

## FRENCH CONNECTION GROUP PLC

### Interim Results for the 6 month period ended 31 July 2014

*“Business strengthened, performance improved, focusing on growth opportunities”*

French Connection Group PLC ("French Connection", "the Group") today announces interim results for the 6 month period ended 31 July 2014.

- Third sequential half-year of improved financial performance
  - Improvement in both the retail and wholesale divisions, increased licence revenue and lower operating expenses
  - Reduced loss before taxation of £3.9m (2013: loss £6.1m) in line with expectations
- Total Group revenue of £84.0m, down 6.6% reflecting planned store closures and exchange rate movements
- Underlying UK/Europe retail LFLs up 6.0% (+1.1% on a reported basis) driving a stronger UK/Europe gross margin (+200 bps) due to higher full price sales
- Net cash of £19.4m and no debt (2013: £22.3m)

Commenting on the results, Stephen Marks, Chairman and Chief Executive said:

“I’m pleased to report a further positive step forward as we rebuild value in our business. The initiatives we put in place to drive a turnaround in our trading continue to deliver an improvement in performance. Whilst costs will continue to be managed tightly, we are cautiously investing in growth opportunities, trialling new store formats and developing our international business.

“It’s particularly encouraging to see the positive momentum continuing to be reflected in the wholesale forward order book where Winter 14 is up on last year and initial Spring 15 orders are strong.

“Given the very competitive market place and tougher LFL comparatives in the period, we remain cautious about the second half where, as ever, we are dependent on the very important Christmas trading period. We expect the results for the full year to be in line with market expectations, setting the Group up for further progress as our initiatives continue to gain traction.”

#### Enquiries:

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## Group results

For the 6 months ended 31 July 2014, the Group loss before taxation was £(3.9)m (2013: loss £(6.1)m); the third sequential half-year of improved financial performance.

Revenue for the period was £84.0m (2013: £89.9m), which was 6.6% lower than the prior year. At constant exchange rates, underlying revenue was 3.6% lower year on year. This reduction was primarily as a result of the closure of non-contributing stores. In the period 14% of Group revenue came from the other Group brands; Toast, YMC and Great Plains; (2013: 13%).

Group gross margin was slightly higher at 47.4% (2013: 47.3%). There was a strong gross margin improvement in both UK/Europe Retail and Wholesale due to a higher proportion of full price sales. This improvement was offset by increased discounting required in North America and the increased proportion of revenue coming from Wholesale at 40.6% of total Group revenue (2013: 37.9%).

Total Group operating expenses of £46.7m were 9.8% lower than last year. After adjusting for store closures and currency movements, underlying operating expenses were 2.4% lower than last year, as a result of tight cost control.

The net income received from global licensing was £2.9m (2013: £2.8m), a return to growth of +3.6%. New licences have performed well in the period, particularly shoes and bags.

## Segment results

### Retail

Group retail revenues of £49.9m (2013: £55.8m) were 10.6% lower than the prior year. At constant exchange rates, the underlying decline of 9.0% was primarily due to the planned closure of non-contributing stores as the store estate has been rationalised in recent periods.

In UK/Europe retail, in line with our strategy to drive higher full price sales, we significantly reduced discounting and promotional activity in the period.

There was no mid-season sale, the summer sale was put back by a week and lower levels of mark-down were used. Due to the stronger full price sales in the earlier part of the period, we were able to enter the summer sale with lower levels of sale stock. In ecommerce we withdrew from a significant discount channel.

After adjusting for the changed discounting and promotional activity, underlying UK/Europe LFL sales increased by +6.0% (+1.1% on a reported basis).

Four non-contributing stores were closed in the period across the Group: two in both the UK/Europe and North American divisions. We expect to close a further 3-4 stores in the second half.

The improved overall retail gross margin of 57.5% (2013: 56.3%) reflected a strong performance in UK/Europe retail (+200 bps) due to higher full price sales. This improvement was offset partly by higher discounting in North America.

The underlying retail operating loss of £(7.5)m was an improvement of £1.0m compared to the prior year. This improvement was driven out of UK/Europe through improving LFL's, better margins and the closure of non-contributing stores. This was partly offset by a weaker performance in North America retail, where increased discounting and trading being impacted at the beginning of the period by the extreme weather conditions was offset by the benefit resulting from the closure of two non-contributing stores.

### Wholesale

Group wholesale revenues of £34.1m were in line with prior year. At constant currency and adjusting for Rest of World timing differences, underlying growth was +5.9% with positive performances in UK/Europe and North America revenues ahead of prior year. Rest of World revenue was lower than prior year due to timing differences of shipments to key customers at the end of the period.

Wholesale gross margin was flat at 32.6% (2013: 32.6%) reflecting a strong improvement in UK/Europe due to a higher proportion of full price sales, offset by additional off-price deals in North America.

Overall wholesale underlying operating profit improved to £6.2m (2013: £5.0m), through revenue growth and stronger margins in UK/Europe, as well as reduced operating expenses across all divisions.

### Divisional analysis

The geographical revenue break-down is largely unchanged with UK/Europe representing 71% of Group revenues (2013: 70%).

In UK/Europe, the combination of the positive performance in both Retail and Wholesale led to a reduction of £2.5m in operating loss.

The North America operating profit was £0.9m (2013: £1.1m). Whilst trading conditions remain tough, the trends are stabilising. We have a new USA CEO who is focused on driving an improvement in the performance of the Division.

Rest of the World profit was lower at £0.4m (2013: £0.8m) due to timing differences of shipments to key customers at the end of the period and a reduced share of profits from our retail joint venture in China, where LFLs were impacted by the timing of Chinese New Year compared to prior year and the phasing of costs related to store openings. The Hong Kong JV performed broadly in line with prior year.

**Balance sheet and cash flow**

The Group balance sheet at 31 July 2014 remains strong with £19.4m of cash (2013: £22.3m). The Group has no debt.

Total working capital increased by £4.6m in the period, due to movements in trade receivables and trade payable balances in line with normal seasonal trends over the period. Group inventory of £38.4m remained broadly flat over the 6 month period and was £0.5m lower than the same time last year.

Capital expenditure was £0.4m (2013: £0.5m).

In the period the restructuring costs of closing non-contributing stores was £1.0m which had been previously provided for. We expect to close 3-4 further stores during H2.

**Current trading and outlook**

The wholesale forward order book for Winter 14 is up on last year and the initial Spring 15 orders are strong.

Given the very competitive market place and tougher LFL comparatives in the period, we remain cautious about trading in the second half. As ever we are dependent on the very important Q4 period.

We expect the outturn for the full year to be in line with market expectations.

**Dividends**

The Board of Directors do not recommend the payment of an interim dividend but will review the dividend policy closely at the year-end.

**Going concern**

Having reviewed the cash forecasts and the sources of cash funding available to the Group, the Board has concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

**Principal risks and uncertainties**

The principal risks and uncertainties were outlined in the Director's Report within the 2014 Annual Report and remain unchanged. These are described in Note 6 to the financial statements.

**Stephen Marks**

Chairman and Chief Executive

18 September 2014

French Connection Group PLC

Registered Number: 1410568, England

Registered Office: 20-22 Bedford Row, London WC1R 4JS

## Segment revenue and results

	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
<b>Income Statement</b>			
<b>Revenue</b>			
Retail	49.9	55.8	117.5
Wholesale	34.1	34.1	71.9
<b>Group revenue</b>	<b>84.0</b>	<b>89.9</b>	<b>189.4</b>
<b>Gross profit</b>	<b>39.8</b>	<b>42.5</b>	<b>90.2</b>
Retail	57.5%	56.3%	56.9%
Wholesale	32.6%	32.6%	32.5%
<b>Group gross margin</b>	<b>47.4%</b>	<b>47.3%</b>	<b>47.6%</b>
<b>Underlying operating (loss)/profit</b>			
Retail	(7.5)	(8.5)	(11.6)
Wholesale	6.2	5.0	11.7
Licence income	2.9	2.8	6.1
Common and Group overheads	(5.6)	(5.8)	(11.3)
Finance income	0.1	0.1	0.1
Share of profit from joint ventures	-	0.3	0.6
<b>Underlying Group operating loss</b>	<b>(3.9)</b>	<b>(6.1)</b>	<b>(4.4)</b>
<b>Underlying operating margin</b>			
Retail	(15.0)%	(15.2)%	(9.9)%
Wholesale	18.2%	14.7%	16.3%
<b>Underlying Group operating margin</b>	<b>(4.6)%</b>	<b>(6.8)%</b>	<b>(2.3)%</b>
<b>Geographical information</b>			
<b>Revenue</b>			
UK/Europe	71%	70%	71%
North America	24%	25%	24%
Rest of the World	5%	5%	5%
<b>Divisional operating (loss)/profit</b>			
UK/Europe	(3.2)	(5.7)	(3.9)
North America	0.9	1.1	2.4
Rest of the World	0.4	0.8	1.6
Group overheads and finance income	(2.0)	(2.3)	(4.5)
<b>Underlying Group operating loss</b>	<b>(3.9)</b>	<b>(6.1)</b>	<b>(4.4)</b>

# RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR rule 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR rule 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

**Stephen Marks**  
Chairman and Chief Executive

**Adam Castleton**  
Finance Director

18 September 2014

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
Revenue	1	84.0	89.9	189.4
Cost of sales		(44.2)	(47.4)	(99.2)
<b>Gross profit</b>	1	<b>39.8</b>	42.5	90.2
Operating expenses		(46.7)	(51.8)	(101.4)
Other operating income	2	2.9	2.8	6.1
Finance income		0.1	0.1	0.1
Share of profit of joint ventures, net of tax		-	0.3	0.6
<b>Underlying operating loss</b>	1	<b>(3.9)</b>	(6.1)	(4.4)
Net loss on store disposals and closures		-	-	(1.7)
<b>Loss before taxation</b>		<b>(3.9)</b>	(6.1)	(6.1)
Income tax credit – UK		-	-	0.4
Income tax expense – overseas		-	-	(0.3)
<b>Total income tax credit</b>		<b>-</b>	-	0.1
<b>Loss for the period</b>		<b>(3.9)</b>	(6.1)	(6.0)

The Groups results were entirely from continuing operations.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
<b>Loss for the period</b>		<b>(3.9)</b>	(6.1)	(6.0)
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Currency translation differences for overseas operations		<b>(0.2)</b>	0.8	0.3
Currency translation differences on foreign currency loans, net of tax		<b>(0.2)</b>	0.2	(1.0)
Effective portion of changes in fair value of cash flow hedges		<b>0.1</b>	-	(0.3)
<b>Other comprehensive income for the period, net of tax</b>		<b>(0.3)</b>	1.0	(1.0)
<b>Total comprehensive income for the period</b>		<b>(4.2)</b>	(5.1)	(7.0)
<b>Loss attributable to:</b>				
Equity holders of the Company	3	<b>(3.8)</b>	(6.1)	(6.1)
Non-controlling interests		<b>(0.1)</b>	-	0.1
<b>Loss for the period</b>		<b>(3.9)</b>	(6.1)	(6.0)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company		<b>(4.1)</b>	(5.1)	(7.1)
Non-controlling interests		<b>(0.1)</b>	-	0.1
<b>Total income and expense recognised for the period</b>		<b>(4.2)</b>	(5.1)	(7.0)
<b>Losses per share</b>				
Basic and diluted losses per share	3	<b>(4.0)p</b>	(6.4)p	(6.4)p

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2014 £m	31 July 2013 £m	31 Jan 2014 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		0.4	0.4	0.4
Property, plant and equipment		3.9	5.2	4.5
Investments in joint ventures		2.8	3.5	3.1
Deferred tax assets		4.8	4.4	4.8
<b>Total non-current assets</b>		<b>11.9</b>	13.5	12.8
<b>Current assets</b>				
Inventories		38.4	38.9	38.5
Trade and other receivables		23.9	26.4	22.7
Cash and cash equivalents	4	19.4	22.3	28.2
Derivative financial instruments		-	0.1	-
<b>Total current assets</b>		<b>81.7</b>	87.7	89.4
<b>Total assets</b>		<b>93.6</b>	101.2	102.2
<b>Non-current liabilities</b>				
Deferred tax liabilities		0.5	0.9	0.5
<b>Total non-current liabilities</b>		<b>0.5</b>	0.9	0.5
<b>Current liabilities</b>				
Trade and other payables		39.7	41.1	43.1
Current tax payable		0.1	-	0.2
Provisions	5	0.7	0.8	1.7
Derivative financial instruments		0.1	-	0.2
<b>Total current liabilities</b>		<b>40.6</b>	41.9	45.2
<b>Total liabilities</b>		<b>41.1</b>	42.8	45.7
<b>Net assets</b>		<b>52.5</b>	58.4	56.5
<b>Equity</b>				
Called-up share capital		1.0	1.0	1.0
Share premium account		9.6	9.4	9.4
Other reserves		4.0	6.3	4.3
Retained earnings		37.1	40.9	40.9
<b>Total equity attributable to equity holders of the Company</b>		<b>51.7</b>	57.6	55.6
<b>Non-controlling interests</b>		<b>0.8</b>	0.8	0.9
<b>Total equity</b>		<b>52.5</b>	58.4	56.5



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months 31 July 2014	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
<b>Balance at 31 January 2014</b>	1.0	9.4	(0.2)	4.5	40.9	55.6	0.9	56.5
<b>Loss for the period ended 31 July 2014</b>					(3.8)	(3.8)	(0.1)	(3.9)
<b>Other comprehensive income</b>								
Currency translation differences for overseas operations				(0.2)		(0.2)		(0.2)
Currency translation differences on foreign currency loans, net of tax				(0.2)		(0.2)		(0.2)
Effective portion of changes in fair value of cash flow hedges			0.1			0.1		0.1
<b>Transactions with owners recorded directly in equity</b>								
Share options exercised		0.2				0.2		0.2
<b>Balance at 31 July 2014</b>	1.0	9.6	(0.1)	4.1	37.1	51.7	0.8	52.5

Six months 31 July 2013	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
<b>Balance at 31 January 2013</b>	1.0	9.4	0.1	5.2	47.0	62.7	0.8	63.5
<b>Loss for the period ended 31 July 2013</b>					(6.1)	(6.1)		(6.1)
<b>Other comprehensive income</b>								
Currency translation differences for overseas operations				0.8		0.8		0.8
Currency translation differences on foreign currency loans, net of tax				0.2		0.2		0.2
<b>Balance at 31 July 2013</b>	1.0	9.4	0.1	6.2	40.9	57.6	0.8	58.4

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
<b>Operating activities</b>				
Loss for the period		(3.9)	(6.1)	(6.0)
Adjustments for:				
Depreciation and impairment		0.8	1.1	1.9
Finance income		(0.1)	(0.1)	(0.1)
Share of profit of joint ventures		-	(0.3)	(0.6)
Non-operating loss on store disposals and closures		-	-	1.7
Income tax expense/(credit)		-	-	(0.1)
<b>Operating loss before changes in working capital and provisions</b>				
		(3.2)	(5.4)	(3.2)
Decrease in inventories		-	3.1	2.3
(Increase)/decrease in trade and other receivables		(1.3)	(2.5)	0.8
(Decrease)/increase in trade and other payables		(3.3)	(0.3)	1.9
<b>Cash flows from operations</b>				
		(7.8)	(5.1)	1.8
Income tax paid		-	(0.1)	(0.2)
<b>Cash flows from operating activities</b>				
		(7.8)	(5.2)	1.6
<b>Investing activities</b>				
Interest received		0.1	0.1	0.1
Proceeds from investment in joint ventures		0.2	-	0.4
Acquisition of property, plant and equipment		(0.4)	(0.5)	(0.8)
Net costs from store closures	5	(1.0)	(0.9)	(1.7)
<b>Cash flows from investing activities</b>				
		(1.1)	(1.3)	(2.0)
<b>Financing activities</b>				
Proceeds from exercise of share options		0.2	-	-
<b>Cash flows from financing activities</b>				
		0.2	-	-
<b>Net decrease in cash and cash equivalents</b>				
	4	(8.7)	(6.5)	(0.4)
Cash and cash equivalents at 1 February	4	28.2	28.5	28.5
Exchange rate fluctuations on cash held	4	(0.1)	0.3	0.1
<b>Cash and cash equivalents at period end</b>				
	4	19.4	22.3	28.2

# NOTES TO THE HALF-YEAR STATEMENT

## 1. Segment revenue and results

Income Statement	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
<b>Revenue</b>			
Retail	49.9	55.8	117.5
Wholesale	34.1	34.1	71.9
<b>Group revenue</b>	<b>84.0</b>	89.9	189.4
<b>Gross profit</b>	<b>39.8</b>	42.5	90.2
Retail	57.5%	56.3%	56.9%
Wholesale	32.6%	32.6%	32.5%
<b>Group gross margin</b>	<b>47.4%</b>	47.3%	47.6%
<b>Underlying operating (loss)/profit</b>			
Retail	(7.5)	(8.5)	(11.6)
Wholesale	6.2	5.0	11.7
Licence income	2.9	2.8	6.1
Common and Group overheads	(5.6)	(5.8)	(11.3)
Finance income	0.1	0.1	0.1
Share of profit from joint ventures	-	0.3	0.6
<b>Underlying Group operating loss</b>	<b>(3.9)</b>	(6.1)	(4.4)
<b>Underlying operating margin</b>			
Retail	(15.0)%	(15.2)%	(9.9)%
Wholesale	18.2%	14.7%	16.3%
<b>Underlying Group operating margin</b>	<b>(4.6)%</b>	(6.8)%	(2.3)%
<b>Geographical information</b>			
<b>Revenue</b>			
UK/Europe	71%	70%	71%
North America	24%	25%	24%
Rest of the World	5%	5%	5%
<b>Divisional operating (loss)/profit</b>			
UK/Europe	(3.2)	(5.7)	(3.9)
North America	0.9	1.1	2.4
Rest of the World	0.4	0.8	1.6
Group overheads and finance income	(2.0)	(2.3)	(4.5)
<b>Underlying Group operating loss</b>	<b>(3.9)</b>	(6.1)	(4.4)

## NOTES TO THE HALF-YEAR STATEMENT

### 2. Other operating income

	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
Licensing income	2.9	2.8	6.1

### 3. Losses per share

	Six months 31 July 2014	Six months 31 July 2013	Year ended 31 Jan 2014
<b>Weighted average number of ordinary shares</b>			
Basic	96,060,684	95,899,754	95,899,754
Diluted *	96,537,424	95,957,573	95,989,627

\* adjusted to assume the exercise of dilutive options.

The reconciliation to adjusted losses per share is as follows:

	Six months 31 July 2014		Six months 31 July 2013		Year ended 31 Jan 2014	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Loss attributable to equity shareholders	(3.8)	(4.0)p	(6.1)	(6.4)p	(6.1)	(6.4)p
Net loss on store disposals and closures	-	-	-	-	1.7	1.8p
<b>Adjusted loss</b>	<b>(3.8)</b>	<b>(4.0)p</b>	<b>(6.1)</b>	<b>(6.4)p</b>	<b>(4.4)</b>	<b>(4.6)p</b>

### 4. Cash and cash equivalents

	31 January 2014 £m	Cash flow £m	Non cash changes £m	31 July 2014 £m	31 July 2013 £m
<b>Cash and cash equivalents in the balance sheet and cash flow</b>	28.2	(8.7)	(0.1)	19.4	22.3

# NOTES TO THE HALF-YEAR STATEMENT

## 5. Provisions

	Six months 31 July 2014 £m	Six months 31 July 2013 £m	Year ended 31 Jan 2014 £m
<b>Store closures</b>			
Balance at 1 February	1.7	1.7	1.7
Increase during the year	-	-	1.7
Utilised during the year	(1.0)	(0.9)	(1.7)
<b>Balance at period end</b>	<b>0.7</b>	0.8	1.7

Provisions are recorded to reflect the estimated committed closure costs of identified underperforming retail stores. The associated costs are forecast to be incurred over a period of two years.

## 6. Statutory accounts and basis of preparation of half-year financial statements

### Reporting entity

French Connection Group PLC (the “Company”) is a company domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place. These condensed consolidated half-year financial statements of the Company as at and for the six months ended 31 July 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended 31 January 2014 are available upon request from the Company’s registered office at 20-22 Bedford Row, London WC1R 4JS or can be found on the Group website [www.frenchconnection.com](http://www.frenchconnection.com).

### Principal activities

The principal activity of the Group is the international retailing and wholesaling of branded fashion clothing and accessories and the licensing of its brands.

### Statement of compliance

These condensed consolidated half-year financial statements have been prepared in accordance with the requirements of IAS 34 ‘Interim Financial Reporting’ as adopted by the EU.

As required by the Disclosure and Transparency Rules (“the DTR”) of the UK’s Financial Services Authority (“the UK FSA”), the condensed consolidated half-year financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 January 2014, which were prepared in accordance with IFRS as adopted by the EU.

These condensed consolidated half-year financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on *Review of Interim Financial Information*. The comparative figures for the year ended 31 January 2014 are not the Company’s statutory accounts for that period. Those accounts have been reported on by the Company’s auditors and have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

## NOTES TO THE HALF-YEAR STATEMENT

### 6. Statutory accounts and basis of preparation of half-year financial statements (continued)

The Board of Directors approved the condensed consolidated half-year financial statements on 18 September 2014.

#### Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated half-year financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2014.

#### Key sources of estimation uncertainty

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2014.

#### Principal risks and uncertainties

Like all retailers we are susceptible to volatility in the propensity of consumers to spend, which is affected by macro-economic issues. As a wholesaler, we also face the risk of default from our customers and manage this through active relationship management by our dedicated customer accounts team.

The Group maintains a positive net cash balance throughout the year and we are conscious to manage the Group's working capital effectively.

The principal treasury risks to the Group arise from exchange rate and interest rate fluctuations. There has been no change since the year end to the major treasury risks faced by the Group or the Group's approach to the management of these risks.

The Group is dependent on reliable IT systems for managing and controlling its business and for providing efficiency and speed in the supply chain.

The Group's approach to the management of risks were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2014.

The Board confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group.

#### Going concern

The Group has considerable cash resources, ending the half-year with £19.4m and with a minimum Group cash balance during the period of £11.3m. The Group has no debt.

Having reviewed the cash forecasts and the sources of cash funding available to the Group, the Board has concluded that the Group has a reasonable expectation to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

## NOTES TO THE HALF-YEAR STATEMENT

### 7. Retail locations

		31 July 2014		31 January 2014		31 July 2013	
		Locations	sq ft	Locations	sq ft	Locations	sq ft
<b>Operated locations</b>							
<b>UK/Europe</b>							
French Connection	Stores	64	190,649	66	202,770	71	212,126
French Connection/Great Plains	Concessions	50	33,576	51	33,560	49	33,193
Toast	Stores	12	15,384	12	15,384	11	11,407
YMC	Stores	2	1,355	2	1,355	2	1,355
<b>Total UK/Europe</b>		<b>128</b>	<b>240,964</b>	<b>131</b>	<b>253,069</b>	<b>133</b>	<b>258,081</b>
<b>North America</b>							
French Connection US	Stores	6	19,941	7	22,841	7	22,395
French Connection Canada	Stores	8	21,125	9	24,325	9	24,325
<b>Total North America</b>		<b>14</b>	<b>41,066</b>	<b>16</b>	<b>47,166</b>	<b>16</b>	<b>46,720</b>
<b>Total operated locations</b>		<b>142</b>	<b>282,030</b>	<b>147</b>	<b>300,235</b>	<b>149</b>	<b>304,801</b>
<b>French Connection licensed and franchised</b>							
UK/Europe		7	7,994	7	7,994	6	8,561
North America		1	2,000	1	2,000	1	2,000
Middle East		9	17,895	6	9,805	9	17,892
Australia		73	74,325	72	72,112	74	77,260
Hong Kong		5	6,062	5	6,062	6	6,789
China		20	31,336	23	34,960	21	31,057
India		108	59,468	110	60,782	99	60,535
Other		35	31,202	48	44,516	47	40,579
<b>Total licensed and franchised locations</b>		<b>258</b>	<b>230,282</b>	<b>272</b>	<b>238,231</b>	<b>263</b>	<b>244,673</b>
<b>Total branded locations</b>		<b>400</b>	<b>512,312</b>	<b>419</b>	<b>538,466</b>	<b>412</b>	<b>549,474</b>