.6	
Accounts receivable, net	1,451.5	1,567.6	1,292.1	9
Other receivables	55.4	63.6	56.7	
Other current assets	143.2	137.2	133.7	
Deferred tax assets	3.6	4.5	1.6	
Income taxes	24.6	1.8	21.6	
Inventories	2,727.0	2,439.0	2,674.6	10
Total current assets	4,482.5	4,407.3	4,267.9	
Non-current assets:				
Property, plant and equipment, net of accumulated depreciation of $939.7, $852.1 and $839.0, respectively	718.0	665.9	658.8	
Goodwill	517.6	519.2	524.3	11
Intangible assets, net	434.3	447.1	461.3	11
Other assets	144.5	140.0	133.5	12
Deferred tax assets	132.1	111.1	72.8	
Retirement benefit asset	40.7	37.0	59.9	16
Total assets	$ 6,469.7	$ 6,327.6	$ 6,178.5	
Liabilities and Shareholders' equity				
Current liabilities:				
Loans and overdrafts	$ 249.8	$ 97.5	$ 221.8	17
Accounts payable	371.4	277.7	396.2	
Accrued expenses and other current liabilities	408.0	482.4	422.7	
Deferred revenue	241.4	248.0	221.6	18
Deferred tax liabilities	170.5	145.8	151.2	
Income taxes	0.7	86.9	3.6	
Total current liabilities	1,441.8	1,338.3	1,417.1	
Non-current liabilities:				
Long-term debt	1,338.7	1,363.8	1,371.3	17
Other liabilities	226.6	230.2	227.2	
Deferred revenue	597.5	563.9	518.8	18
Deferred tax liabilities	20.1	21.0	1.8	
Total liabilities	3,624.7	3,517.2	3,536.2	
Commitments and contingencies				21
Shareholders' equity:				
Common shares of $0.18 par value: authorized 500 shares, 79.5 shares outstanding (January 31, 2015: 80.3 outstanding; November 1, 2014: 80.2 outstanding)	15.7	15.7	15.7	
Additional paid-in capital	274.7	265.2	261.2	
Other reserves	0.4	0.4	0.4	
Treasury shares at cost: 7.7 shares (January 31, 2015: 6.9 shares; November 1, 2014: 7.0 shares)	(480.3)	(370.0)	(373.2)	6
Retained earnings	3,280.3	3,135.7	2,922.1	

Accumulated other comprehensive loss	(245.8)	(236.6)	(183.9)	7
Total shareholders' equity	2,845.0	2,810.4	2,642.3	
Total liabilities and shareholders' equity	$ 6,469.7	$ 6,327.6	$ 6,178.5	

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

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SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Cash flows from operating activities				
Net income (loss)	$15.0	$ (1.3)	$196.0	$ 153.3
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:				
Depreciation and amortization	45.0	40.3	129.5	104.8
Amortization of unfavorable leases and contracts	(7.0)	(8.9)	(24.6)	(14.8)
Pension benefit	—	(0.6)	—	(1.8)
Share-based compensation	4.7	3.5	11.8	10.7
Deferred taxation	(5.9)	(28.0)	8.0	(32.2)
Excess tax benefit from exercise of share awards	—	—	(5.1)	(7.7)
Amortization of debt discount and issuance costs	1.0	1.0	2.6	6.5
Other non-cash movements	0.7	0.6	2.7	0.7
Changes in operating assets and liabilities:				
Decrease in accounts receivable	41.6	23.5	116.3	81.8
Decrease (increase) in other receivables and other assets	2.1	(0.9)	1.6	(4.9)
Increase in other current assets	(17.6)	(13.9)	(12.8)	(36.7)
Increase in inventories	(317.7)	(338.2)	(289.3)	(321.1)
Increase in accounts payable	174.4	161.8	93.6	132.9
(Decrease) increase in accrued expenses and other liabilities	(31.9)	4.0	(60.5)	(15.0)
Increase in deferred revenue	1.0	8.2	25.0	29.2
Decrease in income taxes payable	(26.8)	(58.2)	(104.1)	(106.7)
Pension plan contributions	(0.5)	(1.0)	(2.0)	(3.2)
Net cash (used in) provided by operating activities	(121.9)	(208.1)	88.7	(24.2)
Investing activities				
Purchase of property, plant and equipment	(71.9)	(75.1)	(170.8)	(165.1)
Purchase of available-for-sale securities	(1.9)	(3.0)	(3.8)	(4.2)
Proceeds from sale of available-for-sale securities	—	1.5	3.6	2.5
Acquisition of Zale Corporation, net of cash acquired	—	—	—	(1,429.2)
Net cash used in investing activities	(73.8)	(76.6)	(171.0)	(1,596.0)
Financing activities				
Dividends paid	(17.5)	(14.4)	(49.6)	(40.8)
Proceeds from issuance of common shares	3.1	2.2	3.3	4.2
Excess tax benefit from exercise of share awards	—	—	5.1	7.7
Proceeds from senior notes	—	—	—	398.4
Proceeds from term loan	—	—	—	400.0
Repayments of term loan	(7.5)	(5.0)	(17.5)	(5.0)
Proceeds from securitization facility	542.6	493.4	1,738.9	1,424.0
Repayments of securitization facility	(542.6)	(493.4)	(1,738.9)	(824.0)
Proceeds from revolving credit facility	177.0	145.0	177.0	145.0
Repayments of revolving credit facility	(30.0)	—	(30.0)	—
Payment of debt issuance costs	—	(2.1)	—	(20.5)
Repurchase of common shares	(30.0)	(7.4)	(111.9)	(29.8)
Net settlement of equity based awards	—	(3.0)	(8.3)	(18.1)

Principal payments under capital lease obligations	(0.2)	(0.3)	(0.8)	(0.5)
Proceeds from (repayment of) short-term borrowings	18.5	43.0	(1.5)	20.8
Net cash provided by (used in) financing activities	113.4	158.0	(34.2)	1,461.4
Cash and cash equivalents at beginning of period	159.8	215.0	193.6	247.6
Decrease in cash and cash equivalents	(82.3)	(126.7)	(116.5)	(158.8)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.7)	0.1	(1.2)
Cash and cash equivalents at end of period	$77.2	$ 87.6	$77.2	$ 87.6

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

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SIGNET JEWELERS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(in millions)	Common shares at par value	Additional paid-in capital	Other reserves	Treasury shares	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at January 31, 2015	$15.7	$265.2	$0.4	$(370.0)	$3,135.7	$ (236.6)	$ 2,810.4
Net income	—	—	—	—	196.0	—	196.0
Other comprehensive loss	—	—	—	—	—	(9.2)	(9.2)
Dividends	—	—	—	—	(52.7)	—	(52.7)
Repurchase of common shares	—	—	—	(111.9)	—	—	(111.9)
Net settlement of equity based awards	—	(3.0)	—	(1.1)	1.4	—	(2.7)
Share options exercised	—	0.7	—	2.7	(0.1)	—	3.3
Share-based compensation expense	—	11.8	—	—	—	—	11.8
Balance at October 31, 2015	$15.7	$274.7	$0.4	$(480.3)	$3,280.3	$ (245.8)	$ 2,845.0

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

SIGNET JEWELERS LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and principal accounting policies

Signet Jewelers Limited (“Signet” or the “Company”), a holding company incorporated in Bermuda, is the world's largest retailer of diamond jewelry. The Company operates through its 100% owned subsidiaries with sales primarily in the US, UK and Canada. Signet manages its business as five reportable segments: the Sterling Jewelers division, the Zale division, which consists of the Zale Jewelry and Piercing Pagoda segments, the UK Jewelry division and the Other reportable segment.

The Sterling Jewelers division operates retail stores in all 50 US states in malls, outlets and off-mall locations under brands including Kay Jewelers, Kay Jewelers Outlet, Jared The Galleria Of Jewelry, Jared Vault and various mall-based regional brands. The Zale division primarily operates in shopping malls throughout the US, Canada and Puerto Rico. Zale Jewelry retail stores operate under brands including Zales Jewelers, Zales Outlet, Peoples Jewellers and various regional brands, while Piercing Pagoda operates through mall-based kiosks. The UK Jewelry division's retail stores operate in major regional shopping malls and off-mall "high street" locations (main shopping thoroughfares with high pedestrian traffic) under brands including H.Samuel and Ernest Jones. The Other reportable segment consists of all non-reportable segments, including subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones and unallocated corporate administrative functions. See Note 4 for additional discussion of the Company’s segments.

Signet’s sales are seasonal, with the first quarter slightly exceeding 20% of annual sales, the second and third quarters each approximating 20% and the fourth quarter accounting for almost 40% of annual sales, with December being by far the most important month of the year. The “Holiday Season” consists of results for the months of November and December. As a result, approximately 45% to 55% of Signet’s annual operating income normally occurs in the fourth quarter, comprised of nearly all of the UK Jewelry and Zale divisions’ annual operating income and about 40% to 45% of the Sterling Jewelers division’s annual operating income.

Basis of preparation

These condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) have been condensed or omitted from this report, as is permitted by such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in Signet’s Annual Report on Form 10-K for the year-ended January 31, 2015 filed with the SEC on March 26, 2015.

Use of estimates

The preparation of these condensed consolidated financial statements, in conformity with US GAAP and SEC regulations for interim reporting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to the valuation of accounts receivables, inventories, deferred revenue, derivatives, employee benefits, income taxes, contingencies, asset impairments, depreciation and amortization of long-lived assets as well as accounting for business combinations.

Fiscal year

The Company’s fiscal year ends on the Saturday nearest to January 31st. Fiscal 2016 is the 52 week year ending January 30, 2016 and Fiscal 2015 was the 52 week year ended January 31, 2015. Within these condensed consolidated financial statements, the third quarter and year to date of the relevant fiscal years 2016 and 2015 refer to the 13 and 39 weeks ended October 31, 2015 and November 1, 2014, respectively.

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Foreign currency translation

The financial position and operating results of certain foreign operations, including the UK Jewelry division and the Canadian operations of the Zale Jewelry segment, are consolidated using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange on the balance sheet date, and revenues and expenses are translated at the monthly average rates of exchange during the period. Resulting translation gains or losses are included in the accompanying condensed consolidated statements of equity as a component of accumulated other comprehensive income (loss) (“AOCI”). Gains or losses resulting from foreign currency transactions are included within the condensed consolidated statements of operations, whereas translation adjustments and gains or losses related to intercompany loans of a long-term investment nature are recognized as a component of AOCI.

Revenue recognition

Extended service plans and lifetime warranty agreements

The Company recognizes revenue related to lifetime warranty sales in proportion to when the expected costs will be incurred. The deferral period for lifetime warranty sales in each division is determined from patterns of claims costs, including estimates of future claims costs expected to be incurred. Management reviews the trends in claims to assess whether changes are required to the revenue and cost recognition rates utilized. A significant change in estimates related to the time period or pattern in which warranty-related costs are expected to be incurred could materially impact revenues. All direct costs associated with the sale of these plans are deferred and amortized in proportion to the revenue recognized and disclosed as either other current assets or other assets.

The Sterling Jewelers division sells extended service plans, subject to certain conditions, to perform repair work over the life of the product. Revenue from the sale of these lifetime extended service plans is recognized consistent with the estimated pattern of claim costs expected to be incurred by the Company in connection with performing under the extended service plan obligations. Based on an evaluation of historical claims data, management currently estimates that substantially all claims will be incurred within 17 years of the sale of the warranty contract.

In the second quarter of Fiscal 2016, an operational change related to the Sterling Jewelers division's extended service plans associated with ring sizing was made to further align Zale and Sterling ESP policies. As a result, revenue from the sale of these lifetime extended service plans in the Sterling Jewelers division is deferred and recognized over 17 years for all plans, with approximately 57% of revenue recognized within the first two years for plans sold on or after May 2, 2015 and 42% of revenue recognized within the first two years for plans sold prior to May 2, 2015 (January 31, 2015: 45%; November 1, 2014: 45%).

The Zale division also sells extended service plans. Zale Jewelry customers are offered lifetime warranties on certain products that cover sizing and breakage with an option to purchase theft protection for a two-year period. Revenue from the sale of lifetime extended service plans is deferred and recognized over 10 years, with approximately 69% of revenue recognized within the first two years (January 31, 2015: 69%; November 1, 2014: 69%). Revenues related to the optional theft protection are deferred and recognized in proportion to when the expected claims costs will be incurred over the two-year contract period. Zale Jewelry customers are also offered a two-year watch warranty and a one-year warranty that covers breakage. Piercing Pagoda customers are also offered a one-year warranty that covers breakage. Revenue from the two-year watch warranty and one-year breakage warranty is recognized on a straight-line basis over the respective contract terms.

The Sterling Jewelers division also sells a Jewelry Replacement Plan (“JRP”). The JRP is designed to protect customers from damage or defects of purchased merchandise for a period of three years. If the purchased merchandise is defective or becomes damaged under normal use in that time period, the item will be replaced. JRP revenue is deferred and recognized on a straight-line basis over the period of expected claims costs.

Signet also sells warranty agreements in the capacity of an agent on behalf of a third-party. The commission that Signet receives from the third-party is recognized at the time of sale less an estimate of cancellations based on historical experience.

Reclassification

The Company has reclassified the presentation of certain prior year amounts in the statements of cash flows to conform to the current year presentation.

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2. New accounting pronouncements

New accounting pronouncements to be adopted in future periods

Revenue recognition

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The new guidance affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 provides alternative methods of retrospective adoption. In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers-Deferral of the Effective Date.” The new guidance defers the effective date of ASU No. 2014-09 by one year. As a result, ASU No. 2014-09 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016, including interim periods within that annual period. Signet is currently assessing the impact, if any, as well as the available methods of implementation, that the adoption of this accounting pronouncement will have on the Company's financial position or results of operations.

Share-based compensation

In June 2014, the FASB issued ASU No. 2014-12, “Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.” The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU No. 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. Signet does not expect the adoption of this guidance to have a material impact on the Company's financial position or results of operations.

Debt issuance costs

In April 2015, the FASB issued ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” The new guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. In August 2015, the FASB issued ASU No. 2015-15, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” The new guidance provides clarity that the SEC would not object to the deferral and presentation of debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. ASU Nos. 2015-03 and 2015-15 are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. Signet does not expect the adoption of this guidance to have a material impact on the Company's financial position or results of operations.

Inventory

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory.” The new guidance states that inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.” No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted and should be applied prospectively. Signet is currently assessing the impact, if any, that that adoption of this guidance will have on the Company's financial position or results of operations.

Income Taxes

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU No. 2015-17 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, with early adoption permitted. Signet does not expect the adoption of this guidance to have a material impact on the Company's financial position or results of operations.

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3. Acquisitions

Zale Corporation

On May 29, 2014, the Company acquired 100% of the outstanding shares of Zale Corporation, making the entity a wholly-owned consolidated subsidiary of Signet (the "Zale Acquisition" or "Acquisition"). Under the terms of the Agreement and Plan of Merger, Zale Corporation shareholders received $21 per share in cash for each outstanding share of common stock and the vesting, upon consummation of the Acquisition, of certain outstanding Zale Corporation restricted stock units and stock options, which converted into the right to receive the merger consideration of $1,458.0 million, including $478.2 million to extinguish Zale Corporation's existing debt. The Acquisition was funded by the Company through existing cash and the issuance of $1,400.0 million of long-term debt, including: (a) $400.0 million of senior unsecured notes due in 2024, (b) $600.0 million of two-year revolving asset-backed variable funding notes and (c) a $400.0 million five-year senior unsecured term loan facility. See Note 17 for additional information related to the Company's long-term debt instruments.

The transaction was accounted for as a business combination during the second quarter of Fiscal 2015. The Acquisition aligns with the Company's strategy to expand its footprint. The following table summarizes the consideration transferred in conjunction with the Acquisition as of May 29, 2014:

(in millions, except per share amounts)	Amount
Cash consideration paid to Zale Corporation shareholders ($21 per share)	$910.2
Cash consideration paid for settlement of Zale Corporation stock options, restricted share awards and long term incentive plan awards	69.6
Cash paid to extinguish Zale Corporation outstanding debt as of May 29, 2014	478.2
Total consideration transferred	$1,458.0

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed are recorded at acquisition date fair values. During the fourth quarter of Fiscal 2015, the Company finalized the valuation of net assets acquired. The following table summarizes the fair values identified for the assets acquired and liabilities assumed in the Acquisition as of May 29, 2014:

(in millions)	Fair values
Cash and cash equivalents	$ 28.8
Inventories	856.7
Other current assets	22.4
Property, plant and equipment	103.6
Intangible assets:	
Trade names	417.0
Favorable leases	50.2
Deferred tax assets	132.8
Other assets	25.4
Current liabilities[(1)]	(206.3)
Deferred revenue	(93.3)
Unfavorable leases	(50.5)
Unfavorable contracts	(65.6)
Deferred tax liabilities	(234.0)
Other liabilities	(28.6)
Fair value of net assets acquired	958.6
Goodwill	499.4
Total consideration transferred	$ 1,458.0

(1) Includes loans and overdrafts, accounts payable, income taxes payable, accrued expenses and other current liabilities.

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The excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed was recognized as goodwill. The goodwill attributable to the Acquisition is not deductible for tax purposes. See Note 11.
The following unaudited consolidated pro forma information summarizes the results of operations of the Company as if the Acquisition and related issuance of $1,400.0 million of long-term debt (see Note 17) had occurred as of February 2, 2013. The unaudited consolidated pro forma financial information was prepared in accordance with the acquisition method of accounting under existing standards and is not necessarily indicative of the results of operations that would have occurred if the Acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

(in millions, except per share amounts)	13 weeks ended November 1, 2014	39 weeks ended November 1, 2014
Pro forma sales	$ 1,183.1	$ 4,041.3
Pro forma net income	$ 15.1	$ 213.9
Pro forma earnings per share – basic	$ 0.19	$ 2.68
Pro forma earnings per share – diluted	$ 0.19	$ 2.67

The unaudited pro forma information gives effect to actual operating results prior to the Acquisition and has been adjusted with respect to certain aspects of the Acquisition to reflect the following:

- Acquisition accounting adjustments to reset deferred revenue associated with extended service plans sold by Zale Corporation prior to the Acquisition to fair value as of the acquisition date. The fair value of deferred revenue is determined based on the estimated costs remaining to be incurred for future obligations associated with the outstanding plans at the time of the Acquisition, plus a reasonable profit margin on the estimated costs. These adjustments also reflect the impact of deferring the revenue associated with the lifetime extended service plans over a 10-year period as disclosed in Note 1.
- Additional depreciation and amortization expenses that would have been recognized assuming fair value adjustments to the existing Zale Corporation assets acquired and liabilities assumed, including intangible assets, favorable and unfavorable leases, and unfavorable contracts and expense associated with the fair value step-up of inventory acquired.
- Tax impact of the Company's amended capital structure as a result of the Acquisition and related issuance of $1,400.0 million of long-term debt.
- Adjustment of valuation allowances associated with US and Canadian deferred tax assets, including net operating loss carryforwards.
- Exclusion of acquisition-related costs of $9.4 million and $48.6 million, which were included in the Company's net income during the 13 and 39 weeks ended November 1, 2014, respectively. Also excluded were costs associated with the unsecured bridge facility discussed in Note 17 of $4.0 million, which were included in the Company's net income during the 39 weeks ended November 1, 2014. All amounts were reported within the Other segment.

The unaudited pro forma results do not reflect future events that either have occurred or may occur after the Acquisition, including, but not limited to, the anticipated realization of expected operating synergies in subsequent periods. They also do not give effect to acquisition-related costs that the Company expects to incur in connection with the Acquisition, including, but not limited to, additional professional fees, employee integration, retention and severance costs.

4. Segment information

Financial information for each of Signet's reportable segments is presented in the tables below. Signet's chief operating decision maker utilizes sales and operating income, after the elimination of any inter-segment transactions, to determine resource allocations and performance assessment measures. Signet's sales are derived from the retailing of jewelry, watches, other products and services as generated through the management of its five reportable segments: the Sterling Jewelers division, the Zale division, which consists of the Zale Jewelry and Piercing Pagoda segments, the UK Jewelry division and the "Other" reportable segment. Other consists of all non-reportable segments, including subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones and unallocated corporate administrative functions that are below the quantifiable threshold for separate disclosure as a reportable segment. See Note 1 for additional information.

(in millions)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Sales:				
Sterling Jewelers	$733.5	$ 692.8	$2,536.2	$ 2,406.7
Zale Jewelry	281.9	289.1	991.2	504.1
Piercing Pagoda	48.0	42.3	165.1	74.8
UK Jewelry	149.4	151.0	455.0	465.6
Other	3.6	2.7	10.1	8.7
Total sales	$1,216.4	$ 1,177.9	$4,157.6	$ 3,459.9
Operating income (loss):				
Sterling Jewelers	$77.2	$ 68.1	$413.2	$ 364.3
Zale Jewelry(1)	(18.3)	(26.7)	(9.9)	(34.7)
Piercing Pagoda(2)	(6.0)	(7.8)	(1.0)	(9.6)
UK Jewelry	—	(2.7)	3.7	(1.6)
Other(3)	(19.3)	(20.2)	(95.4)	(73.5)
Total operating income	$33.6	$ 10.7	$310.6	$ 244.9

(1) Includes net operating loss of $3.6 million and $17.1 million related to the effects of purchase accounting associated with the acquisition of Zale Corporation for the 13 and 39 weeks ended October 31, 2015 and $11.0 million and $20.4 million for the 13 and 39 weeks ended November 1, 2014, respectively. See Note 3 for additional information.

(2) Includes net operating loss of $0.1 million and $3.1 million related to the effects of purchase accounting associated with the acquisition of Zale Corporation for the 13 and 39 weeks ended October 31, 2015 and $2.6 million and $4.7 million for the 13 and 39 weeks ended November 1, 2014, respectively. See Note 3 for additional information.

(3) Includes $9.8 million and $59.8 million of transaction-related and integration expenses, including the impact of the appraisal rights legal settlement discussed in Note 21, for the 13 and 39 weeks ended October 31, 2015 and $11.4 million and $50.6 million of transaction-related and integration expenses for the 13 and 39 weeks ended November 1, 2014, respectively. Transaction costs include expenses associated with advisor fees for legal, tax, accounting and consulting services as well as severance costs related to Zale and other management changes.

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Total assets:			
Sterling Jewelers	$ 3,756.6	$ 3,647.3	$ 3,477.2
Zale Jewelry	1,941.6	1,903.6	1,942.6
Piercing Pagoda	135.4	132.8	158.8
UK Jewelry	470.5	413.5	484.5
Other	165.6	230.4	115.4
Total assets	$ 6,469.7	$ 6,327.6	$ 6,178.5

5. Earnings per share

(in millions, except per share amounts)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Net income (loss)	$15.0	$ (1.3)	$196.0	$ 153.3
Basic weighted average number of shares outstanding	79.3	79.9	79.7	79.9
Dilutive effect of share awards	0.2	—	0.2	0.3
Diluted weighted average number of shares outstanding	79.5	79.9	79.9	80.2
Earnings (loss) per share – basic	$0.19	$ (0.02)	$2.46	$ 1.92
Earnings (loss) per share – diluted	$0.19	$ (0.02)	$2.45	$ 1.91

The dilutive effect of share awards represents the potential impact of outstanding awards issued under the Company's share-based compensation plans, including restricted shares and restricted stock units issued under the Omnibus Plan and stock options issued under the Share Saving Plans and the Executive Plans. The potential impact is calculated under the treasury stock method. The calculation of fully diluted earnings per share for the 13 and 39 weeks ended October 31, 2015 excludes share awards of 106,570 shares (13 and 39 weeks ended November 1, 2014: 525,561 and 32,504 share awards, respectively) on the basis that their effect would be anti-dilutive.

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6. Shareholders' equity

Share repurchases

		39 weeks ended October 31, 2015			39 weeks ended November 1, 2014		
	Amount authorized	Shares repurchased	Amount repurchased	Average repurchase price per share	Shares repurchased	Amount repurchased	Average repurchase price per share
	(in millions)		(in millions)			(in millions)	
2013 Program[(1)]	$ 350.0	868,325	$ 111.9	$ 128.91	288,393	$ 29.8	$ 103.37

(1) On June 14, 2013, the Board of Directors authorized the repurchase of up to $350 million of Signet's common shares (the "2013 Program"). The 2013 Program may be suspended or discontinued at any time without notice. The 2013 Program had $153.7 million remaining as of October 31, 2015.

Dividends

(in millions, except per share amounts)	Fiscal 2016 Cash dividend per share	Fiscal 2016 Total dividends	Fiscal 2015 Cash dividend per share	Fiscal 2015 Total dividends
First quarter	$0.22	$17.6	$0.18	$14.4
Second quarter	$0.22	$17.6	$0.18	$14.4
Third quarter	$0.22	$17.5 (1)	$0.18	$14.4 (1)

(1) Signet's dividend policy results in the dividend payment date being a quarter in arrears from the declaration date. As a result, as of October 31, 2015 and November 1, 2014, $17.5 million and $14.4 million, respectively, has been recorded in accrued expenses and other current liabilities in the condensed consolidated balance sheets reflecting the cash dividends declared for the third quarter of Fiscal 2016 and Fiscal 2015, respectively.

7. Accumulated other comprehensive income (loss)

The following tables present the changes in AOCI by component and the reclassifications out of AOCI, net of tax:

				Pension plan		
(in millions)	Foreign currency translation	Losses on available-for-sale securities, net	Gains (losses) on cash flow hedges	Actuarial losses	Prior service credits	Accumulated other comprehensive loss
Balance at January 31, 2015	$ (197.6)	$ —	$ 4.4	$ (56.7)	$ 13.3	$ (236.6)
Other comprehensive income (loss) ("OCI") before reclassifications	(1.4)	(0.4)	(10.3)	—	—	(12.1)
Amounts reclassified from AOCI to earnings	—	—	2.2	2.1	(1.4)	2.9
Net current-period OCI	(1.4)	(0.4)	(8.1)	2.1	(1.4)	(9.2)
Balance at October 31, 2015	$ (199.0)	$ (0.4)	$ (3.7)	$ (54.6)	$ 11.9	$ (245.8)

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The amounts reclassified from AOCI, by individual component, were as follows:

(in millions)	Amounts reclassified from AOCI 13 weeks ended October 31, 2015	November 1, 2014	39 weeks ended October 31, 2015	November 1, 2014	Statement of operations caption
Losses on cash flow hedges:					
Foreign currency contracts	$(0.1)	$ 0.3	$—	$ 0.6	Cost of sales (see Note 14)
Interest rate swaps	0.8	—	1.9	—	Interest expense, net (see Note 14)
Commodity contracts	0.4	2.4	1.0	14.6	Cost of sales (see Note 14)
Total before income tax	1.1	2.7	2.9	15.2	
Income taxes	(0.2)	(0.8)	(0.7)	(5.2)	
Net of tax	0.9	1.9	2.2	10.0	
Defined benefit pension plan items:					
Amortization of unrecognized net prior service credits	(0.6)	(0.4)	(1.7)	(1.3)	Selling, general and administrative expenses(1)
Amortization of unrecognized actuarial losses	0.9	0.5	2.6	1.5	Selling, general and administrative expenses(1)
Total before income tax	0.3	0.1	0.9	0.2	
Income taxes	(0.1)	—	(0.2)	—	
Net of tax	0.2	0.1	0.7	0.2	
Total reclassifications, net of tax	$1.1	$ 2.0	$2.9	$ 10.2	

(1) These items are included in the computation of net periodic pension benefit (cost). See Note 16 for additional information.

8. Income taxes

Signet has business activity in all states within the US and files income tax returns for the US federal jurisdiction and all applicable states. Signet also files income tax returns in the UK, Canada and certain other foreign jurisdictions. The provision for income taxes is based on the current estimate of the consolidated annual effective tax rate. As of October 31, 2015, the Company expects its annual effective tax rate to be approximately 29.0% compared to 29.3% as of November 1, 2014. The estimated effective tax rates exclude the effects of any discrete items that may be recognized in future periods.

During the third quarter of Fiscal 2016, there has been no material change in the amounts of unrecognized tax benefits, or the related accrued interest and penalties (where appropriate), in respect of uncertain tax positions identified as of January 31, 2015.

9. Accounts receivable, net

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

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Accounts receivable by portfolio segment, net:			
Sterling Jewelers customer in-house finance receivables	$ 1,437.2	$ 1,552.9	$ 1,280.3

Other accounts receivable	14.3	14.7	11.8
Total accounts receivable, net	$ 1,451.5	$ 1,567.6	$ 1,292.1

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

Other accounts receivable is comprised primarily of gross accounts receivable relating to the insurance loss replacement business in the UK Jewelry division of $9.9 million (January 31, 2015 and November 1, 2014: $13.7 million and $9.5 million, respectively), with a corresponding valuation allowance of $0.6 million (January 31, 2015 and November 1, 2014: $0.5 million and $0.3 million, respectively). The credit function for the Zale division is primarily outsourced and, as such, no material accounts receivable exist as of October 31, 2015, January 31, 2015 or November 1, 2014.

The allowance for credit losses on Sterling Jewelers' customer in-house finance receivables is shown below:

(in millions)	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Beginning balance:	$(113.1)	$(97.8)
Charge-offs	121.5	101.0
Recoveries	27.0	22.1
Provision	(157.6)	(127.9)
Ending balance	$(122.2)	$(102.6)
Ending receivable balance evaluated for impairment	1,559.4	1,382.9
Sterling Jewelers customer in-house finance receivables, net	$1,437.2	$1,280.3

Net bad debt expense is defined as the provision expense less recoveries.

The following tables summarize the credit quality indicator and age analysis of past due Sterling Jewelers' customer in-house finance receivables:

(in millions)	October 31, 2015 Gross	October 31, 2015 Valuation allowance	January 31, 2015 Gross	January 31, 2015 Valuation allowance	November 1, 2014 Gross	November 1, 2014 Valuation allowance
Performing:						
Current, aged 0 – 30 days	$1,212.2	$(36.8)	$1,332.2	$(41.1)	$1,087.9	$(33.2)
Past due, aged 31 – 90 days	271.2	(9.4)	271.1	(9.3)	233.8	(8.2)
Non Performing:						
Past due, aged more than 90 days	76.0	(76.0)	62.7	(62.7)	61.2	(61.2)
	$1,559.4	$(122.2)	$1,666.0	$(113.1)	$1,382.9	$(102.6)

(as a % of the ending receivable balance)	October 31, 2015 Gross	October 31, 2015 Valuation allowance	January 31, 2015 Gross	January 31, 2015 Valuation allowance	November 1, 2014 Gross	November 1, 2014 Valuation allowance
Performing	95.1 %	3.1 %	96.2 %	3.1 %	95.6 %	3.1 %
Non Performing	4.9 %	100.0 %	3.8 %	100.0 %	4.4 %	100.0 %
	100.0 %	7.8 %	100.0 %	6.8 %	100.0 %	7.4 %

Securitized credit card receivables

The Sterling Jewelers division securitizes its credit card receivables through its Sterling Jewelers Receivables Master Note Trust established on May 15, 2014. See Note 17 for additional information regarding this asset-backed securitization facility.

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10. Inventories

The following table summarizes the details of the Company's inventory:

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Raw materials	$ 101.6	$ 75.2	$ 69.9
Finished goods	2,625.4	2,363.8	2,604.7
Total inventories	$ 2,727.0	$ 2,439.0	$ 2,674.6

11. Goodwill and intangibles

Goodwill

The following table summarizes the Company's goodwill by reportable segment:

(in millions)	Sterling Jewelers	Zale Jewelry	Piercing Pagoda	UK Jewelry	Other	Total
Balance at February 1, 2014	$23.2	$—	$—	$—	$3.6	$26.8
Acquisitions	—	499.4	—	—	—	499.4
Impact of foreign exchange	—	(7.0)	—	—	—	(7.0)
Balance at January 31, 2015	23.2	492.4	—	—	3.6	519.2
Impact of foreign exchange	—	(1.6)	—	—	—	(1.6)
Balance at October 31, 2015	$23.2	$490.8	$—	$—	$3.6	$517.6

There have been no goodwill impairment losses recognized during the fiscal periods presented in the condensed consolidated statements of operations. If future economic conditions are different than those projected by management, future impairment charges may be required.

Intangibles

Intangible assets with indefinite and definite lives represent Zale trade names and favorable leases acquired, while intangible liabilities with definite lives represent unfavorable leases and contract rights acquired in the Zale Acquisition. No other intangible assets or liabilities were recognized prior to the acquisition of Zale Corporation on May 29, 2014. The following table provides additional detail regarding the composition of intangible assets and liabilities.

		October 31, 2015			January 31, 2015			November 1, 2014		
(in millions)	Balance sheet location	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets:										
Trade names	Intangible assets, net	$1.5	$ (0.4)	$1.1	$1.5	$ (0.2)	$1.3	$1.6	$ (0.1)	$1.5
Favorable leases	Intangible assets, net	47.6	(19.2)	28.4	48.1	(9.1)	39.0	49.7	(5.9)	43.8
Total definite-lived intangible assets		49.1	(19.6)	29.5	49.6	(9.3)	40.3	51.3	(6.0)	45.3
Indefinite-lived trade names	Intangible assets, net	404.8	—	404.8	406.8	—	406.8	416.0	—	416.0
Total intangible assets, net		$453.9	$ (19.6)	$434.3	$456.4	$ (9.3)	$447.1	$467.3	$ (6.0)	$461.3
Definite-lived intangible										

liabilities:											
Unfavorable leases	Other liabilities	$(48.3)	$ 20.4		$(27.9)	$(48.7)	$ 9.7	$(39.0)	$(50.0)	$ 6.1	$(43.9)
Unfavorable contracts	Other liabilities	(65.6)	27.6		(38.0)	(65.6)	13.8	(51.8)	(65.6)	8.6	(57.0)
Total intangible liabilities, net		$(113.9)	$ 48.0		$(65.9)	$(114.3)	$ 23.5	$(90.8)	$(115.6)	$ 14.7	$(100.9)

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12. Other assets

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Deferred extended service plan selling costs	$ 74.6	$ 69.7	$ 64.8
Investments[1]	25.0	25.2	23.5
Other assets	44.9	45.1	45.2
Total other assets	$ 144.5	$ 140.0	$ 133.5

(1) See Note 13 for additional information.

In addition, other current assets include deferred direct selling costs in relation to the sale of extended service plans of $24.0 million as of October 31, 2015 (January 31, 2015 and November 1, 2014: $24.9 million and $23.1 million, respectively).

13. Investments

Investments in debt and equity securities are held by certain insurance subsidiaries and are reported at fair value as other assets in the accompanying condensed consolidated balance sheets. All investments are classified as available-for-sale and include the following:

	October 31, 2015			January 31, 2015			November 1, 2014		
(in millions)	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
US Treasury securities	$9.2	$ (0.4)	$8.8	$9.7	$ (0.1)	$9.6	$9.7	$ (0.1)	$9.6
US government agency securities	2.3	—	2.3	1.4	—	1.4	1.4	(0.1)	1.3
Corporate bonds and notes	10.5	—	10.5	10.6	0.2	10.8	9.3	—	9.3
Corporate equity securities	3.4	—	3.4	3.5	(0.1)	3.4	3.3	—	3.3
Total investments	$25.4	$ (0.4)	$25.0	$25.2	$ —	$25.2	$23.7	$ (0.2)	$23.5

Realized gains and losses on investments are determined on the specific identification basis. There were no material net realized gains or losses during the 13 and 39 weeks ended October 31, 2015 (13 and 39 weeks ended November 1, 2014: none). Investments with a carrying value of $7.2 million were on deposit with various state insurance departments at October 31, 2015 (January 31, 2015 and November 1, 2014: $7.2 million and $7.4 million, respectively), as required by law.

Investments in debt securities outstanding as of October 31, 2015 mature as follows:

(in millions)	Cost	Fair Value
Less than one year	$5.3	$ 5.1
Year two through year five	8.5	8.4
Year six through year ten	8.2	8.1
After ten years	—	—
Total investment in debt securities	$22.0	$ 21.6

14. Derivatives

Derivative transactions are used by Signet for risk management purposes to address risks inherent in Signet’s business operations and sources of financing. The main risks arising from Signet’s operations are market risk including foreign currency risk, commodity risk, liquidity risk and interest rate risk. Signet uses derivative financial instruments to manage and mitigate these risks under policies reviewed and approved by the Board of Directors. Signet does not enter into derivative transactions for trading purposes.

Market risk

Signet generates revenues and incurs expenses in US dollars, Canadian dollars and British pounds. As a portion of UK Jewelry purchases and purchases made by Canadian operations of the Zale division are denominated in US dollars, Signet enters into forward foreign currency exchange contracts, foreign currency option contracts and foreign currency swaps to manage this exposure to the US dollar.

Signet holds a fluctuating amount of British pounds and Canadian dollars reflecting the cash generative characteristics of operations. Signet’s objective is to minimize net foreign exchange exposure to the income statement on non-US dollar denominated items through managing cash levels, non-US dollar denominated intra-entity balances and foreign currency swaps. In order to manage the foreign exchange exposure and

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minimize the level of funds denominated in British pounds and Canadian dollars, dividends are paid regularly by subsidiaries to their immediate holding companies and excess British pounds and Canadian dollars are sold in exchange for US dollars.

Signet’s policy is to minimize the impact of precious metal commodity price volatility on operating results through the use of outright forward purchases of, or by entering into options to purchase, precious metals within treasury guidelines approved by the Board of Directors. In particular, Signet undertakes some hedging of its requirements for gold through the use of options, net zero-cost collar arrangements (a combination of call and put option contracts), forward contracts and commodity purchasing, while fluctuations in the cost of diamonds are not hedged.

Liquidity risk

Signet’s objective is to ensure that it has access to, or the ability to generate sufficient cash from either internal or external sources in a timely and cost-effective manner to meet its commitments as they become due and payable. Signet manages liquidity risks as part of its overall risk management policy. Management produces forecasting and budgeting information that is reviewed and monitored by the Board of Directors. Cash generated from operations and external financing are the main sources of funding supplementing Signet’s resources in meeting liquidity requirements. The main external sources of funding are a senior unsecured credit facility, senior unsecured notes and securitized credit card receivables, as described in Note 17.

Interest rate risk

Signet has exposure to movements in interest rates associated with cash and borrowings. Signet may enter into various interest rate protection agreements in order to limit the impact of movements in interest rates.

Interest rate swap (designated) — This contract was entered into to reduce the consolidated interest rate risk associated with variable rate, long-term debt. The Company designates this derivative as a cash flow hedge of the variability in expected cash outflows of interest payments. The Company entered into an interest rate swap in March 2015 with an aggregate notional amount of $300.0 million that is scheduled to mature through April 2019. Under this contract, the Company agrees to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts. The Company has effectively converted a portion of its variable-rate senior unsecured term loan into fixed-rate debt.

The fair value of the swap is presented within the condensed consolidated balance sheets, and the Company recognizes any changes in the fair value as an adjustment of AOCI within equity to the extent the swap is effective. The ineffective portion, if any, is recognized in current period earnings. As interest expense is accrued on the debt obligation, amounts in AOCI related to the interest rate swap are reclassified into income resulting in a net interest expense on the hedged amount of the underlying debt obligation equal to the effective yield of the fixed rate of the swap. In the event that the interest rate swap is dedesignated prior to maturity, gains or losses in AOCI remain deferred and are reclassified into earnings in the periods in which the hedged forecasted transaction affects earnings.

Credit risk and concentrations of credit risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Signet does not anticipate non-performance by counterparties of its financial instruments, except for customer in-house financing receivables as disclosed in Note 9 of which no single customer represents a significant portion of the Company’s receivable balance. Signet does not require collateral or other security to support cash investments or financial instruments with credit risk; however, it is Signet’s policy to only hold cash and cash equivalent investments and to transact financial instruments with financial institutions with a certain minimum credit rating. Management does not believe Signet is exposed to any significant concentrations of credit risk that arise from cash and cash equivalent investments, derivatives or accounts receivable.

Commodity and foreign currency risks

The following types of derivative financial instruments are utilized by Signet to mitigate certain risk exposures related to changes in commodity prices and foreign exchange rates:

Forward foreign currency exchange contracts (designated) — These contracts, which are principally in US dollars, are entered into to limit the impact of movements in foreign exchange rates on forecasted foreign currency purchases. The total notional amount of these foreign currency contracts outstanding as of October 31, 2015 was $20.9 million (January 31, 2015 and November 1, 2014: $23.5 million and $27.4 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 9 months (January 31, 2015 and November 1, 2014: 12 months and 9 months, respectively).

Forward foreign currency exchange contracts (undesignated) — Foreign currency contracts not designated as cash flow hedges are used to limit the impact of movements in foreign exchange rates on recognized foreign currency payables and to hedge currency flows through Signet's bank accounts to mitigate Signet's exposure to foreign currency exchange risk in its cash and borrowings. The total notional amount of these foreign currency contracts outstanding as of October 31, 2015 was $35.5 million (January 31, 2015 and November 1, 2014: $40.3 million and $58.4 million, respectively).

Commodity forward purchase contracts and net zero-cost collar arrangements (designated) — These contracts are entered into to reduce Signet's exposure to significant movements in the price of the underlying precious metal raw material. The total notional amount of these commodity

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derivative contracts outstanding as of October 31, 2015 was 73,000 ounces of gold (January 31, 2015 and November 1, 2014: 81,000 ounces and 70,000 ounces, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 14 months (January 31, 2015 and November 1, 2014: 11 months and 12 months, respectively).

The bank counterparties to the derivative instruments expose Signet to credit-related losses in the event of their non-performance. However, to mitigate that risk, Signet only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of October 31, 2015, Signet believes that this credit risk did not materially change the fair value of the foreign currency or commodity contracts.

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

	Fair value of derivative assets			
(in millions)	Balance sheet location	October 31, 2015	January 31, 2015	November 1, 2014
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current assets	$ 0.1	$ 1.0	$ 0.4
Commodity contracts	Other current assets	0.3	6.3	—
Commodity contracts	Other assets	0.1	—	—
		0.5	7.3	0.4
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current assets	—	0.1	0.4
Total derivative assets		$ 0.5	$ 7.4	$ 0.8

	Fair value of derivative liabilities			
(in millions)	Balance sheet location	October 31, 2015	January 31, 2015	November 1, 2014
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	$ (0.1)	$ —	$ (0.3)
Commodity contracts	Other current liabilities	(1.1)	—	(3.6)
Interest rate swaps	Other liabilities	(2.1)	—	—
		(3.3)	—	(3.9)
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	—	—	—
Total derivative liabilities		$ (3.3)	$ —	$ (3.9)

Derivatives designated as cash flow hedges

The following table summarizes the pre-tax gains (losses) recorded in AOCI for derivatives designated in cash flow hedging relationships:

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Foreign currency contracts	$ 0.5	$ 0.9	$ (1.3)
Commodity contracts	(3.9)	5.7	(6.8)
Interest rate swaps	(2.1)	—	—
Total	$ (5.5)	$ 6.6	$ (8.1)

The following tables summarize the effect of derivative instruments designated as cash flow hedges in OCI and the condensed consolidated statements of operations:

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Foreign currency contracts

(in millions)	Statement of operations caption	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Gains (losses) recorded in AOCI, beginning of period		$0.4	$ (3.2)	$0.9	$ (2.3)
Current period gains (losses) recognized in OCI		0.2	1.6	(0.4)	0.4
Gains (losses) reclassified from AOCI to net income	Cost of sales	(0.1)	0.3	—	0.6
Gains (losses) recorded in AOCI, end of period		$0.5	$ (1.3)	$0.5	$ (1.3)

Commodity contracts

(in millions)	Statement of operations caption	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
(Losses) gains recorded in AOCI, beginning of period		$(8.3)	$ (4.9)	$5.7	$ (18.8)
Current period gains (losses) recognized in OCI		4.0	(4.3)	(10.6)	(2.6)
Losses reclassified from AOCI to net income	Cost of sales	0.4	2.4	1.0	14.6
Losses recorded in AOCI, end of period		$(3.9)	$ (6.8)	$(3.9)	$ (6.8)

Interest rate swaps

(in millions)	Statement of operations caption	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Losses recorded in AOCI, beginning of period		$(0.9)	$ —	$—	$ —
Current period losses recognized in OCI		(2.0)	—	(4.0)	—
Losses reclassified from AOCI to net income	Interest expense, net	0.8	—	1.9	—
Losses recorded in AOCI, end of period		$(2.1)	$ —	$(2.1)	$ —

There was no material ineffectiveness related to the Company's derivative instruments designated in cash flow hedging relationships for the 13 and 39 weeks ended October 31, 2015 and November 1, 2014. Based on current valuations, the Company expects approximately $5.7 million of net pre-tax derivative losses to be reclassified out of AOCI into earnings within the next 12 months.

Derivatives not designated as hedging instruments

The following table presents the effects of the Company's derivatives instruments not designated as cash flow hedges in the condensed consolidated statements of operations:

(in millions)	Statement of operations caption	Amount of gain (loss) recognized in income: 13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Derivatives not designated as hedging instruments:					
Foreign currency contracts	Other operating income, net	$(1.4)	$ 2.0	$(1.0)	$ 0.4

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15. Fair value measurement

The estimated fair value of Signet's financial instruments held or issued to finance Signet's operations is summarized below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that Signet would realize upon disposition nor do they indicate Signet's intent or ability to dispose of the financial instrument. Assets and liabilities that are carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1—quoted market prices in active markets for identical assets and liabilities

Level 2—observable market based inputs or unobservable inputs that are corroborated by market data

Level 3—unobservable inputs that are not corroborated by market data

Signet determines fair value based upon quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The methods Signet uses to determine fair value on an instrument-specific basis are detailed below:

	October 31, 2015			January 31, 2015			November 1, 2014		
(in millions)	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:									
US Treasury securities	$8.8	$ 8.8	$ —	$9.6	$ 9.6	$ —	$9.6	$ 9.6	$ —
Corporate equity securities	3.4	3.4	—	3.4	3.4	—	3.3	3.3	—
Foreign currency contracts	0.1	—	0.1	1.1	—	1.1	0.8	—	0.8
Commodity contracts	0.4	—	0.4	6.3	—	6.3	—	—	—
US government agency securities	2.3	—	2.3	1.4	—	1.4	1.3	—	1.3
Corporate bonds and notes	10.5	—	10.5	10.8	—	10.8	9.3	—	9.3
Total assets	$25.5	$ 12.2	$ 13.3	$32.6	$ 13.0	$ 19.6	$24.3	$ 12.9	$ 11.4
Liabilities:									
Foreign currency contracts	$(0.1)	$ —	$ (0.1)	$—	$ —	$ —	$(0.3)	$ —	$ (0.3)
Commodity contracts	(1.1)	—	(1.1)	—	—	—	(3.6)	—	(3.6)
Interest rate swaps	(2.1)	—	(2.1)	—	—	—	—	—	—
Total liabilities	$(3.3)	$ —	$ (3.3)	$—	$ —	$ —	$(3.9)	$ —	$ (3.9)

Investments in US Treasury securities and corporate equity securities are based on quoted market prices for identical instruments in active markets, and therefore were classified as a Level 1 measurement in the fair value hierarchy. Investments in US government agency securities and corporate bonds and notes are based on quoted prices for similar instruments in active markets, and therefore were classified as a Level 2 measurement in the fair value hierarchy. See Note 13 for additional information related to the Company's available-for-sale investments. 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, foreign currency forward rates or commodity forward rates, and therefore were classified as a Level 2 measurement in the fair value hierarchy. See Note 14 for additional information related to the Company's derivatives.

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.

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The fair values of long-term debt instruments were determined using quoted market prices in inactive markets or discounted cash flows based upon current observable market interest rates and therefore were classified as Level 2 measurements in the fair value hierarchy. See Note 17 for classification between current and long-term debt. The carrying amount and fair value of outstanding debt at October 31, 2015, January 31, 2015 and November 1, 2014 were as follows:

	October 31, 2015		January 31, 2015		November 1, 2014	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Outstanding debt:						
Senior notes (Level 2)	$398.6	$398.5	$398.5	$415.3	$398.4	$410.5
Securitization facility (Level 2)	600.0	600.0	600.0	600.0	600.0	600.0
Term loan (Level 2)	372.5	372.5	390.0	390.0	395.0	395.0
Capital lease obligations (Level 2)	0.3	0.3	1.2	1.2	1.5	1.5
Total outstanding debt	$1,371.4	$1,371.3	$1,389.7	$1,406.5	$1,394.9	$1,407.0

16. Pension plans

Signet operates a defined benefit pension plan in the UK (the “UK Plan”) for participating eligible employees of the UK Jewelry division. The components of net periodic pension cost for the UK Plan are as follows:

	13 weeks ended		39 weeks ended	
(in millions)	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Components of net periodic pension benefit (cost):				
Service cost	$(0.7)	$ (0.6)	$(2.0)	$ (1.8)
Interest cost	(1.9)	(2.4)	(5.8)	(7.4)
Expected return on UK Plan assets	2.9	3.7	8.7	11.2
Amortization of unrecognized net prior service credits	0.6	0.4	1.7	1.3
Amortization of unrecognized actuarial losses	(0.9)	(0.5)	(2.6)	(1.5)
Net periodic pension benefit	$—	$ 0.6	$—	$ 1.8

In the 39 weeks ended October 31, 2015, Signet contributed $2.0 million to the UK Plan and expects to contribute a minimum aggregate of $2.4 million at current exchange rates to the UK Plan in Fiscal 2016. The level of contributions is in accordance with an agreed upon deficit recovery plan and based on the results of the actuarial valuation as of April 5, 2012.

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17. Loans, overdrafts and long-term debt

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Current liabilities – loans and overdrafts:			
Revolving credit facility	$ 147.0	$ —	$ 145.0
Current portion of senior unsecured term loan	32.5	25.0	22.5
Current portion of capital lease obligations	0.2	0.9	1.1
Bank overdrafts	70.1	71.6	53.2
Total loans and overdrafts	249.8	97.5	221.8
Long-term debt:			
Senior unsecured notes due 2024, net of unamortized discount	398.6	398.5	398.4
Securitization facility	600.0	600.0	600.0
Senior unsecured term loan	340.0	365.0	372.5
Capital lease obligations	0.1	0.3	0.4
Total long-term debt	$ 1,338.7	$ 1,363.8	$ 1,371.3
Total loans, overdrafts and long-term debt	$ 1,588.5	$ 1,461.3	$ 1,593.1

Revolving credit facility and term loan (the "Credit Facility")

The Company has a $400 million senior unsecured multi-currency multi-year revolving credit facility agreement that was entered into in May 2011. The agreement was subsequently amended in May 2014 to extend the maturity date to 2019 and expand the agreement to include a new $400 million term loan. The $400 million five-year senior unsecured term loan requires the Company to make scheduled quarterly principal payments commencing on November 1, 2014 equal to the amounts per annum of the original principal amount of the term loan as follows: 5% in the first year, 7.5% in the second year, 10% in the third year, 12.5% in the fourth year and 15% in the fifth year after the initial payment date, with the balance due on May 27, 2019. As of October 31, 2015, $372.5 million remained outstanding on the term loan. Excluding impact of interest rate swaps designated as cash flow hedges discussed in Note 14, the term loan had a weighted average interest rate of 1.46% through the third quarter of Fiscal 2016.

Borrowings under the Credit Facility bear interest at a rate per annum equal to an applicable margin, plus, at the Company's option, either (a) a base rate or (b) a LIBOR rate. The Credit Facility provides that the Company may voluntarily repay outstanding loans at any time without premium or penalty other than reimbursement of the lender's redeployment and breakage costs in certain cases. In addition, the Credit Facility contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. As with the Company's prior credit facility, the Company is required to maintain at all times a leverage ratio of no greater than 2.50 to 1.00 and a fixed charge coverage ratio of no less than 1.40 to 1.00, both determined as of the end of each fiscal quarter for the trailing twelve months.

Capitalized fees relating to the amended Credit Facility total $6.7 million. Accumulated amortization related to these capitalized fees as of October 31, 2015 was $1.9 million (January 31, 2015 and November 1, 2014: $0.9 million and $0.6 million, respectively). Amortization relating to these fees of $0.4 million and $1.0 million was recorded as interest expense in the condensed consolidated statements of operations for the 13 and 39 weeks ended October 31, 2015, respectively ($0.3 million and $0.6 million for the 13 and 39 weeks ended November 1, 2014, respectively). In addition, capitalized fees associated with the May 2011 credit facility agreement of $0.9 million were written-off in the 39 weeks ended November 1, 2014 upon execution of the amended credit agreement in May 2014.

At October 31, 2015 and November 1, 2014 there were $147.0 million and $145.0 million outstanding under the revolving credit facility, respectively. There were no outstanding borrowings under the revolving credit facility as of January 31, 2015. The Company had stand-by letters of credit on the revolving credit facility of $21.3 million, $25.4 million and $21.6 million as of October 31, 2015, January 31, 2015 and November 1, 2014, respectively, that reduce remaining availability under the revolving credit facility. The revolving credit facility had a weighted average interest rate of 1.18% through the third quarter of Fiscal 2016.

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On February 19, 2014, Signet entered into a definitive agreement to acquire Zale Corporation and concurrently received commitments for an $800 million 364-day unsecured bridge facility to finance the transaction. The bridge facility contained customary fees and incurred interest on any borrowings drawn on the facility. In May 2014, Signet executed its Zale Acquisition financing as described in Note 3, replacing the bridge facility commitments in addition to amending its Credit Facility as outlined above, issuing senior unsecured notes and securitizing credit card receivables. No amounts were drawn on the bridge facility commitments prior to replacement by the issuances of long-term debt listed below. Fees of $4.0 million relating to this unsecured bridge facility were incurred and capitalized during Fiscal 2015. The capitalized fees of $4.0 million were fully expensed during the 39 weeks ended November 1, 2014.

Senior unsecured notes due 2024

On May 19, 2014, Signet UK Finance plc ("Signet UK Finance"), a wholly owned subsidiary of the Company, issued $400 million aggregate principal amount of its 4.700% senior unsecured notes due in 2024 (the "Notes"). The Notes were issued under an effective registration statement previously filed with the SEC. Interest on the notes is payable semi-annually on June 15 and December 15 of each year, commencing December 15, 2014. The Notes are jointly and severally guaranteed, on a full and unconditional basis, by the Company and by certain of the Company's wholly owned subsidiaries (such subsidiaries, the "Guarantors"). See Note 22 for additional information. The Notes were issued pursuant to a base indenture among the Company, Signet UK Finance, the Guarantors and Deutsche Bank Trust Company Americas as trustee, with the indenture containing customary covenants and events of default provisions. The Company received proceeds from the offering of approximately $393.9 million, which were net of underwriting discounts, commissions and offering expenses.

Capitalized fees relating to the senior unsecured notes total $7.0 million. Accumulated amortization related to these capitalized fees as of October 31, 2015 was $1.0 million (January 31, 2015 and November 1, 2014: $0.5 million and $0.3 million, respectively). Amortization relating to these fees of $0.2 million and $0.5 million was recorded as interest expense in the condensed consolidated statements of operations for the 13 and 39 weeks ended October 31, 2015, respectively ($0.2 million and $0.3 million for the 13 and 39 weeks ended November 1, 2014, respectively).

Asset-backed securitization facility

On May 15, 2014, the Company sold an undivided interest in certain credit card receivables to Sterling Jewelers Receivables Master Note Trust (the "Issuer"), a wholly-owned Delaware statutory trust and a wholly-owned indirect subsidiary of the Company and issued two-year revolving asset-backed variable funding notes to unrelated third party conduits pursuant to a master indenture dated as of November 2, 2001, as supplemented by the Series 2014-A indenture supplement dated as of May 15, 2014 among the Issuer, Sterling Jewelers Inc. ("SJI") and Deutsche Bank Trust Company Americas, the indenture trustee. Under terms of the notes, the Issuer has obtained $600 million of financing from the unrelated third party commercial paper conduits sponsored by JPMorgan Chase Bank, N.A., which indebtedness is secured by credit card receivables originated from time to time by SJI. The credit card receivables will ultimately be transferred to the Issuer and are serviced by SJI. Signet guarantees the performance by SJI of its obligations under the agreements associated with this financing arrangement. Borrowings under the asset-backed variable funding notes bear interest at a rate per annum equal to LIBOR plus an applicable margin. Payments received from customers for balances outstanding on securitized credit card receivables are utilized to repay amounts outstanding under the facility each period, while proceeds from the facility are received for incremental credit card receivables originated when the receivables are pledged to the Issuer. Such payments received from customers and proceeds from the facility are reflected on a gross basis in the condensed consolidated statements of cash flows. As of October 31, 2015, $600.0 million remained outstanding under the securitization facility with a weighted average interest rate of 1.56% through the third quarter of Fiscal 2016.

Capitalized fees relating to the asset-backed securitization facility total $2.8 million. Accumulated amortization related to these capitalized fees as of October 31, 2015 was $1.9 million (January 31, 2015 and November 1, 2014: $0.9 million and $0.6 million, respectively). Amortization relating to these fees of $0.3 million and $1.0 million was recorded as interest expense in the condensed consolidated statements of operations for the 13 and 39 weeks ended October 31, 2015, respectively ($0.4 million and $0.6 million for the 13 and 39 weeks ended November 1, 2014, respectively).

During the second quarter of Fiscal 2016, Signet amended the note purchase agreement associated with the asset-backed securitization facility to extend the term of the facility by one year to May 2017 with all terms substantially the same as the original agreement.

Other

As of October 31, 2015, January 31, 2015 and November 1, 2014, the Company was in compliance with all debt covenants.

As of October 31, 2015, January 31, 2015 and November 1, 2014, there were $70.1 million, $71.6 million and $53.2 million in overdrafts, respectively, which represent issued and outstanding checks where no bank balances exist with the right of offset.

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18. Deferred revenue

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

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Sterling Jewelers ESP deferred revenue	$ 684.7	$ 668.9	$ 626.3
Zale ESP deferred revenue	132.6	120.3	104.7
Voucher promotions and other	21.6	22.7	9.4
Total deferred revenue	$ 838.9	$ 811.9	$ 740.4
Disclosed as:			
Current liabilities	$ 241.4	$ 248.0	$ 221.6
Non-current liabilities	597.5	563.9	518.8
Total deferred revenue	$ 838.9	$ 811.9	$ 740.4

ESP deferred revenue

(in millions)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Sterling Jewelers ESP deferred revenue, beginning of period	$691.4	$ 626.6	$668.9	$ 601.2
Plans sold	51.8	47.4	180.2	165.5
Revenue recognized	(58.5)	(47.7)	(164.4)	(140.4)
Sterling Jewelers ESP deferred revenue, end of period	$684.7	$ 626.3	$684.7	$ 626.3

(in millions)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Zale ESP deferred revenue, beginning of period	$132.3	$ 99.4	$120.3	$ —
Plans acquired	—	—	—	93.3
Plans sold	26.7	25.4	91.3	44.7
Revenue recognized	(26.4)	(20.1)	(79.0)	(33.3)
Zale ESP deferred revenue, end of period	$132.6	$ 104.7	$132.6	$ 104.7

19. Warranty reserve

Sterling Jewelers and Zale Jewelry segments provide a product lifetime diamond guarantee as long as six-month inspections are performed and certified by an authorized store representative. Provided the customer has complied with the six-month inspection policy, the Company will replace, at no cost to the customer, any stone that chips, breaks or is lost from its original setting during normal wear. Management estimates the warranty accrual based on the lag of actual claims experience and the costs of such claims, inclusive of labor and material. Sterling Jewelers also provides a similar product lifetime guarantee on color gemstones. The warranty reserve for diamond and gemstone guarantee, included in accrued expenses and other current liabilities, and other non-current liabilities, is as follows:

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(in millions)	13 weeks ended October 31, 2015	13 weeks ended November 1, 2014	39 weeks ended October 31, 2015	39 weeks ended November 1, 2014
Warranty reserve, beginning of period	$43.1	$ 48.1	$44.9	$ 19.1
Warranty obligations acquired	—	—	—	28.8
Warranty expense[1]	3.0	1.2	7.9	5.2
Utilized	(3.6)	(2.6)	(10.3)	(6.4)
Warranty reserve, end of period	$42.5	$ 46.7	$42.5	$ 46.7

[1] Includes impact of acquisition accounting adjustment related to warranty obligations acquired in the Zale Acquisition.

(in millions)	October 31, 2015	January 31, 2015	November 1, 2014
Disclosed as:			
Current liabilities	$ 17.8	$ 17.2	$ 17.6
Non-current liabilities	24.7	27.7	29.1
At end of period	$ 42.5	$ 44.9	$ 46.7

20. Share-based compensation

Signet recorded share-based compensation expense of $4.7 million and $11.8 million for the 13 and 39 weeks ended October 31, 2015, respectively, related to the Omnibus Plan and Share Saving Plans (13 and 39 weeks ended November 1, 2014: $3.5 million and $10.7 million, respectively).

21. Commitments and contingencies

Legal proceedings

As previously reported, in March 2008, a group of private plaintiffs (the “Claimants”) filed a class action lawsuit for an unspecified amount against SJI, a subsidiary of Signet, in the US District Court for the Southern District of New York alleging that US store-level employment practices are discriminatory as to compensation and promotional activities with respect to gender. In June 2008, the District Court referred the matter to private arbitration where the Claimants sought to proceed on a class-wide basis. The Claimants filed a motion for class certification and SJI opposed the motion. A hearing on the class certification motion was held in late February 2014. On February 2, 2015, the arbitrator issued a Class Determination Award in which she certified for a class-wide hearing Claimants’ disparate impact declaratory and injunctive relief class claim under Title VII, with a class period of July 22, 2004 through date of trial for the Claimants’ compensation claims and December 7, 2004 through date of trial for Claimants’ promotion claims. The arbitrator otherwise denied Claimants’ motion to certify a disparate treatment class alleged under Title VII, denied a disparate impact monetary damages class alleged under Title VII, and denied an opt-out monetary damages class under the Equal Pay Act. On February 9, 2015, Claimants filed an Emergency Motion To Restrict Communications With The Certified Class And For Corrective Notice. SJI filed its opposition to Claimants’ emergency motion on February 17, 2015, and a hearing was held on February 18, 2015. Claimants' motion was granted in part and denied in part in an order issued on March 16, 2015. Claimants filed a Motion for Reconsideration Regarding Title VII Claims for Disparate Treatment in Compensation on February 11, 2015. SJI filed its opposition to Claimants’ Motion for Reconsideration on March 4, 2015. Claimants’ reply was filed on March 16, 2015. Claimants’ Motion was denied in an order issued April 27, 2015. Claimants filed Claimants’ Motion for Conditional Certification of Claimants’ Equal Pay Act Claims and Authorization of Notice on March 6, 2015. SJI’s opposition was filed on May 1, 2015. Claimants filed their reply on June 5, 2015. SJI filed with the US District Court for the Southern District of New York a Motion to Vacate the Arbitrator’s Class Certification Award on March 3, 2015. Claimants’ opposition was filed on March 23, 2015 and SJI’s reply was filed on April 3, 2015. SJI’s motion was heard on May 4, 2015. On November 16, 2015, the US District Court for the Southern District of New York granted SJI’s Motion to Vacate the Arbitrator’s Class Certification Award in part and denied it in part. On November 25, 2015, SJI filed a Motion to Stay the AAA Proceedings while SJI appeals the decision of the US District Court for the Southern District of New York to the United States Court of Appeals for the Second Circuit. In the AAA proceeding, on April 6, 2015, Claimants filed

Claimants’ Motion for Clarification or in the Alternative Motion for Stay of the Effect of the Class Certification Award as to the Individual Intentional Discrimination Claims. SJI filed its opposition on May 12, 2015. Claimants’ reply was filed on May 22, 2015. Claimants’ motion was granted on June 15, 2015.

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Also, as previously reported, on September 23, 2008, the US Equal Employment Opportunity Commission ("EEOC") filed a lawsuit against SJI in the US District Court for the Western District of New York. The EEOC's lawsuit alleges that SJI engaged in intentional and disparate impact 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. Non-expert fact discovery closed in mid-May 2013. In September 2013, SJI made a motion for partial summary judgment on procedural grounds, which was referred to a Magistrate Judge. The Magistrate Judge heard oral arguments on the summary judgment motion in December 2013. On January 2, 2014, the Magistrate Judge issued his Report, Recommendation and Order, recommending that the Court grant SJI's motion for partial summary judgment and dismiss the EEOC's claims in their entirety. The EEOC filed its objections to the Magistrate Judge's ruling and SJI filed its response thereto. The District Court Judge heard oral arguments on the EEOC's objections to the Magistrate Judge's ruling on March 7, 2014 and on March 11, 2014 entered an order dismissing the action with prejudice. On May 12, 2014, the EEOC filed its Notice of Appeal of the District Court Judge's dismissal of the action to United States Court of Appeals for the Second Circuit. The parties fully briefed the appeal and oral argument occurred on May 5, 2015. On September 9, 2015, the United States Court of Appeals for the Second Circuit issued a decision vacating the District Court's order and remanding the case back to the District Court for further proceedings. SJI filed a Petition for Panel Rehearing and En Banc Review with the United States Court of Appeals for the Second Circuit, which was denied on December 1, 2015.

SJI denies the allegations of the Claimants and EEOC and has been defending these cases vigorously. At this point, no outcome or possible loss or range of losses, if any, arising from the litigation is able to be estimated.

Prior to the Acquisition, Zale Corporation was a defendant in three purported class action lawsuits, Tessa Hodge v. Zale Delaware, Inc., d/b/a Piercing Pagoda which was filed on April 23, 2013 in the Superior Court of the State of California, County of San Bernardino; Naomi Tapia v. Zale Corporation which was filed on July 3, 2013 in the US District Court, Southern District of California; and Melissa Roberts v. Zale Delaware, Inc. which was filed on October 7, 2013 in the Superior Court of the State of California, County of Los Angeles. All three cases include allegations that Zale Corporation violated various wage and hour labor laws. Relief is sought on behalf of current and former Piercing Pagoda and Zale Corporation's employees. The lawsuits seek to recover damages, penalties and attorneys' fees as a result of the alleged violations. Without admitting or conceding any liability, the Company reached an agreement to settle the Hodge and Roberts matters for an immaterial amount. Final approval of the settlement was granted on March 9, 2015 and the settlement was implemented.

On April 1, 2015, Plaintiff filed Plaintiff's Notice of Motion and Motion for Class Certification in the Naomi Tapia v. Zale Corporation litigation. On May 22, 2015, the Company filed Defendants' Opposition to Plaintiff's Motion for Class Certification under Fed.R.Civ.Proc. 23 and Collective Action Certification under 29 U.SC. §216(b). Plaintiff filed her Reply Memorandum in Support of Plaintiff's Motion for Class Certification on June 3, 2015. The parties await a ruling on the Motion for Class Certification. The Company intends to vigorously defend its position in this litigation. At this point, no outcome or possible loss or range of losses, if any, arising from the litigation is able to be estimated.

Litigation Challenging the Company's Acquisition of Zale Corporation

Five putative stockholder class action lawsuits challenging the Company's acquisition of Zale Corporation were filed in the Court of Chancery of the State of Delaware: Breyer v. Zale Corp. et al., C.A. No. 9388-VCP, filed February 24, 2014; Stein v. Zale Corp. et al., C.A. No. 9408-VCP, filed March 3, 2014; Singh v. Zale Corp. et al., C.A. No. 9409-VCP, filed March 3, 2014; Smart v. Zale Corp. et al., C.A. No. 9420-VCP, filed March 6, 2014; and Pill v. Zale Corp. et al., C.A. No. 9440-VCP, filed March 12, 2014 (collectively, the "Actions"). Each of these Actions was brought by a purported former holder of Zale Corporation common stock, both individually and on behalf of a putative class of former Zale Corporation stockholders.

The Court of Chancery consolidated the Actions on March 25, 2014 (the "Consolidated Action"), and the plaintiffs filed a consolidated amended complaint on April 23, 2014, which named as defendants Zale Corporation, the members of the board of directors of Zale Corporation, the Company, and a merger-related subsidiary of the Company, and alleged that the Zale Corporation directors breached their fiduciary duties to Zale Corporation stockholders in connection with their consideration and approval of the merger agreement by failing to maximize stockholder value and agreeing to an inadequate merger price and to deal terms that deter higher bids. That complaint also alleged that the Zale Corporation directors issued a materially misleading and incomplete proxy statement regarding the merger and that Zale Corporation and the Company aided and abetted the Zale Corporation directors' breaches of fiduciary duty. On May 23, 2014, the Court of Chancery denied plaintiffs' motion for a preliminary injunction to prevent the consummation of the merger.

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On September 30, 2014, the plaintiffs filed an amended complaint asserting substantially similar claims and allegations as the prior complaint. The amended complaint added Zale Corporation's former financial advisor, Bank of America Merrill Lynch, as a defendant for allegedly aiding and abetting the Zale Corporation directors' breaches of fiduciary duty. The amended complaint no longer named as defendants Zale Corporation or the Company's merger-related subsidiary. The amended complaint sought, among other things, rescission of the merger or damages, as well as attorneys' and experts' fees. The defendant's motion to dismiss was heard by the Court of Chancery on May 20, 2015. On October 1, 2015, the Court dismissed the claims against the Zale Corporation directors and the Company. On October 29, 2015, the Court dismissed the claims against Bank of America Merrill Lynch. On November 30, 2015, plaintiffs filed an appeal of the October 1, 2015 and October 29, 2015 decisions of the Court of Chancery with the Supreme Court of the State of Delaware.

At this point, no outcome or possible loss or range of losses, if any, arising from the litigation is able to be estimated.

Appraisal Litigation

Following the consummation of the acquisition of Zale Corporation by the Company, former Zale Corporation stockholders sought appraisal pursuant to 8 Del. C. § 262 in the Court of Chancery of the State of Delaware, in consolidated proceedings captioned Merion Capital L.P. et al. v. Zale Corp., C.A. No. 9731-VCP,TIG Arbitrage Opportunity Fund I, L.P. v. Zale Corp., C.A. No. 10070-VCP,and The Gabelli ABC Fund et al. v. Zale Corp., C.A. No. 10162-VCP(the "Appraisal Action"). The total number of shares of Zale Corporation's common stock for which appraisal had been demanded was approximately 8.8 million.

On August 12, 2015, the parties in the Appraisal Action entered into a settlement agreement (the "Settlement Agreement"). The terms of the Settlement Agreement provided for the payment to petitioners in the Appraisal Action of $21.00 per share of Zale Corporation common stock (the consideration offered in the Company's acquisition of Zale Corporation) plus a total sum of $34.2 million to be allocated among petitioners, which proceeds are inclusive of and in satisfaction of any statutory interest that may have accrued on petitioners' shares pursuant to 8 Del. C. § 262. On August 12, 2015, the Court of Chancery dismissed the Appraisal Action pursuant to the Settlement Agreement as to all former Zale Corporation stockholders who have submitted and not withdrawn a demand for appraisal. The Company recorded an accrual for the Settlement Agreement of $34.2 million during the second quarter of Fiscal 2016. This amount was paid to petitioners during the third quarter of Fiscal 2016.

In the ordinary course of business, Signet may be subject, from time to time, to various other proceedings, lawsuits, disputes or claims incidental to its business, which the Company believes are not significant to Signet's consolidated financial position, results of operations or cash flows.

22. Condensed consolidating financial information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." We and certain of our subsidiaries have guaranteed the obligations under certain debt securities that have been issued by Signet UK Finance plc. The following presents the condensed consolidating financial information for: (i) the indirect Parent Company (Signet Jewelers Limited); (ii) the Issuer of the guaranteed obligations (Signet UK Finance plc); (iii) the Guarantor subsidiaries, on a combined basis; (iv) the non-guarantor subsidiaries, on a combined basis; (v) consolidating eliminations and (vi) Signet Jewelers Limited and Subsidiaries on a consolidated basis. Each Guarantor subsidiary is 100% owned by the Parent Company at the date of each balance sheet presented. The Guarantor subsidiaries, along with Signet Jewelers Limited, will fully and unconditionally guarantee the obligations of Signet UK Finance plc under any such debt securities. Each entity in the consolidating financial information follows the same accounting policies as described in the condensed consolidated financial statements.

The accompanying condensed consolidating financial information has been presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries, and intra-entity activity and balances.

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Condensed Consolidated Statement of Operations
For the 13 weeks ended October 31, 2015
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$—	$ 1,197.4	$ 19.0	$ —	$ 1,216.4
Cost of sales	—	—	(844.4)	(4.3)	—	(848.7)
Gross margin	—	—	353.0	14.7	—	367.7
Selling, general and administrative expenses	(0.4)	—	(387.1)	(7.5)	—	(395.0)
Other operating income, net	—	—	61.8	(0.9)	—	60.9
Operating (loss) income	(0.4)	—	27.7	6.3	—	33.6
Intra-entity interest income (expense)	—	4.7	(46.7)	42.0	—	—
Interest expense, net	—	(5.2)	(3.8)	(2.7)	—	(11.7)
(Loss) income before income taxes	(0.4)	(0.5)	(22.8)	45.6	—	21.9
Income taxes	—	0.1	9.3	(16.3)	—	(6.9)
Equity in income of subsidiaries	15.4	—	(30.8)	(11.9)	27.3	—
Net income (loss)	$15.0	$(0.4)	$ (44.3)	$ 17.4	$ 27.3	$ 15.0

Condensed Consolidated Statement of Operations
For the 39 weeks ended October 31, 2015
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$—	$ 4,099.7	$ 57.9	$ —	$ 4,157.6
Cost of sales	—	—	(2,719.6)	(13.6)	—	(2,733.2)
Gross margin	—	—	1,380.1	44.3	—	1,424.4
Selling, general and administrative expenses	(1.6)	—	(1,276.2)	(23.2)	—	(1,301.0)
Other operating income, net	—	—	186.0	1.2	—	187.2
Operating (loss) income	(1.6)	—	289.9	22.3	—	310.6
Intra-entity interest income (expense)	—	14.1	(139.8)	125.7	—	—
Interest expense, net	—	(15.0)	(10.7)	(8.1)	—	(33.8)
(Loss) income before income taxes	(1.6)	(0.9)	139.4	139.9	—	276.8
Income taxes	—	0.2	(65.4)	(15.6)	—	(80.8)
Equity in income of subsidiaries	197.6	—	69.9	92.3	(359.8)	—
Net income (loss)	$196.0	$(0.7)	$ 143.9	$ 216.6	$ (359.8)	$ 196.0

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Condensed Consolidated Statement of Operations
For the 13 weeks ended November 1, 2014
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$—	$ 1,161.1	$ 16.8	$ —	$ 1,177.9
Cost of sales	—	—	(828.9)	(3.1)	—	(832.0)
Gross margin	—	—	332.2	13.7	—	345.9
Selling, general and administrative expenses	(0.8)	—	(380.7)	(7.2)	—	(388.7)
Other operating income, net	—	—	56.9	(3.4)	—	53.5
Operating (loss) income	(0.8)	—	8.4	3.1	—	10.7
Intra-entity interest income (expense)	—	4.7	(43.3)	38.6	—	—
Interest expense, net	—	(5.0)	(5.2)	(2.4)	—	(12.6)
(Loss) income before income taxes	(0.8)	(0.3)	(40.1)	39.3	—	(1.9)
Income taxes	—	0.1	13.0	(12.5)	—	0.6
Equity in income of subsidiaries	(0.5)	—	(50.2)	(22.4)	73.1	—
Net income (loss)	$(1.3)	$(0.2)	$ (77.3)	$ 4.4	$ 73.1	$ (1.3)

Condensed Consolidated Statement of Operations
For the 39 weeks ended November 1, 2014
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$—	$ 3,412.3	$ 47.6	$ —	$ 3,459.9
Cost of sales	—	—	(2,287.9)	(9.9)	—	(2,297.8)
Gross margin	—	—	1,124.4	37.7	—	1,162.1
Selling, general and administrative expenses	(1.6)	—	(1,056.4)	(20.4)	—	(1,078.4)
Other operating income, net	—	—	162.9	(1.7)	—	161.2
Operating (loss) income	(1.6)	—	230.9	15.6	—	244.9
Intra-entity interest income (expense)	—	8.5	(85.1)	76.6	—	—
Interest expense, net	—	(8.9)	(14.8)	(4.4)	—	(28.1)
(Loss) income before income taxes	(1.6)	(0.4)	131.0	87.8	—	216.8
Income taxes	—	0.1	(56.2)	(7.4)	—	(63.5)
Equity in income of subsidiaries	154.9	—	72.9	84.2	(312.0)	—
Net income (loss)	$153.3	$(0.3)	$ 147.7	$ 164.6	$ (312.0)	$ 153.3

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Condensed Consolidated Statement of Comprehensive Income
For the 13 weeks ended October 31, 2015
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$15.0	$(0.4)	$ (44.3)	$ 17.4	$ 27.3	$ 15.0
Other comprehensive income (loss):						
Foreign currency translation adjustments	(4.2)	—	(6.4)	2.2	4.2	(4.2)
Available-for-sale securities:						
Unrealized loss	(0.1)	—	—	(0.1)	0.1	(0.1)
Cash flow hedges:						
Unrealized gain (loss)	1.1	—	1.1	—	(1.1)	1.1
Reclassification adjustment of losses to net income (loss)	0.9	—	0.9	—	(0.9)	0.9
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	0.7	—	0.7	—	(0.7)	0.7
Reclassification adjustment to net income for amortization of prior service credits	(0.5)	—	(0.5)	—	0.5	(0.5)
Total other comprehensive (loss) income	(2.1)	—	(4.2)	2.1	2.1	(2.1)
Total comprehensive income (loss)	$12.9	$(0.4)	$ (48.5)	$ 19.5	$ 29.4	$ 12.9

Condensed Consolidated Statement of Comprehensive Income
For the 39 weeks ended October 31, 2015
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$196.0	$(0.7)	$ 143.9	$ 216.6	$ (359.8)	$ 196.0
Other comprehensive income (loss):						
Foreign currency translation adjustments	(1.4)	—	(0.4)	(1.0)	1.4	(1.4)
Available-for-sale securities:						
Unrealized loss	(0.4)	—	—	(0.4)	0.4	(0.4)
Cash flow hedges:						
Unrealized gain (loss)	(10.3)	—	(10.3)	—	10.3	(10.3)
Reclassification adjustment of losses to net income (loss)	2.2	—	2.2	—	(2.2)	2.2
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	2.1	—	2.1	—	(2.1)	2.1
Reclassification adjustment to net income for amortization of prior service credits	(1.4)	—	(1.4)	—	1.4	(1.4)
Total other comprehensive (loss) income	(9.2)	—	(7.8)	(1.4)	9.2	(9.2)
Total comprehensive income (loss)	$186.8	$(0.7)	$ 136.1	$ 215.2	$ (350.6)	$ 186.8

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Condensed Consolidated Statement of Comprehensive Income
For the 13 weeks ended November 1, 2014
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$(1.3)	$(0.2)	$(77.3)	$4.4	$73.1	$(1.3)
Other comprehensive income (loss):						
Foreign currency translation adjustments	(21.4)	—	(23.1)	2.8	20.3	(21.4)
Available-for-sale securities:						
Unrealized loss	—	—	—	—	—	—
Cash flow hedges:						
Unrealized gain (loss)	(1.5)	—	(1.5)	—	1.5	(1.5)
Reclassification adjustment of losses to net income (loss)	1.9	—	1.9	—	(1.9)	1.9
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	0.4	—	0.4	—	(0.4)	0.4
Reclassification adjustment to net income for amortization of prior service credits	(0.3)	—	(0.3)	—	0.3	(0.3)
Total other comprehensive (loss) income	(20.9)	—	(22.6)	2.8	19.8	(20.9)
Total comprehensive (loss) income	$(22.2)	$(0.2)	$(99.9)	$7.2	$92.9	$(22.2)

Condensed Consolidated Statement of Comprehensive Income
For the 39 weeks ended November 1, 2014
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$153.3	$(0.3)	$147.7	$164.6	$(312.0)	$153.3
Other comprehensive income (loss):						
Foreign currency translation adjustments	(14.1)	—	(14.8)	1.4	13.4	(14.1)
Available-for-sale securities:						
Unrealized loss	(0.2)	—	—	(0.2)	0.2	(0.2)
Cash flow hedges:						
Unrealized gain (loss)	(1.3)	—	(1.3)	—	1.3	(1.3)
Reclassification adjustment of losses to net income (loss)	10.0	—	10.0	—	(10.0)	10.0
Pension plan:						
Reclassification adjustment to net income for amortization of actuarial losses	1.2	—	1.2	—	(1.2)	1.2
Reclassification adjustment to net income for amortization of prior service credits	(1.0)	—	(1.0)	—	1.0	(1.0)
Total other comprehensive (loss) income	(5.4)	—	(5.9)	1.2	4.7	(5.4)
Total comprehensive income (loss)	$147.9	$(0.3)	$141.8	$165.8	$(307.3)	$147.9

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Condensed Consolidated Balance Sheet
October 31, 2015
(Unaudited)

(in millions)	Signet Jewelers Limited	Signet UK Finance plc	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$3.1	$0.1	$ 61.0	$ 13.0	$ —	$ 77.2
Accounts receivable, net	—	—	1,447.1	4.4	—	1,451.5
Intra-entity receivables, net	61.9	—	—	182.1	(244.0)	—
Other receivables	—	—	45.4	10.0	—	55.4
Other current assets	0.2	0.7	136.5	5.8	—	143.2
Deferred tax assets	—	—	3.0	0.6	—	3.6
Income taxes	—	—	24.6	—	—	24.6
Inventories	—	—	2,643.1	83.9	—	2,727.0
Total current assets	65.2	0.8	4,360.7	299.8	(244.0)	4,482.5
Non-current assets:						
Property, plant and equipment, net	—	—	712.5	5.5	—	718.0
Goodwill	—	—	514.0	3.6	—	517.6
Intangible assets, net	—	—	434.3	—	—	434.3
Investment in subsidiaries	2,797.6	—	532.4	537.1	(3,867.1)	—
Intra-entity receivables, net	—	407.2	—	3,475.0	(3,882.2)	—
Other assets	—	5.3	110.8	28.4	—	144.5
Deferred tax assets	—	—	132.0	0.1	—	132.1
Retirement benefit asset	—	—	40.7	—	—	40.7
Total assets	$2,862.8	$413.3	$ 6,837.4	$ 4,349.5	$ (7,993.3)	$ 6,469.7
Liabilities and Shareholders’ equity						
Current liabilities:						
Loans and overdrafts	$—	$—	$ 249.8	$ —	$ —	$ 249.8
Accounts payable	—	—	367.4	4.0	—	371.4
Intra-entity payables, net	—	—	244.0	—	(244.0)	—
Accrued expenses and other current liabilities	17.8	7.1	372.8	10.3	—	408.0
Deferred revenue	—	—	241.4	—	—	241.4
Deferred tax liabilities	—	—	170.5	—	—	170.5
Income taxes	—	(0.2)	(14.9)	15.8	—	0.7
Total current liabilities	17.8	6.9	1,631.0	30.1	(244.0)	1,441.8
Non-current liabilities:						
Long-term debt	—	398.6	340.1	600.0	—	1,338.7
Intra-entity payables, net	—	—	3,882.2	—	(3,882.2)	—
Other liabilities	—	—	219.5	7.1	—	226.6
Deferred revenue	—	—	597.5			