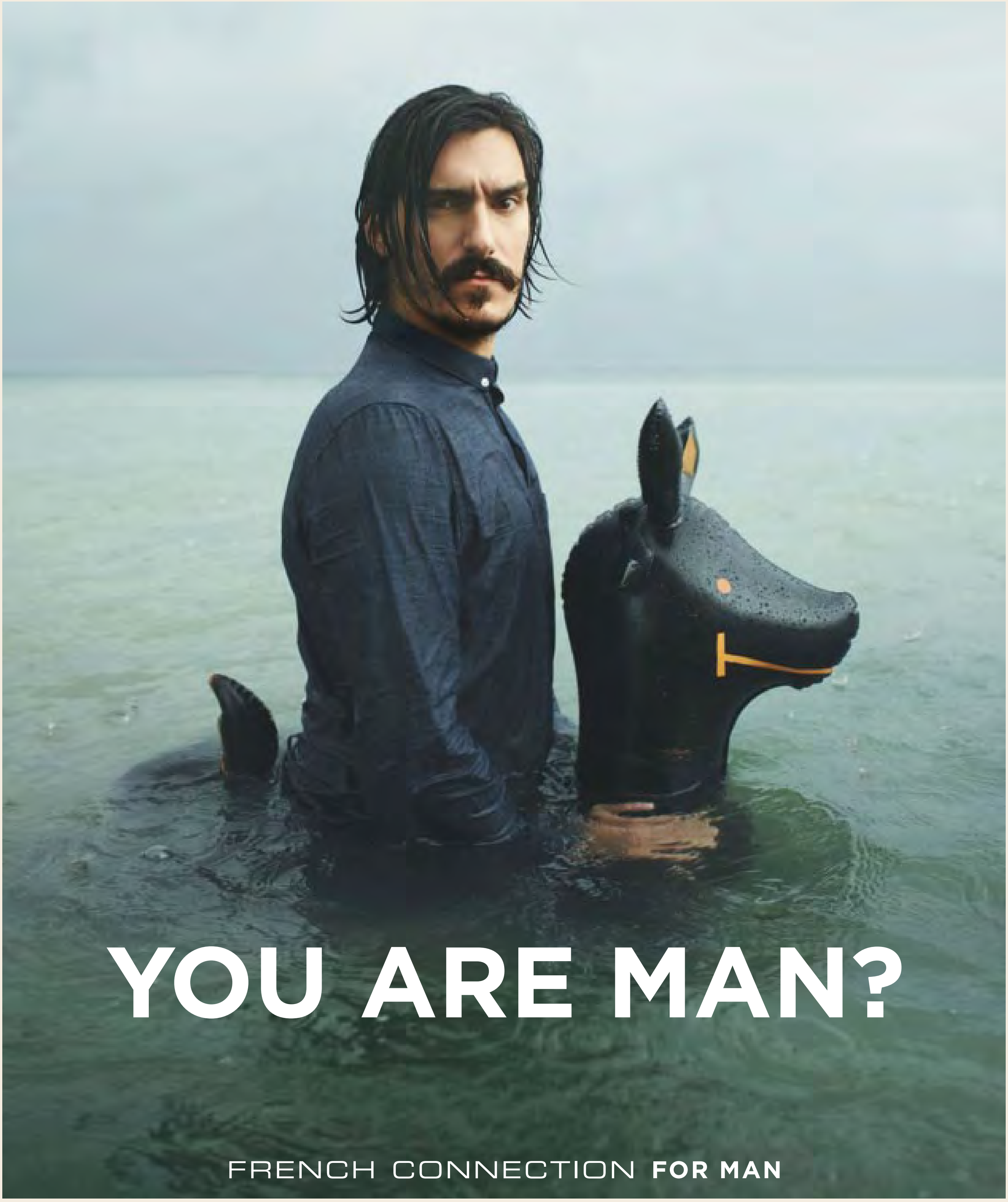
FRENCH CONNECTION GROUP PLC **ANNUAL REPORT 2011**

FRENCH CONNECTION GROUP PLC

French Connection • Great Plains • TOAST • YMC

The French Connection Group designs, produces and distributes branded fashion clothing for men and women to more than 50 countries around the world



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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted with the significantly improved performance for our latest financial year. We have achieved a considerably higher profit from the core continuing operations, notwithstanding a period of major change for the Group and challenging market conditions. I am looking forward to growing the business further from the solid foundations generated by our recent reorganisation and I believe there are many opportunities for the Group to create further value for shareholders in the future.

In the year ended 31 January 2011 the core continuing operations achieved:

- total revenue of £205.0 million – a 2% increase;
- gross margin of 52.0% – a 50 basis point improvement;
- a 53% increase in operating contribution from trading divisions to £12.4 million;
- profit before tax of £7.3 million compared to £0.7 million last year; and
- positive cash flow from operating activities of £6.5 million contributing to closing net cash of £34.1 million (2010: £35.7 million), after incurring the costs of restructuring.

These results reflect the core continuing operations of the Group following the closure of our operations in Japan, the disposal of the Nicole Farhi business and the closure of certain retail stores in Europe and the US.

In developing the business for the future, our main focus is on the French Connection brand which currently trades through over 340 branded retail outlets and many more multi-brand locations worldwide. We estimate that, through all of the different channels of distribution, the brand generates over £400 million of retail sales each year. Our key aims in developing this business is to steadily increase the revenue from each of the areas in which we operate while controlling gross margins and limiting operating cost increases. Our business is naturally operationally geared, meaning that increases in revenue will generate substantial increases in profit. We intend that growth will be generated both organically in our existing retail and wholesale portfolio and through securing new wholesale customers and licence partners.

The trading environment in our main markets is likely to remain challenging. At the same time the garment industry is facing increasing raw material and manufacturing costs in an environment where selling prices remain highly sensitive to increases. In the short term we are therefore cautious in our outlook but we are comfortable that our business has the resilience and financial solidity to be in a position to benefit immediately from any recovery in the general economy.

Within the context of the market we believe that our retail businesses performed reasonably well over the last year. Revenue within our UK/Europe retail division declined by only 1.4% on a like-for-like basis and the gross margin achieved was broadly similar to last year. In North America like-for-like retail sales were also lower than last year. However the gross margin in the stores which remain open improved resulting in a broadly flat trading result. We are focused on developing our product ranges and improving our retail operations to increase sales levels within our stores.

Our e-commerce business has continued its strong growth. We have made further upgrades to our website including the first “Youtique” store in conjunction with YouTube and an iPhone “app”. We believe these and other website changes will further improve the online customer experience leading to continued sales growth.

Our wholesale businesses have made significant improvements in revenue, gross margin and profit. In recent seasons our wholesale customers have reported encouraging levels of sell-through of our products and we will continue to work closely with them and encourage them to stock a broader and deeper range of our products. We have recently agreed four new franchises with operating partners in Russia, Hungary, Turkey and Jordan. Our licensed partners in Australia, China, Hong Kong, India and elsewhere continue to perform well and to look for expansion opportunities.

Our product licensees have performed well in the year and we are in discussions around developments in a number of the products supplied by these businesses. Further, we continue to consider other product opportunities for the brand. As announced in September the “UK Style by French Connection” range of competitively priced, youth-focused garments launched this month in Sears stores in the US. The arrangement will generate at least £1.5 million of additional licence income in the new financial year.

We ended the year with cash of £34.1 million, notwithstanding the costs required by the restructuring, and the core continuing operations generated positive cash flow from operating activities of £6.5 million during the year. We reinstated the dividend last year and we are now proposing an increase to 1.5 pence per share for the full year, one third of which was paid at the interim stage. We intend to increase the dividend in the future in line with increases in profit.

Having successfully completed the restructuring we retain a very strong balance sheet and our business is now in a position to build on its strengths. The current economic environment is clearly difficult and it appears likely that it will remain so in the coming year. Any increase in market share during the next twelve months will be hard-won. Our medium-term aim is to generate revenue growth resulting in an improving net operating margin and further strong cash generation. While this will take considerable hard work, I am confident that we have the people, infrastructure, drive and brand strength to achieve this goal.

As ever, the success we have seen in difficult circumstances over the past year is a testament to the skill, hard work and dedication of the French Connection staff across the world and I thank them for their continuing efforts.

Stephen Marks
Chairman and Chief Executive
15 March 2011

OUR BUSINESS

Fashion is a fast paced and evolutionary business requiring constant creative drive and leadership as we strive to keep ahead of customer expectations and it is this very volatility that creates the excitement which draws people into this most dynamic of businesses.

At the heart of our business is a passion for the clothes.

The fashion game can be a tough one, however, after 40 years in the business French Connection is now one of the most recognised fashion brands on the high street with a global reach, operating in over 30 countries, with more than 1,000 stockists and with total worldwide retail sales of branded product of over £400 million, either directly, through wholesale or arising from licensing arrangements.

Fashion continues to develop as tastes, trends and reach become increasingly global, creating further opportunities for our business to expand its inspiration and market place. There are many geographic opportunities available to us for expansion and within existing markets we look to diversify our channels of distribution to cover retail, wholesale, licensing, and e-commerce. In addition we apply our experience and expertise to nurture and develop fledgling brands.

Fashion and style

In 1972, when French Connection was conceived, we set out to create well-designed, stylish clothing that appealed to a broad market. Staying true to that intention, French Connection has since become synonymous with fashion and style and it remains our prime goal to create and maintain brand credibility and distinctiveness in an ever-more crowded market place.

Driven by innovation and change, the brand's strength lies in balancing new and exciting ideas with consistent delivery of quality and affordability, with design being the bedrock around which the business and operations revolve. We work hard to sustain the vision and attitude that French Connection has developed over the years by cementing firmly in the minds of all who work with us that we have a worthy and credible tradition of successfully matching product, image and context with a company culture that nurtures talent and thus ensures longevity. In a world of "fast fashion" we are proud of our commitment to quality, design and the creative process.

Business aims and operations

With a passionate focus on fashion underpinning the business our aim is to generate increased shareholder value through the retail and wholesale of fashion products and the extension of our brands into other lucrative markets through licensing. We continually assess markets and relationships for new opportunities to broaden our customer reach. We also have a thriving online business, with our website attracting 1,000,000 unique visits per month, and a mail order business that continues to blossom contributing high margin profitability as well as diversifying our distribution channels.

We design, produce and distribute branded fashion clothing for men and women from our business premises in London, New York, Paris, Hong Kong and Toronto. We operate retail stores and concessions in the UK, Ireland, Europe, US and Canada and also operate highly successful e-commerce businesses in each of those territories. Further, we wholesale our products to retailers operating in over 30 countries around the world and have licensed partners operating French Connection stores across Asia, Australia and the Middle East. Other branded products, such as toiletries, shoes and eyewear, are produced under licence and are available across the world from our licensees.

We support the French Connection brand with advertising which, like everything we do, is designed to capture the spirit of the brand and show off our beautiful clothes.

Principal risks

Our success depends on our ability to produce ranges of garments which attract customers. Whilst we seek to achieve this and be as operationally flexible as possible, the nature of fashion means that it is not always possible to predict customers' reactions to each season's new ranges. Our customers' propensity to spend on clothing is impacted by their personal financial situation and other macro economic factors which impact the total size of the retail markets in which we operate. We have been able to mitigate this somewhat by developing our wholesale and licensing businesses which provide a more stable and predictable income stream. We consider that as a small operator at the upper end of the middle market the impact on our business of macro-economic elements is considerably smaller than the impact of the success of our designers in producing attractive products.

Brands

Our principal brand is *French Connection* which accounts for over 90% of the Group's revenues.

Our other brands include:
Toast: a range of beautifully crafted ladies' and men's clothing and supplier of unique homeware, available on-line, through mail order and in a growing number of branded stores;

Great Plains: a fashion basics range produced in-house and supplied at wholesale to multi-branded retailers mainly in the UK; and

YMC: a fledgling edgy contemporary fashion brand for men and women with two stores in London and a growing wholesale base.

Each brand targets a different audience and has achieved high levels of recognition for style and design reflecting the creative passion and skill poured into the design and manufacture of their products.

French Connection

The *French Connection* brand operates in the fashion-orientated high street retail market offering a fashion-forward range of quality products at affordable prices. Our customers, typically aged 18-35, appreciate that the brand is at the leading edge of high street fashion and offers quality and style in its products. We design ranges of products for both men and women from underwear to outerwear, casual wear to suits, denim, accessories and children's wear.

Our design teams are based in London and we arrange for the products to be manufactured in specialist facilities in Europe and Asia. The Group retails garments through a network of retail stores on high streets and in shopping malls across the UK, Ireland and North America and through concessions within selected department stores such as House of Fraser and John Lewis. We also operate highly successful e-commerce sites through which our products are available for home delivery in the UK, Ireland, Europe and North America.

The full range of products is also offered for sale at wholesale through our showrooms in London, New York, Paris and Hong Kong to selected customers operating department stores, multi-brand fashion stores or e-commerce sites around the world.

To further extend retail distribution we have granted franchises and licences to quality retailers allowing them to operate *French Connection* branded retail stores in the UK, Middle East, Asia and Australia. These customers are supplied through our wholesale channels in the UK and Hong Kong. Our licensees in Hong Kong and China are 50% joint venture businesses operated in conjunction with our local partners.

Brand extensions

Our globally recognised brand has been extended successfully into complementary licensed products including toiletries, fragrances, shoes, watches, jewellery and eyewear which together generate another major profit stream for the Group: licence income. Our toiletries licensee in the UK has produced a hugely successful range of products for both men and women which are sold exclusively by Boots. In 2010, the Group entered into a licence with a subsidiary of Li & Fung in the US to supply clothing products to the Sears department stores under the brand “UK Style by French Connection”.

Management of the business

Founded by Chairman and Chief Executive Stephen Marks, French Connection's long history of success has been based on design quality and innovative fashion, supported by a strong market presence resulting in one of the most highly recognised and respected clothing brands in the UK and across the world. The senior management seek to ensure that our products are presented for sale in contemporary surroundings by knowledgeable and friendly staff who are in-tune with our customers. We recognise that our products are the core element of our business and that our ability to produce fashionable clothes matching our customers' expectation has been, and continues to be, the key to our continued success.

We seek to ensure that our resources are deployed in the most effective and efficient manner to support the elements of the business which have a direct impact on trading. Design and production of the ranges and maintenance of our retail operating standards are paramount for all our business managers who are given broad responsibility for their area of operations.

Management of risks

Each year the brands produce two main ranges of fashions and the success of each of these is largely dependent on the ability of our designers to reflect attractively the emerging trends in fashion. We utilise a mix of experience and fresh thinking in our design studios under the consistent guidance of the senior management to ensure continuity of the brand attitudes.

Like all retailers we are susceptible to volatility in the propensity of consumers to spend, which is affected by macro-economic issues. The design process and our retail businesses in particular have a significant proportion of fixed costs giving rise to operational gearing. In the retail business, since all of our outlets are occupied under leases, we are subject to upward-only rent reviews which have recently seen cost increases well ahead of general inflation.

Our brands and the way they are perceived in their respective markets is very important to us. We are therefore very protective of the brands and work to ensure that they are presented in appropriate ways and that they are not misused. In our markets a main driver for brand perception is the products themselves and therefore our reputational risk is closely linked to our sales success.

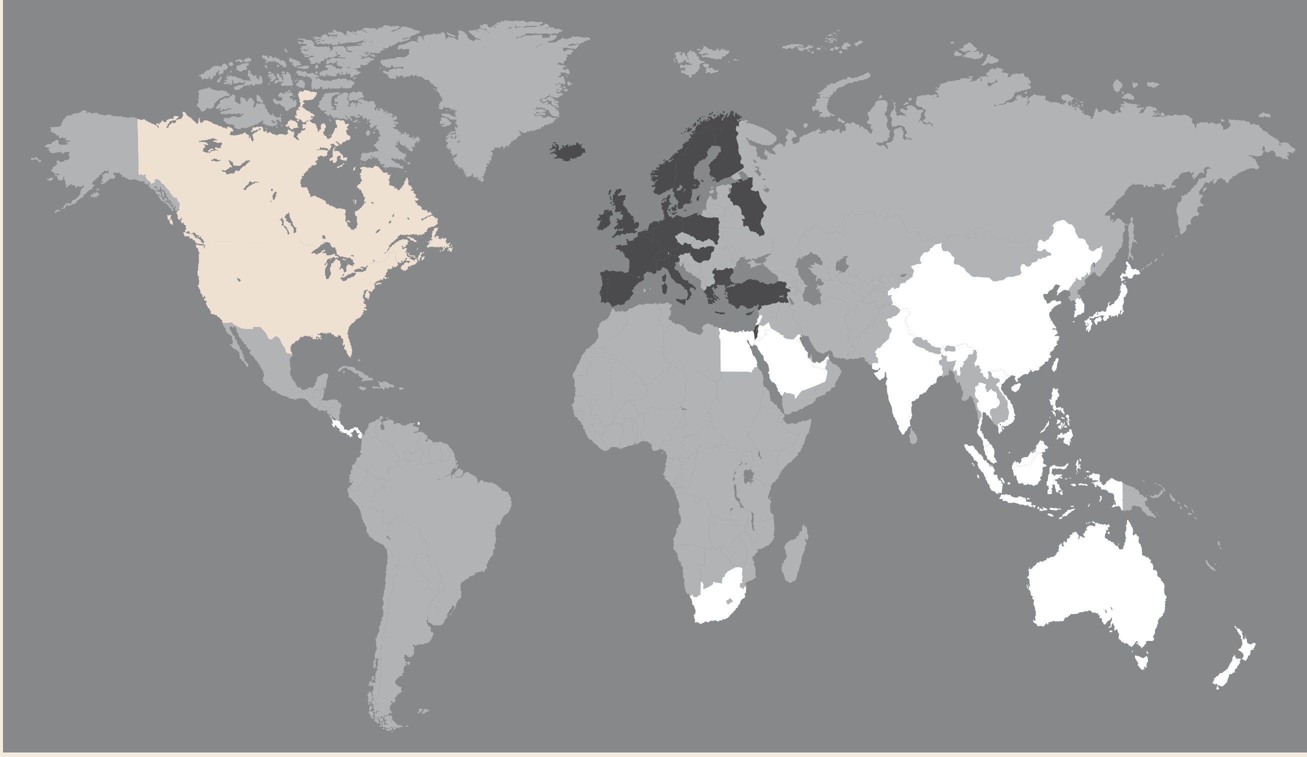
As a wholesaler we also face the risk of default from our customers and manage this through active relationship management with our customers by our dedicated customer accounts team. Our experience of bad debts has been very low over many years due to this close management. We also insure certain debt risks, mainly on overseas debts.

The Group maintains significant Sterling cash balances 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. The Board has approved policies for managing these risks, which are reviewed on a regular basis, including the use of financial instruments, principally forward foreign exchange contracts. No transactions of a speculative nature are undertaken.

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the

WORLDWIDE OPERATIONS



Hong Kong Dollar and Euro. The Group's policy is to reduce substantially the risk associated with purchases denominated in currencies other than Sterling by using forward fixed rate currency purchase contracts. 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 IT function oversees all the systems and has policies and procedures to protect the software, hardware and data and to prevent unauthorised access to the systems.

The Group's approach to the management of risks is further discussed in the Corporate Governance Report.

Key performance indicators

The Board considers that the key performance indicators for the businesses are:

- year-on-year comparison of retail sales on a same-store basis and excluding any periods of significantly different discounting activity, known as like-for-like sales growth;
- total sales achieved in the wholesale channels;
- gross margin by division;
- net operating contribution by division, being gross profit of the division, less the direct costs of the divisional operation; and
- net operating margin by division, being the operating profit before financing as a percentage of revenue.

Each of the above is discussed in more detail in the Business Review.

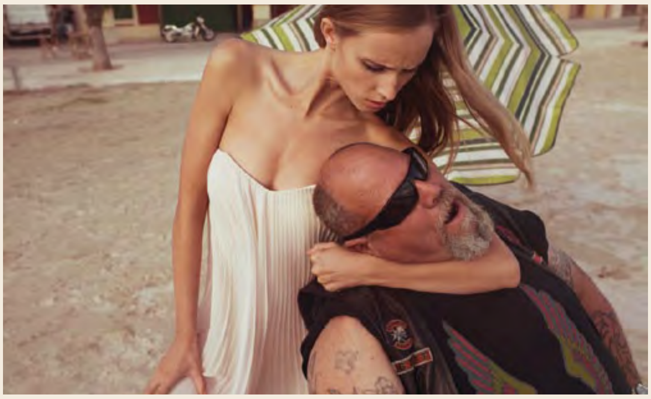
Growth and development plans

The Group has been substantially reorganised over the last 18 months resulting in divestitures of loss making businesses and closures as described in the Business Review. The result of the reorganisation has been to improve the trading results such that the Group is both profitable and cash generative and we retain a comfortable level of working capital.

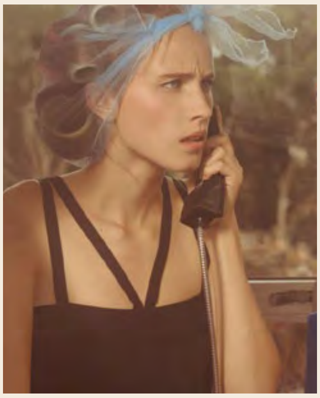
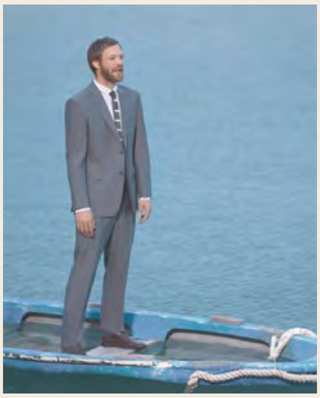
The senior management team is now focused on increasing sales volumes while maintaining or improving margins in order to achieve a net operating margin in excess of 10% which would be considered more typical of the sector. In the retail business our aim is to improve sales densities in our existing portfolio which will be evidenced by our key performance indicator of growth in like-for-like sales. In our wholesale business we aim to improve volumes with both existing wholesale customers and through recruiting new outlets, reported through the growth in total wholesale turnover. Along with this we aim to carefully control stock levels, margins and overheads. We will also continue to expand our e-commerce operations, including our popular Facebook page, and other forms of connecting with our customers. Our key performance indicators in this area are the sales, gross margins and net operating margins reported for each business segment. We will continue to work to nurture and develop a number of our younger brands, and are very excited about their prospects as they continue to grow. Further, we aim to extend the reach of the *French Connection* brand through additional licensing in new product segments and territories and to support and nurture our existing licensees for further growth, the result of which will be seen in increases in licence royalty income.

	UK/Europe	North America	Rest of the World
OFFICES	London, Paris	New York, Toronto	Hong Kong
RETAIL	Stores and concessions in UK, Ireland, Spain, Portugal and e-Commerce	Stores in US and Canada and e-Commerce	Joint venture stores in Hong Kong and China
WHOLESALE	UK, Europe and other export destinations: department stores, web-stores and multi-brand shops	Department stores and multi-brand shops in US and Canada	Licensees and department stores in Australia, Asia and Middle East
BRANDS	French Connection, Toast, Great Plains, YMC	French Connection, YMC	French Connection
LICENSED PRODUCTS	Toiletries, fragrances, shoes, eyewear, watches, jewellery	Fragrances, UK Style by French Connection	

BUSINESS REVIEW





Introduction

Following the successful completion of the restructuring actions and disposal of loss making businesses identified in our strategic review, the Group now comprises a more focused set of businesses which are both profitable and cash generative. The changes were achieved at well below the expected costs and with a minimal impact on the Group's substantial cash reserves. The Group balance sheet remains strong.

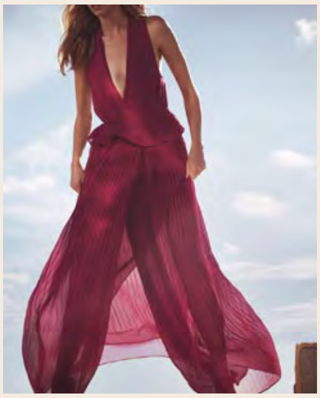
The profit before tax for year from continuing operations was £8.9 million (2010: loss of £(9.0) million). This is made up of £7.3 million (2010: £0.7 million) from our core continuing operations together with the results arising from the US stores which have now been closed of £1.6 million (2010: loss of £(9.7) million). The Group operations at the date of this Annual Report comprise only the core continuing operations as described below and therefore this Business Review will focus on these businesses. A description of the impact of the strategic review on the results of the Group for the year ended 31 January 2011 is presented below under the heading "Closed and Discontinued Operations".

Our principal brand is *French Connection* which accounts for over 90% of the Group's revenues and operates through owned retail locations in the UK, Ireland, Europe, US and Canada. The brand is also available through our wholesale divisions to retailers world-wide and has been extended into complementary products through our brand licensing programme. We also operate three other successful branded businesses:

- Toast has continued to grow its niche customer base and to increase revenues profitably. Our aim is to generate accelerating growth within this business and to this end the founders are building the capabilities of their team by recruiting further experienced management to work alongside them;
- Great Plains continues to be a highly successful wholesale brand creating relaxed, classic styles which sell very well in independent boutiques and department stores across the UK; and
- YMC creates stylish, alternative, modern clothing and has two stand-alone stores in London as well as a growing wholesale customer base.

The core continuing operations are comprised of five operating divisions based on geographic location and channels to market plus brand licensing. The UK/Europe and North America regions each contain a retail and wholesale channel. The fifth division comprises the wholesale business operated from our office in Hong Kong. Licence royalties are paid to the UK-based owner of the brands by both the overseas divisions and third party licensees which provide the sixth key income stream for the Group.

The UK/Europe retail division comprises the portfolio of *French Connection* branded retail stores and department store concessions across the UK and Ireland and a number of concessions within department stores across the UK and in Spain and Portugal. This division also includes two YMC stores,



the e-commerce business and Toast, which operates both mail-order and retail stores.

The wholesale division based in the UK supplies French Connection, Great Plains and YMC branded products to third party retailers such as specialist fashion independents, department stores and e-commerce sites based in the UK and Europe.

In North America the retail division comprises two businesses, a portfolio of eight stores (and e-commerce) in the US and 13 stores in Canada. In addition a wholesale division supplies department stores and independents across North America.

The wholesale business in Hong Kong supplies product to French Connection licensees in Asia, Australia, South Africa and the Middle East.

French Connection product licenses cover a number of different categories including toiletries, eyewear, watches and jewellery with a global footprint.

This Business Review will focus on the results of the core continuing operations and then separately comment on the results of the discontinued operations, the closed stores and the related costs of disposal.

Overview

In the year ended 31 January 2011 the financial performance of the core continuing operations of the Group has improved significantly. Profit before tax was £7.3 million compared to £0.7 million in the previous year. The growth has been generated through an improvement in the levels of full price sales in the wholesale divisions, increased Group gross margin, growth in licensing income and improving contributions from our joint venture operations in Asia. Total revenue was 2% ahead of last year reflecting a return to growth in wholesale volumes partially offset by some declines in retail revenue. Group gross margin increased by 50 basis points to 52.0% despite the pressures on product costs in the second half of the year. This, combined with a small decrease in overheads and £0.9 million additional licence income, resulted in a £5.4 million increase in operating profit to £5.6 million. Our retail joint ventures in Hong Kong and China have continued to grow and the Group's share of the profits of these businesses improved to £1.5 million in the year compared to £0.4 million previously. As a result of these elements, and with a minor increase in finance income, profit before tax increased to £7.3 million from £0.7 million in the previous year.

The tables below set out the segmental analysis of the core continuing operations for the two years ended 31 January 2011.

Divisional analysis, core continuing operations

	UK/Europe			North America			Hong Kong	Intra Group	Total
Year ended 31 January 2011	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Revenue	110.8	36.1	**146.9**	23.2	19.5	**42.7**	**15.4**		**205.0**
Gross profit	66.4	13.2	**79.6**	13.6	7.5	**21.1**	**2.8**	3.1	**106.6**
Gross margin	*59.9%*	*36.6%*	***54.2%***	*58.6%*	*38.5%*	***49.4%***	***18.2%***		***52.0%***
Trading overheads	(68.0)	(7.4)	**(75.4)**	(14.2)	(3.3)	**(17.5)**	**(1.3)**		**(94.2)**
Operating contribution	(1.6)	5.8	**4.2**	(0.6)	4.2	**3.6**	**1.5**	3.1	**12.4**
Common overhead costs			**(4.2)**			**(3.6)**			**(7.8)**
Licensing income			**6.9**			**–**	**2.0**	(3.1)	**5.8**
Divisional operating profit			**6.9**			**–**	**3.5**	–	**10.4**
Group management overheads									**(4.8)**
Operating profit									**5.6**
Net finance income									**0.2**
Share of joint ventures									**1.5**
Profit before taxation									**7.3**

	UK/Europe			North America			Hong Kong	Intra Group	Total
Year ended 31 January 2010	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Revenue	114.8	32.6	**147.4**	22.9	17.8	**40.7**	**12.7**		**200.8**
Gross profit	69.1	9.7	**78.8**	13.2	6.0	**19.2**	**2.5**	3.0	**103.5**
Gross margin	*60.2%*	*29.8%*	***53.5%***	*57.6%*	*33.7%*	***47.2%***	***19.7%***		***51.5%***
Trading overheads	(68.8)	(8.6)	**(77.4)**	(13.7)	(3.1)	**(16.8)**	**(1.2)**		**(95.4)**
Operating contribution	0.3	1.1	**1.4**	(0.5)	2.9	**2.4**	**1.3**	3.0	**8.1**
Common overhead costs			**(3.8)**			**(3.5)**			**(7.3)**
Licensing income			**6.1**			**–**	**1.8**	(3.0)	**4.9**
Disposal of lease interests			**(0.8)**						**(0.8)**
Divisional operating profit/(loss)			**2.9**			**(1.1)**	**3.1**	–	**4.9**
Group management overheads									**(4.7)**
Operating profit									**0.2**
Net finance income									**0.1**
Share of joint ventures									**0.4**
Profit before taxation									**0.7**

United Kingdom and Europe – Retail

Total retail revenue in the UK/Europe division declined by 3% in the year to 31 January 2011 and 1.4% on a like-for-like basis. One French Connection location was closed during the year while two Toast and one YMC locations opened. The average traded space fell by 3%.

We saw a return to growth in sales of the French Connection men's wear collection in the year reflecting renewed confidence in the ranges and the brand. Ladies' wear performed less well, having had a number of seasons of growth prior to 2010. One of our key targets for the future is to increase the sales densities in our retail store portfolio in order to enhance the contribution from this division. The French Connection business is based upon producing on-trend, interesting, fashion-forward garments that excite and interest our customers and therefore our main route to improving sales densities will be through developing ranges which better meet our customers' demands. Further, we have recently changed the merchandising methodology to present a more boutique and exclusive feel to the stores. Changes have also been made to the visual elements of the stores including the wall graphics and colours to create this different atmosphere. All these elements are assessed and developed on a continuing basis. We are also in the process of developing an entirely new shop-fit concept. We are maintaining a clear focus on customer service within the stores to ensure that the customer experience is as enjoyable as possible to generate both sales and repeat visits.

The brand will continue to be supported by interesting advertising campaigns, the most recent of which, "The Man" and "The Woman", has attracted much critical acclaim winning the best campaign award from the Creative Circle and has served to reawaken interest in the brand. We will continue to seek opportunities to streamline our retail business further in areas where action would lead to improved profits. Inflexibility within UK lease structures means that changes to the portfolio can prove difficult or expensive to achieve and the lease expiry profile of our stores does not provide significant opportunity for renegotiation in the short term. We continue to search for opportunities to improve the portfolio in a cost-effective manner.

Reflecting both the continuing move of customers towards e-commerce and our own investment in support and systems for the website we achieved further strong growth in on-line sales during the year which now account for 9% of French Connection revenue in the UK retail channel. The French Connection website has recently been further upgraded to provide greater functionality and faster performance for users and we expect that this will support continued growth in this channel.

Toast had another good year, opening new stores in Brighton and Guildford to much acclaim. Sales continue to grow driven by its highly-anticipated and beautifully presented catalogues. A small men's wear range was added in the autumn and we were encouraged by its performance. The range is available in selected stores for the spring. The business now accounts for more than 10% of revenue in the UK retail channel. In order to accelerate the growth of Toast we are in the process of strengthening the senior management team and will develop a strategy to significantly grow the business's profitability so that it will add materially to the value of the Group.

YMC now has two stores in London showcasing its alternative, contemporary clothing for men and women. Both are performing well and helping to support the growing wholesale success of the brand. This is a youthful brand early in its development with significant opportunities for growth.

The gross margin in the UK/Europe retail channel for the year ended 31 January 2011 was 59.9%, broadly similar to last year. Advances in the gross margin achieved in the first half of the financial year were offset by increased input prices in the second half. This reflects the widely-reported increases in cotton and other commodity prices along with wage inflation pressures in some of the countries in which we source our garments. We have seen the same challenges in preparing our ranges for 2011 and while we have worked hard to mitigate the effects there will be an impact on our trading in the new financial year. Very few of our garments are directly comparable season-on-season, but we estimated that for the Spring/Summer season of 2011 our price points are approximately 8% higher than previously. Despite this, we expect that the gross margin in the UK retail business could be up to 50 basis points lower than last year as we absorb some of the cost increases.

We continue to control our overhead costs as tightly as possible. In the UK/Europe retail business the total overhead in the year has been reduced by £0.8 million to £68.0 million reflecting the decrease in average space traded over the year offset by the continuing increases in property rental costs and some staffing cost increases.

Overall, the UK/Europe retail business generated a loss of £(1.6) million (2010: profit of £0.3 million) in the year. As discussed above, there is a significant opportunity for improvement in this performance and we are therefore focused on increasing the sales density in our stores, developing the Toast business further, maximising sales through our e-commerce channels and optimising our gross margins. However, we do not expect to see a significant improvement in performance in the new financial year, given the challenging economic environment in which we find ourselves.

United Kingdom and Europe – Wholesale

Revenue in the wholesale business in UK/Europe increased by 11% in the year and within that, full-price sales accelerated further, resulting in a substantial increase in gross margin to 36.6% from 29.8% last year. These improvements reflect a renewed confidence from our wholesale customers in our ranges founded on their experience of their sales to consumers over recent seasons. Sales to e-commerce businesses have increased substantially in the period and continue to show growth into the new financial year. We have also added new customers with particular good progress being made in Europe. We recently finalised four new franchise arrangements for stores in Russia, Hungary, Turkey and Jordan. We continue to seek out further franchise partners for international stores.

Great Plains and YMC have also had successful years, both increasing revenues despite very strong competition and a difficult trading environment which has affected our independent store customers.

Our forward orders for Spring/Summer 2011, a proportion of which was delivered in January 2011, were ahead of the equivalent orders for last year by over 15%. Orders for Autumn/Winter 2011 are still being taken but initial indications are that we should see a similar increase in forward orders. This continues to provide confidence in our ranges and our ability to generate products which perform well for our customers.

As discussed above, there is significant pressure on input prices for the new seasons and there will be an impact on our gross margins for the new financial year. Although pricing for the Autumn/Winter 2011 ranges is yet to be finalised, we expect that the gross margin for the full year could be affected by up to 50 basis points, weighted towards the first half of the year.

Overhead costs within the division have been reigned back in the year, mainly through trimming the promotional activity such as attendance at trade shows. We will carefully monitor the requirement to commit to this type of expense in the future with a view to increasing revenue while controlling costs.

This combination of factors led to a significant increase in profit generated by the division, increasing by £4.7 million to £5.8 million and highlighting the operational gearing inherent within the business. The division retains considerable opportunity for growth, particularly in men's wear and internationally and we will work to realise that growth over the coming years.

United Kingdom and Europe region

Together, the retail and wholesale businesses in UK/Europe contributed an operating profit of £4.2 million in the year, a considerable improvement on the profit of £1.4 million generated last year in the same operations. Common overhead costs for the region include shared accounting services and general brand advertising and marketing. The advertising budget for the year was increased from the previous year, resulting in the reported increase but other costs were reduced.

Other income in the UK/Europe region of £6.9 million (2010: £6.1 million) includes both licence receipts from external licensees and brand royalties received from Group companies which are eliminated from the Group result. The licence income from external sources increased to £5.8 million (2010: £4.9 million) with growth generated across most of our licensees but particularly from Boots in relation to their toiletries licence and Specsavers in relation to their eyewear licence. The strength of the brand and the quality of the products created both by the Group and our licensees has resulted in some strong growth in a number of the categories and encourages us to search out new opportunities to profitably extend the brand into new categories and territories. As reported in September, the Group has entered into a licensing agreement with a subsidiary of Li & Fung, the leading consumer goods supply chain management business. The licence relates to the use of the "UK Style by French Connection" name on an exciting young fashion range to be sold through Sears stores in the US. The arrangement will deliver additional licence income of at least £1.5 million in the year ending 31 January 2012 with potential for significant growth. This development underscores the strength of the *French Connection* brand and the opportunities that exist for us in global markets.

The operating result for the entire UK/Europe division was a profit of £6.9 million compared to £2.9 million in the previous year. There remains much scope to improve this performance further through each of the retail, wholesale and licensing channels. It is clear however that the economic environment in the UK remains challenging and with the recent increase in VAT and impending public spending cuts it is likely that the consumer will be restrained through the rest of this year and possibly longer. As a smaller player in a very large market, we have significant opportunity to increase profit with even very small increases in our market share but any sales increases will be hard-won and increasing costs of raw materials will add pressure to the margins in the business.

North America – Retail

Retail revenue from the stores which have been retained in North America grew by 1% during the year to £23.2 million, all of the increase being accounted for by the effect of changing exchange rates. Like-for-like sales declined by 4.5% as sales in Canada were affected by a tightening in the economy and a weak performance from our stores in the second half of the year. We took an opportunity to close one mall store in Canada during the year and we are working to improve sales performance while reviewing the store portfolio where possible. In the US revenue is slightly up on last year even though we reduced the levels of promotional mark-downs, evidenced in the improvement in the gross margin from 57.6% to 58.6%. Reductions in overheads have been negated by the exchange rate changes to leave a small increase in Sterling terms. Overall, this resulted in a divisional performance broadly flat on last year.

As with the UK stores we are focused on increasing the revenue in our stores in North America and again this will focus on ensuring that the products we offer are attractive to our customer base, ensuring that operationally we maximise the opportunities and that we manage the portfolio to best effect.

North America – Wholesale

Revenue in our North America wholesale business increased by 10% (7% at constant exchange rates) to £19.5 million supported by increased sales to our department store customers in particular. As with the UK business, more of the sales were achieved at full price so that the margin has increased from 33.7% to 38.5%. With overheads broadly flat (allowing for the small increase arising from the exchange rate) the division generated a net operating contribution of £4.2 million in the year (2010: £2.9 million).

The general economic environment in North America has challenges similar to those seen in the UK and we have found that many of our wholesale customers are being cautious with their commitments for next year. On this basis we are not expecting growth in the wholesale channel to continue at the same rate in the new year. We will work to maintain the improved performance achieved in the year to January 2011 and aim to ensure that this is a base from which to build in future years.

North America division

Together the two North America divisions generated a contribution of £3.6 million (2010: £2.4 million) in the year. Common overhead costs have increased reflecting a greater investment in advertising with the new campaigns. The region generated a break-even result for the year, a good step forward from the previous year's loss of £(1.1) million.

Rest of World – Wholesale

Revenue in our wholesale business based in Hong Kong increased by 21% in the year with higher volumes being supplied to a number of our regional licensees such as Australia, Singapore and Vietnam as their businesses have developed. The gross margin generated by this business is affected by the mix of the different supply arrangements with customers and while core margins were unchanged, the blended gross margin fell to 18.2% from 19.7%. With overheads stable, the operating contribution increased to £1.5 million (2010: £1.3 million).

The growth of the business in Hong Kong is dependent on the development of our regional licensees. The increase in revenue achieved last year is in part due to the initiation of new agreements and therefore we would expect the rate of growth to slow into next year although we continue to seek out new opportunities for regional licences.

The other income of £2.0 million (2010: £1.8 million) in Hong Kong represents commission income paid by Group companies in relation to shipments from Hong Kong to the UK and North America and is eliminated from the consolidated Group results.

Group management and net finance income

The overheads arising from the Group management function amounted to £4.8 million in the year (2010: £4.7 million). The increase was largely due to increases in staff costs, including the payment of bonuses for the first time in some years.

Net finance income in the year of £0.2 million (2010: £0.1 million) reflects the continued low interest rates in the market.

Share of profits of joint ventures

The Group is party to two joint ventures, each operating French Connection retail stores, one in Hong Kong and the other in China. The joint ventures are directly managed by local management teams with strategic input from the Group. From the perspective of the French Connection Group we benefit from not only our share of the profits generated by the joint venture but also from gross profit generated from supplying product to the businesses and licence royalties.

The Group's share of net profits generated by the joint ventures during the year was £1.5 million, net of local taxes (2010: £0.4 million) with both businesses improving profitability during the year. The result also reflects a non-recurring credit of £0.5 million. Discussions are in progress in Hong Kong with some of the store landlords and this could result in a small net reduction in the store portfolio in the short term.

Group profit before tax

Following the strategic reorganisation the Group has returned to the generation of a profit before tax. In the year to 31 January 2011 the core continuing operations of the Group generated a profit of £7.3 million compared with a profit of £0.7 million for the comparable operations in the previous year.

This profit represents a net margin of 3.6% (2010: 0.3%). We believe that our business is capable of generating a net operating margin in excess of 10% and our intention is to develop the business towards that goal over the longer term. We believe that there is considerable opportunity to develop the French Connection business based on a strong, globally recognised brand and a solid foundation in each of our markets and business segments. We aim to generate growth through improvements in retail sales densities, continued growth in wholesale volumes and further expansion of the licensing operation through development of our product offering and continued focus on fashion and quality. The markets in which we operate are extremely competitive and are, in many cases, being affected by broader economic issues. We are also mindful of the current pressures on our gross margin. We therefore are cautious about the rate of growth which can be achieved, but we remain confident of achieving our aims.

Taxation

The tax charge in the year of £0.2 million (2010: £0.7 million) reflects tax charged on profits generated in Hong Kong. No benefit has been recorded for tax losses incurred in the UK or the US in the year.

The effective tax rate in future years will vary depending on the level of profit generated and the different geographic locations where it is taxed since the three principal countries of operation have significantly different tax rates and the Group has substantial tax losses which may be available to offset profits. The effective tax rate for the year to 31 January 2012 is likely to be in the range of 15%–20%.

Discontinued operations

As described in the Annual Report for the year ended 31 January 2010 the Group implemented a strategic review in 2009 and implemented a range of actions designed to return the Group to profit and cash generation. The review resulted in the following actions:

- Implemented in the year ended 31 January 2010:
  – termination of our retail operation in Japan;
  – closure of the stores in Northern Europe; and
  – focused reductions in overhead costs.
- Implemented in the year ended 31 January 2011:
  – disposal of the Nicole Farhi business; and
  – closure of the majority of our retail stores in the US.

The discontinued operations (as defined in IFRS 5) reported in this Annual Report include the Nicole Farhi business (2011 and 2010), our stores in Northern Europe (2010 only) and our business in Japan (2010 only). The trading results of these operations and the net costs of their closure or disposal generated a loss in the period of £(11.1) million (2010: £(15.7) million) which is further analysed in Note 3 to the accounts.

The trading of the stores in the US which are now closed has been shown separately on the face of the income statement, identified as "closed operations". The plan to exit the US stores was established at the end of the year to 31 January 2010 and provision was made for the likely exit costs (particularly concerning lease termination costs) based on an external assessment undertaken at that time. The exit process has been managed extremely well and as a result the actual costs incurred have been significantly less than those initially estimated. As a result there has been a release of the provision with a positive impact of £3.5 million in the income statement for the year ended 31 January 2011. This has helped to offset the trading losses incurred during the year by the relevant stores and has resulted in a net profit of £1.6 million in the year (2010: loss of £(9.7) million) for these closed operations.

Together, the discontinued and closed operations generated a loss of £(9.5) million in the year (2010: £(25.4) million).

Further details of the disposals and closures are given in the Notes to the Group accounts.

Non-controlling interests

The non-controlling interest of £(0.1) million (2010: £nil) reported in the income statement represents the net share of results attributable to the 25% ownership held by local management in Canada, Toast and YMC.

Earnings and dividend

Net earnings attributable to equity shareholders arising from the core continuing operations amounted to a profit of £7.2 million (2010: £0.5 million) and on the same basis adjusted earnings per share was 7.5 pence (2010: 0.5 pence).

Total net earnings for the year attributable to equity shareholders was a loss of £(2.3) million (2010: loss of £(24.9) million) giving a loss per share of (2.4) pence per share (2010: (26.0) pence per share).

The Board has recommended payment of a final dividend of 1.0 pence per share (2010: 0.5 pence per share) which, combined with the interim dividend of 0.5 pence per share, gives a dividend of 1.5 pence per share for the full year (2010: 0.5 pence per share). The final dividend will be paid on 5 July 2011 to shareholders on the register on 25 March 2011 (ex-dividend date 23 March 2011). The increase in the dividend is a reflection of the Board's confidence in the continuing profitability and cash generation capabilities of the restructured Group. The Board's intention is to increase the dividend in the future in line with the increase in profits.

Balance sheet and cash flow

Despite the cost of the restructuring completed during the year the Group balance sheet remains strong with £34.1 million of cash (2010: £35.7 million) and no bank borrowings. The decrease in the cash in the year reflects the cash cost of the changes made in the structure of the Group and the cash utilised in the discontinued and closed operations while they operated during the year. The core continuing operations generated £6.5 million from operating activities during the year, well ahead of the operating profit of the core continuing operations.

Investment in fixed assets has been low in recent periods and this year the Group invested £1.0 million (2010: £2.8 million), being mainly in respect of the three new stores and IT equipment. The restricted capital expenditure over recent years has resulted in a reduced depreciation charge of £3.7 million (2010: £5.5 million). Our development and growth plans focus on developing the products and customer service and therefore are not capital-intensive, however should any store refurbishments be implemented then the level of capital expenditure would increase. It is expected that capital expenditure in the new financial year will be in the region of £2.0 million.

Inventories, debtors and creditors are tightly controlled and while there is a net increase in the working capital utilised in these elements the majority of the increase arises within trade debtors where increases in sales to wholesale customers has the natural effect of increasing amounts owed to the Group.

The Board's policy is to maintain a strong capital base, including liquid funds, in order to maintain investor, creditor and market confidence and to sustain future development of the business.

DIRECTORS' REPORT

The Directors present their Annual Report for the year ended 31 January 2011.

Principal activity

The Group designs and supplies branded fashion clothing and accessories, as more fully described in the section entitled Our Business.

Business review

The principal companies within the French Connection Group for the period under review were French Connection Limited, French Connection UK Limited, French Connection (London) Limited, French Connection Group Inc, French Connection (Hong Kong) Limited, Toast (Mail Order) Limited, French Connection (Canada) Limited and YMC Limited. The Companies Act 2006 requires that the Directors' Report contains a fair review of the business and a description of the principal risks and uncertainties facing the Group. A review of the business strategy and a commentary on the performance of the French Connection business is set out in the Business Review and the Chairman's Statement. The principal risks facing the business are detailed in the section entitled Our Business and the corporate and social responsibilities of the Group are outlined in the Corporate Responsibility Statement. The disclosures contained in those reports form part of this Directors' Report.

Proposed dividend

The Directors recommend the declaration of a final ordinary dividend of 1.0 pence per share (2010: 0.5 pence). Subject to approval at the Annual General Meeting, the final dividend will be paid on 5 July 2011 to shareholders on the register on 25 March 2011 (ex-dividend date 23 March 2011).

Directors

The Directors of the Company are set out on page 17.

Neil Williams and Claire Kent, Directors, retire by rotation in accordance with the Articles of Association and offer themselves for re-election at the Annual General Meeting. The Board considers that both Mr Williams and Ms Kent continue to make a major contribution to the strategy and operations of the Group and therefore recommends the re-election of Mr Williams and Ms Kent as Directors. Details of Mr Williams' and Ms Kent's remuneration and contracts are set out in the Directors' Remuneration Report.

The Board has considered whether there are any factors which might compromise the independent judgement of either of the non-executive Directors and concluded there was none. The Board therefore considers both Mr Murray and Ms Kent to be independent of the Company.

At 31 January 2011, none of the Directors or their families held any beneficial interests in the issued capital of the Company other than Stephen Marks whose shareholding is disclosed below.

The details of share options held by Directors are set out on page 23. There have been no changes in the Directors' interests in the shares of the Company since the end of the financial year.

Significant shareholdings

As at 15 March 2011 the Company has been notified of the following substantial interests in shares:

	Shares	Proportion of Issued Share Capital
Stephen Marks	40,094,190	41.8%
(of which, held in family trusts)	2,281,500	
Schroder Investment Management	14,662,730	15.3%
Standard Life Investments	7,918,934	8.3%
Gartmore Investment Management	3,231,182	3.4%

Contractual arrangements

The Company has no contractual or other arrangements which are essential to the business of the Company nor any key customers or major suppliers on which it is dependant.

Supplier payment

The majority of the Group's creditors are suppliers with whom payment terms and conditions are agreed in advance. Where the supply of goods and services is satisfactory, it is the policy of the Group to pay creditors when they fall due for payment.

For the year ended 31 January 2011, the Group's average trade creditors represented 72 days purchases (2010: 86 days). The Company has minimal third party creditors.

Employees

It is the Group's established practice that all employees have access to their immediate superiors and ultimately to the Chief Executive to discuss matters of concern to them as employees and that the views of employees are sought and taken into account in making decisions which are likely to affect their interests.

Furthermore the Group seeks to encourage both the involvement of employees in its performance and a common awareness on the part of all employees of factors affecting its performance. The Group provides equal opportunities to all employees and prospective employees including those who are disabled.

Property, plant and equipment

The changes in intangible and tangible fixed assets during the year are set out in Notes 13 and 15 to the Group accounts.

Financial instruments

The financial instrument policies are set out in Note 29 to the Group accounts.

Joint ventures

The Group is involved in two 50:50 joint venture arrangements to operate retail stores in China and Hong Kong. Both joint ventures are managed by committees with equal representation from the joint venture parties. The Group's share of the results of the joint venture businesses are included in these accounts for the whole of the financial year.

Charitable and political donations

Charitable donations of £7,126 (2010: £990) were made during the year. No political donations were made in either 2011 or 2010.

Share capital

The share capital of the Company comprises ordinary shares of 1p each; each share carries the right to one vote at general meetings of the Company. The authorised and issued share capital of the Company, together with movements in the Company's issued share capital during the year, are shown in Note 24.

Takeovers directive

Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, requires the Company to disclose certain information. Most of these requirements are dealt with elsewhere in the Annual Report, however the following additional disclosures are required:

The Company's Articles of Association ('Articles') give power to the Board to appoint Directors, but require Directors to submit themselves for election at the first Annual General Meeting following their appointment and for one third of the Board to retire by rotation and to offer themselves for re-election at each Annual General Meeting. The Articles may be amended by special resolution of the shareholders.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes, the Company's Memorandum of Association and the Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting.

There are a small number of agreements that take effect, alter or terminate upon a change of control of the Group following a takeover, such as shareholder agreements with the minority shareholders in certain subsidiaries and the Company share option schemes. None of these is deemed to be significant in terms of their potential impact on the business of the Group as a whole.

Annual General Meeting

The Annual General Meeting will be held at 10.00 am on 18 May 2011 and a notice of meeting has been sent to shareholders setting out details of the business to be conducted.

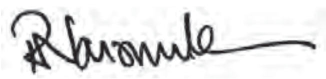
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to re-appoint KPMG Audit Plc as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Roy Naismith
Company Secretary

15 March 2011

DIRECTORS

Stephen Marks Chairman and Chief Executive	**Roy Naismith C.A.** Finance Director	**Neil Williams A.C.A.** Operations Director	**Dean Murray** Independent Non-executive Director	**Claire Kent** Independent Non-executive Director
Stephen (aged 64) founded the Company in 1969 and has managed the Group's development since then in the position of Chairman and Chief Executive.	Roy (aged 49) joined the Group in January 2001 as Finance Director. He was previously Finance Director at Starbucks Coffee Company and Group Head of Finance and Company Secretary at Capital Radio PLC.	Neil (aged 46) joined the Group from KPMG in 1992 and was appointed to the Board in May 1994.	Dean (aged 48) was appointed to the Board on 6 February 2008. He qualified as a chartered accountant with KPMG and was Chief Executive of Myriad Childrenswear Group Limited. Myriad was the leading UK specialist multi-brand and multi-channel childrenswear business with over 1,000 distribution outlets including the Adams Kidswear brand. He is currently Chairman of Neville Johnson Limited, a UK based bespoke furniture designer.	Claire (aged 47) was appointed to the Board on 3 October 2008. She was formerly a Managing Director with Morgan Stanley where she was ranked number one in luxury goods European retailing analysis for nine consecutive years. Working in the sector since the early 1990's she has accumulated an in-depth understanding of the operation of luxury and apparel brands and has worked very closely with some of the most respected brands in the sector.

CORPORATE GOVERNANCE REPORT

The Company is required by the Listing Rules issued by the Financial Services Authority to set out how it has applied the Main Principles set out in the UK Corporate Governance Code published by the UK Financial Reporting Council in June 2010 and the Combined Code on Corporate Governance published by the FRC in June 2008. (In this part of the Annual Report we refer to these two codes together as the "UK Corporate Governance Codes" and they are both available on the FRC's website, *frc.co.uk*.) This section of the report, in two parts, sets out how the Company has applied the principles and the extent of our compliance with the detailed provisions contained in the UK Corporate Governance Codes throughout 2010 and up to the date of this report.

Part one: Application of the principles

Operational culture

The Group operates under the detailed and entrepreneurial guidance of Stephen Marks (the founder of the business), the executive Directors and a broad range of operational managers. The cultural focus of the business is on the design, production and sale of fashionable products in a highly demanding and fast-moving environment. All managers and staff are expected to be intimately familiar with the operations they are involved with, to take responsibility for them, to monitor them daily and to act to improve business performance promptly and effectively. This culture is led by the executive Board members who act in the same way taking counsel among themselves and with others, including external advisers, as necessary.

The Board of Directors

The Board of Directors at the date of this report comprises three executive Directors and two non-executive Directors. Details of their employment terms and remuneration are set out in the Directors' Remuneration Report. The Board is chaired by Stephen Marks, Chief Executive, founder of the business and a significant shareholder. Dean Murray has served on the Board for three years, has trained as an accountant and had a career in clothing retail as finance director and chief executive of Myriad Childrenswear Group which operated the Adams Kidswear brand. Claire Kent has served on the Board for two years and was formerly a Managing Director with Morgan Stanley, specialising in European luxury goods retailing analysis. Neil Williams is the Operations Director and has worked in the business for 19 years following a training in finance and accounting. Roy Naismith joined the Board ten years ago as Finance Director and previously held senior finance positions at Starbucks Coffee Company and Capital Radio PLC. Roy Naismith is also the Company Secretary.

The Board met eleven times during the year to consider the development of the business and all of the Directors attended every meeting. An agenda with supporting information is distributed well in advance of each meeting, the detailed nature of which reflects the management approach. The Board reserves to itself certain key matters to approve or monitor, including the Group's strategic plans, annual operating budget, major capital expenditure, treasury policies, financial performance and external financial reporting. The Board delegates responsibility for the day-to-day operation of the business to the executive Directors and recognises its responsibility for ensuring that the Company operates within a framework of prudent and effective controls, to set the Company's strategic aims and to ensure that the necessary resources are in place.

Directors are subject to election by shareholders at the first opportunity after their appointment and one third of the Board is subject to re-election annually. Any member of the Board may take independent professional advice at the Company's expense. All Directors have access to the advice and services of the Company Secretary.

The Board recognises that the Board is of such a size to be unable to meet all the requirements relating to non-executive Directors, Board sub-committees and the division of responsibilities at the head of the Company set out in the Combined Code, but believes that the composition and breadth of experience of the Board and the senior management are appropriate for the size, nature, status and culture of the Company. The Board assesses its own performance by reference to the financial performance of the business compared to annual budgets, longer-term plans, city expectations and peer group comparators.

Audit committee

The Audit Committee comprises Dean Murray as Chairman and Claire Kent. The Committee's terms of reference indicate that it should meet at least three times in each year and should consult with the external auditors and senior management where appropriate. The Committee considers financial reporting and reviews the Group's accounting policies and annual statements. In particular, any major accounting issues of a subjective nature are discussed by the Committee. The Committee also reviews audit activity including the recommendation to the Board regarding the appointment of the external auditor, their remuneration and scope of work, including non-audit services. The Audit Committee is also responsible for considering the independence and objectivity of the external auditor, for monitoring the level of non-audit services provided by the external auditor and for assessing the effectiveness of the risk management process. Significant risk issues identified are referred to the Board for further consideration. The Audit Committee has considered the independence of the external auditor, including the non-audit services performed, and has concluded that those non-audit services provided do not impair the auditor's independence. The Committee met three times during the year and each meeting was fully attended. The terms of reference of the Audit Committee are available on the Company's website.

Remuneration committee

The Remuneration Committee comprises Claire Kent as Chair and Dean Murray. The Committee determines the remuneration of the executive Directors and reviews that of senior management. A Remuneration Report is included in this Annual Report. No changes were made to Directors' remuneration during the year. The Committee met twice during the year and both meetings were fully attended. The terms of reference of the Audit Committee are available on the Company's website.

Communication with shareholders

Communication with shareholders, brokers and analysts is generally conducted through one-to-one meetings with the executive Directors (and the non-executive Directors if requested) for which there is an open invitation to shareholders to arrange but which typically occur shortly after the announcements of results. The opinions expressed by shareholders are passed to the Board as necessary.

The Annual General Meeting and the resolutions proposed for consideration at the meeting are another focus of communication with shareholders. Discussions are held prior to the meeting with shareholders where they have views on the resolutions. The level of proxy votes received is considered by the Board and published on the Group's website.

Internal control

The Directors acknowledge their overall responsibility for the Group's system of internal control and for reviewing its effectiveness. A system of internal control cannot provide absolute assurance against material misstatement or loss and the Group's systems are designed to manage rather than eliminate the risk of failure to meet business objectives. The systems can only provide the Directors with reasonable assurance that material errors and irregularities are either prevented or detected on a timely basis and dealt with appropriately.

The Board confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group and that these have been in place for the year under review and up to the date of approval of the annual report and accounts. The procedures have been reviewed by the Audit Committee and accord with the requirements of the Combined Code.

The Board has reviewed the major risks affecting the business and the effectiveness of the system of internal control. The culture of the business results in the executive Directors being closely involved in managing the business at a detailed level. This provides a high degree of direct monitoring of risks and control processes, conducted against the background of a culture of integrity, quality and high levels of communication. This is supported by reviews of daily, weekly and monthly detailed analyses of the performance of the business, the key performance indicators associated with the trading risks facing the Company and the detailed operational results.

The Group does not have an internal audit function although during the year the Audit Committee considered whether there is a need for such a function, concluding that the benefits, when compared to the potential benefits of deploying additional resources in other areas, are not sufficiently clear.

Part two: Compliance with the detailed code provisions

The Combined Code recommends that there should be a strong independent non-executive element on the Board with non-executive Directors comprising at least one half of the Board and a division of responsibility between the Chairman and the Chief Executive and that one of the non-executive Directors should be appointed as the senior independent Director. While the membership of the Board does not comply with this recommendation the Board considers that its composition is appropriate for the nature, size and culture of the Company.

The Combined Code also recommends the formation of audit, remuneration and nomination committees and that non-executive Directors should, from time to time, meet without the executives or Chairman present. The Company has appointed both an audit committee and a remuneration committee but not a nomination committee. A nominations committee will be appointed by the Board when nominations to the Board are to be considered. No appointments were made or contemplated during the year.

The Board adheres to the remuneration principles set out in the Combined Code in establishing levels and forms of remuneration as detailed in the Directors' Remuneration Report. The Board has reviewed the standards expected of employees in relation to business ethics and also the arrangements for staff to raise concerns about possible improprieties in matters of financial reporting or other matters and is satisfied that they are appropriate.

There is no formal procedure for the evaluation of the performance of the Board.

Other than described above, the Company complied with the requirements of the Combined Code provisions throughout the accounting period.

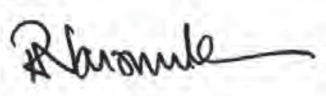
Going concern

The Group has considerable cash resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

During the year the final elements of a reorganisation and restructuring were completed with the disposal of the Nicole Farhi business and the closure of a number of retail stores in the US. These disposals were achieved at considerably lower cash cost than anticipated. The core continuing operations generated £6.5 million from operating activities during the year and investing and financing activities other than those associated with the restructuring utilised only £0.2 million, being mostly the payment of dividends. The Group concluded the year with £34.1 million of net cash and no borrowings and the lowest Group cash position during the year was £19.0 million.

Based on this and the forecast performance for the Group over the next 18 months, the Directors have a reasonable expectation that the Group has adequate resources 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.

By order of the Board



Roy Naismith
Company Secretary

15 March 2011

CORPORATE RESPONSIBILITY

The Board recognises that the long term profitability of the business depends, amongst other things, on appropriate protection of the Group's assets, reputation and brand names and is subject to the long-term sustainability of the supply chain. The risk register and the process for the review of internal controls therefore include these issues and the potential impact on the business of Corporate Responsibility ("CR") and sustainability issues.

The Board considers that the principal CR issues which face the French Connection Group are:

- the provision of a safe and healthy environment for our employees and retail customers;
- the business's direct and indirect impact on the environment; and
- the employment, environmental and social practices of the business's suppliers.

Safe and healthy environment

The business complies with locally applicable health and safety regulations in the countries in which it operates. This includes the provision and maintenance of safe environments for our employees, appropriate design of our stores, health and safety training for appropriate personnel, electrical installation reviews, risk assessments and risk monitoring in our offices, stores and warehouses.

Impact on the environment

The use of resources to manufacture and supply our products generates the major impact on the environment of our business. The source of the raw materials and the manufacture of the finished products is spread globally and provides employment, income and personal security at many different points in the process. We recognise, however, that our products utilise global resources some of which are limited in their nature. Manufactured items of clothing utilise similar amounts of resource, irrespective of the final retail price and we are proud that our products are designed to be of a quality that will provide repeated use over an extended time-frame therefore making good use of the resources invested.

In terms of environmental impacts at the point of delivery of our products we are aware that the use of disposable packaging and the use of power in our premises can be managed. In the UK, the business meets its responsibilities under the packaging waste regulations through membership of Valpak. The use of packaging internally has been reviewed and re-useable boxes have now replaced the use of disposable cardboard boxes for internal distribution. Further, we source our wooden hangers from sustainable sources and do not give them away with the products. Power for the business's larger stand-alone sites in the UK is bought from suppliers whose power generation has a limited impact on the environment through use of wind power, bio-mass and other environmentally low-impact generation sources.

Supply chain

The Group has used third party manufacturing facilities around the world for over 30 years but has specifically avoided suppliers or regions where the employment or environmental practices are known to be below acceptable standards. The Group requires all of its product suppliers to abide by its guidelines contained in the Supplier Guide. Our staff visit the factories we use for garment production on a regular basis and consider the environment and work practices during those visits, however currently our ability to formally audit the facilities is limited. Our Supplier Guide and the employment standards required of our suppliers accord with industry standards including *inter alia* that employees should: be given a safe and healthy environment to work in; be given the right to free association; be paid a fair wage; have freedom of association; not be forced or bonded labour; be of an appropriate age; and work only reasonable hours.

The Board recognises that it is not possible to provide absolute assurance that standards expected of our suppliers are adhered to. Where transgressions are identified we would work with the supplier to develop an appropriate remediation programme. However we will not hesitate to stop using any supplier who we identify is persistently operating in contravention of our standards or failing to implement agreed remediation programmes.

There are a number of other CR topics, such as business ethics, animal testing and use of chemicals, which are subject to set standards within the business.

DIRECTORS' REMUNERATION REPORT

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be considered.

The regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report. The report has therefore been divided into two sections for audited and unaudited information.

Unaudited information

Remuneration policy

The Company's policy is;

- to provide remuneration packages for the executive Directors and other senior managers in the Group which are appropriate to the size and nature of the Group's business and which will attract, retain and motivate high calibre executives; and
- to balance the fixed and performance-related elements of remuneration appropriately and to provide both short-term and longer-term incentives to achieve the strategic aims of the Group.

The objective is to ensure this policy is appropriate to the Group's needs and rewards executives for creating shareholder value.

Basic Salary

Basic salaries are reviewed annually by the Remuneration Committee having regard to competitive market practice, each Director's contribution to the business and the conditions within the Group.

Annual Bonus

The annual grant of bonuses is conditional upon achievement of targets by reference to agreed financial performance measures and external expectations. Bonuses are capped at 100% of basic salary.

Benefits

Benefits include such items as company cars, medical expense insurance, pension contributions and life assurance and are provided with reference to practices in the competitive market.

Long-term incentives

It is the Remuneration Committee's intention to develop incentive arrangements which are subject to challenging performance targets, reflect the Company's objectives and which motivate executives to focus on both annual and longer term performance.

Basic salaries and benefits (principally a car and private medical insurance) are reviewed annually taking into account external market data and conditions within the business. Annual bonus payments are based on the performance of the business and the Director's performance within their own area of responsibility.

All executive Directors are entitled to contributions into personal pension plans for the benefit of the Director at up to 10% of basic salary. There are no elements of remuneration, other than basic salary, which are treated as being pensionable. There are no defined benefit pension schemes.

Share schemes

The Company considers that it is appropriate to align the interests of the executive Directors and key employees with the performance of the business and the interests of the shareholders through share schemes.

The Company's policy is to grant share options to Directors at the discretion of the Board taking into account individual performance up to a maximum of two times salary in each year. In exceptional circumstances the Board has the discretion to issue options up to four times salary. Options are granted at market value on the date of grant. Options may be granted at a discount to the market value only in circumstances where the grant of options is agreed as part of a recruitment package; in these circumstances the exercise price of the option may be determined by reference to the market value on the date on which the individual's employment commenced.

The share options schemes include an upper limit on the number of shares which can be issued under the schemes. No options have been granted since October 2008 due to the restrictions created by this limit.

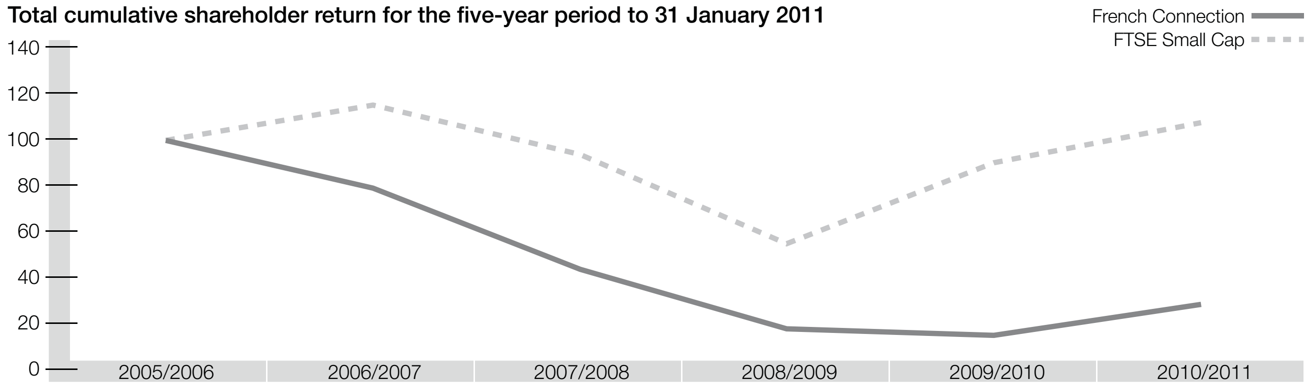
In respect of the share options granted on 29 October 2008 the performance condition is based on the profit before tax and exceptional items of the continuing operations that has been reported for the year ending 31 January 2011 ("PBT"). If the PBT was less than £nil then no options would vest. For the achievement of PBT of not less than £nil, 50% of the options would vest. If the PBT was greater than this then further options would vest at a rate of 1% of the grant for each £0.1 million of PBT up to a maximum of 100%. This target was set to represent a significant recovery in the financial performance of the business. The results reflected in these annual accounts will result in the vesting of 100% of these share options in October 2011.

The Company does not operate any long-term incentive schemes other than the share option schemes described above.

Performance graph

This graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap Index also measured by total shareholder return. This index has been selected for the comparison because it reflects the market sector in which the Company is reported. The graph has been compiled on annual data at 31 January of each year.

Total cumulative shareholder return for the five-year period to 31 January 2011



Executive Directors' contracts

Neil Williams' service contract is dated 17 April 1996, has an indefinite term, and includes provision for a notice period of twelve months. Roy Naismith's service contract is dated 4 December 2001, has an indefinite term, and includes provision for a notice period of six months. Stephen Marks has no service contract.

Non-executive Directors

Non-executive Directors have specific terms of engagement and the Board determines their remuneration. Dean Murray's terms of engagement are dated 7 March 2008, have an indefinite term and allow for a notice period of one month. Claire Kent's terms of engagement are dated 3 October 2008, have an indefinite term and allow for a notice period of one month.

Audited information

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2011 £000	2010 £000
Emoluments	**787**	786
Money purchase pension contributions	**67**	67
	854	853

Directors' emoluments

Year ended 31 January 2011	Salary and fees £000	Benefits in kind £000	Annual bonus £000	**2011 total (excluding pension) £000**	2010 total (excluding pension) £000
Executive Directors					
Stephen Marks	282	21	–	**303**	302
Neil Williams	213	14	–	**227**	227
Roy Naismith	183	14	–	**197**	197
Non-executive Directors					
Dean Murray	30	–	–	**30**	30
Claire Kent	30	–	–	**30**	30
	738	49	–	**787**	786

Directors' pension contributions

Year ended 31 January 2011	2011 £000	2010 £000
Executive Directors		
Stephen Marks	**28**	28
Neil Williams	**21**	21
Roy Naismith	**18**	18
Non-executive Directors		
Dean Murray	**–**	–
Claire Kent	**–**	–
	67	67

Directors' share options

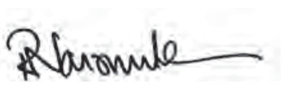
Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire shares in the Company granted or held by the Directors. Details of options to subscribe for ordinary shares of 1p each in the Company held by Directors who served during the year are as follows:

	1 Feb 2010 and 31 Jan 2011 No. of options	Exercise price (p)	Dates of grant	Dates from which exercisable	Dates of expiry
Stephen Marks	**376,700**	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018
Total	**376,700**				
Neil Williams	**257,561**	177.2	1 Nov 2002	1 Nov 2005	1 Nov 2012
	284,500	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018
Total	**542,061**				
Roy Naismith	**105,000**	141.5	1 Nov 2002	1 Nov 2005	1 Nov 2012
	98,759	177.2	1 Nov 2002	1 Nov 2005	1 Nov 2012
	244,300	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018
Total	**448,059**				

The market price of the shares at 31 January 2011 was 68.5p and the range during the year was 32.25p to 85.25p. The average market share price during the year was 49.5p. The options granted are exercisable between three and ten years after the date of grant and are subject to performance conditions described above.

Approval

This report was approved by the Board of Directors on 15 March 2011 and signed on its behalf by:



Roy Naismith
Company Secretary

Company Number: 1410568

15 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We, the Directors of the Company, confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the information that is cross referred from the Business Review section of the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Marks
Director

Roy Naismith
Director

15 March 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRENCH CONNECTION GROUP PLC

We have audited the financial statements of French Connection Group PLC for the year ended 31 January 2011. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and to express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 18 and 19 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern; and
- the part of the Corporate Governance Statement on page 19 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Robert Brent (Senior Statutory Auditor)
for and behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants, 15 Canada Square, London E14 5GL

15 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2011

	Note	2011 Core £m	2011 Closed £m	2011 £m	2010 Core £m	2010 Closed £m	2010 *Re-presented £m
Continuing operations							
Revenue	4	205.0	8.8	**213.8**	200.8	11.7	212.5
Cost of sales		(98.4)	(4.8)	**(103.2)**	(97.3)	(6.1)	(103.4)
Gross profit	4	106.6	4.0	**110.6**	103.5	5.6	109.1
Operating expenses	5	(106.8)	(5.9)	**(112.7)**	(107.4)	(8.8)	(116.2)
Other operating income	6	5.8	–	**5.8**	4.9	–	4.9
Net loss on sale of property, plant and equipment	15	–	–	**–**	(0.8)	–	(0.8)
Operating profit/(loss) before financing		5.6	(1.9)	**3.7**	0.2	(3.2)	(3.0)
Closure costs		–	3.5	**3.5**	–	(6.5)	(6.5)
Finance income		0.2	–	**0.2**	0.1	–	0.1
Finance expenses		–	–	**–**	–	–	–
Net financing income	8	0.2	–	**0.2**	0.1	–	0.1
Operating profit/(loss)		5.8	1.6	**7.4**	0.3	(9.7)	(9.4)
Share of profit of joint ventures, net of tax	16	1.5	–	**1.5**	0.4	–	0.4
Profit/(loss) before taxation	9	7.3	1.6	**8.9**	0.7	(9.7)	(9.0)
Income tax credit – UK		–	–	**–**	0.5	–	0.5
Income tax expense – overseas		(0.2)	–	**(0.2)**	(0.7)	–	(0.7)
Total income tax expense	10	(0.2)	–	**(0.2)**	(0.2)	–	(0.2)
Profit/(loss) for the year from continuing operations		7.1	1.6	**8.7**	0.5	(9.7)	(9.2)
Discontinued operations							
Loss from discontinued operations, net of tax	3	–	(11.1)	**(11.1)**	–	(15.7)	(15.7)
Profit/(loss) for the year		7.1	(9.5)	**(2.4)**	0.5	(25.4)	(24.9)

* See discontinued operations Note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONTINUED

	Note	2011 £m	2010 £m
Loss for the year		**(2.4)**	(24.9)
Other comprehensive income			
Currency translation differences for overseas operations		**–**	(1.5)
Currency translation differences on foreign currency loans, net of tax		**0.3**	(0.6)
Effective portion of changes in fair value of cash flow hedges		**0.1**	(1.1)
Currency translation differences transferred to profit and loss, net of tax		**2.5**	0.1
Other comprehensive income for the year, net of tax		**2.9**	(3.1)
Total comprehensive income for the year		**0.5**	(28.0)
Loss attributable to:			
Equity holders of the Company		**(2.3)**	(24.9)
Non-controlling interests		**(0.1)**	–
Loss for the year		**(2.4)**	(24.9)
Total comprehensive income attributable to:			
Equity holders of the Company		**0.6**	(28.0)
Non-controlling interests		**(0.1)**	–
Total income and expense recognised for the year		**0.5**	(28.0)
Earnings per share			
Basic and diluted losses per share	12	**(2.4)p**	(26.0)p
Continuing operations			
Basic and diluted earnings/(losses) per share	12	**9.2p**	(9.6)p

The notes on pages 31 to 54 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

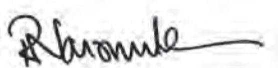
AT 31 JANUARY 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets	13	**2.4**	2.4
Property, plant and equipment	15	**8.5**	11.1
Investments in joint ventures	16	**3.4**	2.6
Deferred tax assets	23	**4.1**	4.1
Total non-current assets		**18.4**	20.2
Current assets			
Inventories	17	**40.3**	40.8
Trade and other receivables	18	**25.6**	26.9
Cash and cash equivalents	19	**34.1**	35.7
Assets classified as held for sale	14	**–**	6.4
Total current assets		**100.0**	109.8
Total assets		**118.4**	130.0
Non-current liabilities			
Deferred tax liabilities	23	**0.9**	0.8
Total non-current liabilities		**0.9**	0.8
Current liabilities			
Trade and other payables	20	**43.1**	42.9
Current tax payable	22	**1.1**	0.5
Derivative financial instruments	29	**–**	0.1
Provisions	21	**1.5**	8.7
Liabilities classified as held for sale	14	**–**	4.7
Total current liabilities		**45.7**	56.9
Total liabilities		**46.6**	57.7
Net assets		**71.8**	72.3
Equity			
Called-up share capital	24	**1.0**	1.0
Share premium account		**9.4**	9.4
Other reserves		**5.7**	2.8
Retained earnings		**54.6**	57.9
Total equity attributable to equity holders of the Company		**70.7**	71.1
Non-controlling interests		**1.1**	1.2
Total equity		**71.8**	72.3

The notes on pages 31 to 54 form part of these accounts.

These accounts were approved by the Board of Directors on 15 March 2011 and were signed on its behalf by:

Stephen Marks
Director



Roy Naismith
Director

Company Number: 1410568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 31 January 2009	**1.0**	**9.4**	**1.0**	**4.9**	**83.4**	**99.7**	**1.2**	**100.9**
Loss					**(24.9)**	**(24.9)**	**–**	**(24.9)**
Other comprehensive income								
Currency translation differences for overseas operations				(1.5)		**(1.5)**		**(1.5)**
Currency translation differences on foreign currency loans, net of tax				(0.6)		**(0.6)**		**(0.6)**
Currency translation differences transferred to profit and loss, net of tax				0.1		**0.1**		**0.1**
Effective portion of changes in fair value of cash flow hedges			(1.1)			**(1.1)**		**(1.1)**
Transactions with non-controlling interests, recorded directly in equity								
Dividends					(0.6)	**(0.6)**		**(0.6)**
Balance at 31 January 2010	**1.0**	**9.4**	**(0.1)**	**2.9**	**57.9**	**71.1**	**1.2**	**72.3**
Loss					**(2.3)**	**(2.3)**	**(0.1)**	**(2.4)**
Other comprehensive income								
Currency translation differences for overseas operations				–		**–**		**–**
Currency translation differences on foreign currency loans, net of tax				0.3		**0.3**		**0.3**
Currency translation differences transferred to profit and loss, net of tax				2.5		**2.5**		**2.5**
Effective portion of changes in fair value of cash flow hedges			0.1			**0.1**		**0.1**
Transactions with owners recorded directly in equity								
Dividends					(1.0)	**(1.0)**		**(1.0)**
Balance at 31 January 2011	**1.0**	**9.4**	**–**	**5.7**	**54.6**	**70.7**	**1.1**	**71.8**

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of foreign currency loans.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2011

	Note	2011 £m	2010 £m
Operating activities			
Loss for the period		**(2.4)**	(24.9)
Adjustments for:			
Depreciation and impairment		**3.7**	5.5
Restructuring costs		**(3.5)**	8.7
Impairment of assets held for sale		**–**	3.8
Loss on disposal of discontinued operation, net of tax		**5.7**	–
Finance income		**(0.2)**	(0.1)
Share of profit of joint ventures		**(1.5)**	(0.4)
Non-operating (profit)/loss on property, plant and equipment		**(0.2)**	1.4
Income tax expense		**0.2**	0.7
Currency translation differences		**2.6**	–
Operating profit/(loss) before changes in working capital and provisions		**4.4**	(5.3)
Decrease in inventories		**0.8**	14.5
(Increase)/decrease in trade and other receivables		**(1.8)**	2.7
Decrease in trade and other payables		**(0.6)**	(9.9)
Cash flows from operations		**2.8**	2.0
Income tax received/(paid)		**0.3**	(0.7)
Cash flows from operating activities		**3.1**	1.3
Investing activities			
Interest received		**0.2**	0.2
Proceeds from investment in joint ventures		**0.7**	–
Acquisition of franchise		**–**	(0.1)
Acquisition of property, plant and equipment		**(1.0)**	(2.8)
Net proceeds/(costs) from sale of property, plant and equipment		**0.3**	(0.6)
Disposal of discontinued and closed operations		**(4.2)**	–
Capital contributions received from acquisition of property, plant and equipment		**–**	0.8
Cash flows from investing activities		**(4.0)**	(2.5)
Financing activities			
Payment of finance lease liabilities		**–**	(1.2)
Dividends paid	11	**(1.0)**	(0.6)
Cash flows from financing activities		**(1.0)**	(1.8)
Net decrease in cash and cash equivalents	26	**(1.9)**	(3.0)
Cash and cash equivalents at 1 February	26	**35.7**	38.4
Exchange rate fluctuations on cash held	26	**0.3**	0.3
Cash and cash equivalents at 31 January	26	**34.1**	35.7

The notes on pages 31 to 54 form part of these accounts.

NOTES TO THE GROUP ACCOUNTS

1 Accounting policies

a) Basis of preparation

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.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (adopted IFRS). The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice; these are presented on pages 55 to 59.

The consolidated financial statements have been prepared under the historical cost accounting rules, except for derivative financial instruments measured at fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business Review on pages 8 to 15. In addition Note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable cash resources and as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Group ended the year with £34.1 million of net cash and no debt. Over the cycle of the year the Group had minimum net cash of £19.0 million and the core continuing operations generated £6.5 million of cash from operating activities. Based on this and the forecast performance for the Group over the next 18 months, the Directors have a reasonable expectation that the Group has adequate resources 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.

The preparation of the financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these assumptions. The estimates and assumptions are based on historical experience and are reviewed on an ongoing basis and are disclosed in Note 32. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods in the consolidated financial statements. The new standards adopted during the year are as follows:

During the year the Group adopted the following accounting policies to reflect current accounting standards:

The revised IFRS 3 'Business Combinations' (issued in January 2008), the amendments to IAS 27 'Consolidated and Separate Financial Statements (2008)', IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items', IFRIC 9 and IAS 39 'Embedded Derivatives', IFRS 2 'Group Cash-settled Share-based Payment Transactions' and the Improvements to IFRS (issued April 2009).

The adoptions of the amendments and improvements did not have a significant effect on the Group's profit for the period, net assets or cash flows.

IFRIC 17 'Distribution of Non-Cash Assets to Owners' and IFRIC 18 'Transfer of Assets from Customers' have also been adopted by the Company, neither of which had a significant effect on the Group's profit for the period, net assets or cash flows.

The following Accounting Standards and Interpretations have been issued but not yet adopted.

IFRS 9 'Financial Instruments' was issued in November 2009. It is applicable to financial assets and financial liabilities. For financial assets it requires classification and measurement in either the amortised cost or the fair value category. For a company's own debt held at fair value, the standard requires the movement in the fair value as a result of changes in the company's own credit risk to be included in other comprehensive income. It is effective for accounting periods beginning on or after 1 January 2013. The standard has not yet been endorsed by the EU.

The adoption of IFRS 9 is not expected to have a significant impact upon the Group's net results or net assets. Improvements to IFRS (issued in May 2010) is yet to be endorsed by the EU and contains amendments to several individual accounting standards which are effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011. None of the amendments are expected to have a significant impact upon the Group's net results, net assets or disclosures.

IAS 24 'Related Party Disclosures' was revised by the IASB in 2009 and is effective for accounting periods beginning on or after 1 January 2011. The changes introduced relate mainly to disclosure requirements for government-related entities, and the definition of a related party, and are not expected to have a significant impact on the disclosures of the Group. The revised standard was endorsed by the EU during 2010.

1 Accounting policies continued

a) Basis of preparation continued

The amendments to IAS 32 'Classification of Rights Issues' (endorsed by the EU in 2009) and IFRS 7 'Disclosures – Transfer of Financial Assets' and IAS 12 'Deferred Tax: Recovery of Underlying Assets' (not yet endorsed by the EU) are effective for accounting periods beginning on or after 1 February 2010, 1 July 2011 and 1 January 2012 respectively. They are not expected to have a significant impact upon the Group's net results, net assets or disclosures.

The following IFRIC amendments and interpretations have been issued but are not yet adopted: Amendments to IFRIC 13 'Customer Loyalty Programmes' – Fair value of award credit, Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' and IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'. The amendments and interpretations are effective for accounting periods commencing on or after 1 January 2011, 1 January 2011 and 1 July 2010 respectively. None of the amendments or interpretations are expected to have a significant impact upon adoption.

There is no impact expected from any other standards that are available or early adoption but that have not been adopted.

b) Basis of consolidation

The consolidated financial statements of the Group comprise the accounts of the Company and all its subsidiary undertakings, the accounts of which are all made up to 31 January each year end. The results of companies acquired or disposed of in the year are dealt with from or up to the date control commences or ceases. The net assets of companies acquired are incorporated in the consolidated accounts at their fair values to the Group at the date of acquisition. Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the entity.

c) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on business combinations represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to the IFRS transition date, 1 February 2004, goodwill is included on the basis of its deemed cost based on the amount recognised under UK GAAP.

Goodwill is stated at cost less any accumulated impairment losses as discussed in Note j) below. Goodwill is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

The impairment calculations use cash flow projections based on actual operating results extrapolated forward for five years. An appropriate pre-tax discount rate has been used in discounting the projected cash flows based on the weighted average cost of capital applicable to the cash generating units concerned. For the purpose of impairment testing, goodwill is allocated to the lowest level of cash generating unit within the Group at which the goodwill is monitored for internal management purposes. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

d) Foreign currency

Transactions effected by companies in foreign currencies are translated into their functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities of companies denominated in currencies other than the functional currency of the company are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

Long term monetary assets and liabilities receivable from or payable to a foreign operation, the settlement of which is not planned or expected to occur in the foreseeable future, are considered to represent part of the Group's net investment in a foreign operation. Therefore, exchange gains and losses arising from these amounts are included in equity in the foreign currency translation reserve.

1 Accounting policies continued

d) Foreign currency continued

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than Sterling are translated into Sterling at foreign exchange rates ruling at the balance sheet date. The income and expenses of these subsidiary undertakings are translated into Sterling at the average rates applicable to the period. All resulting exchange differences are taken to reserves. Any exchange differences that have arisen since 1 February 2004 are presented as a separate component of equity within a translation reserve. Such exchange differences taken to reserves as from the date of transition to IFRS are recognised in the income statement upon disposal of the subsidiary.

e) Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts are used to manage the risk associated with purchases denominated in foreign currencies as described in the section entitled 'Management of risks' within Our Business.

Derivative financial instruments are initially measured at fair value. Any changes in the fair value of the forward contracts during the period in which the hedge is in effect are reflected as a component of equity within the hedging reserve to the extent that the hedge is effective. The ineffective part of the hedge is recognised in the income statement immediately.

f) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Property, plant and equipment

Property, plant and equipment is stated at cost (which from 1 February 2009 includes capitalised borrowing costs where appropriate) less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Leasehold improvements	: period of the lease
Plant, equipment, fixtures and fittings	: 3 to 10 years

h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Operating leases are leases where substantially all of the risks and rewards of ownership have not been transferred.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Cost includes the purchase price of manufactured products, materials, direct labour, transport costs and a proportion of attributable design and production overheads calculated on a first in, first out basis.

j) Impairment

The carrying amount of the Group's assets, other than inventories and deferred tax assets, are reviewed each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. For tangible fixed assets, the recoverable amount is determined with reference to the cash generating unit to which the asset belongs. The impairment calculations use cash flow projections based on actual operating results extrapolated forward for five years. An appropriate pre-tax discount rate has been used in discounting the projected cash flows based on the weighted average cost of capital applicable to the individual assets concerned. Further details are provided in Note 13.

Impairment policy relating to goodwill is referred to in Note 1c).

1 Accounting policies continued

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods sold to external customers, less returns and value added tax. The revenue arises from the sale of fashion clothing and accessories. Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred. For retail sales, this occurs at the time the sale is recorded at the store. For wholesale and e-commerce sales, this normally occurs at the time the goods are shipped from the warehouse. Licensing revenue is included within other operating income and is recognised on an accruals basis.

l) Lease payments

Annual lease rentals are charged to the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement on a straight-line basis over the term of the lease.

Rentals receivable under operating leases are included in the income statement on a straight-line basis.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantial enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

n) Pensions

The Group only has defined contribution pension schemes. Pension costs charged to the income statement represent the amount of contributions payable to defined contribution and personal pension schemes in respect of the period.

o) Share-based payment

The Group operates share option incentive schemes for Directors and key employees. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the “Black-Scholes” option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement is adjusted at each balance sheet date to reflect the number of share options that are expected to vest revised for expected leavers and estimated achievement of non-market based vesting conditions. The Group has adopted the exemption to apply IFRS 2 only to equity instruments granted after 7 November 2002.

p) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment results represent the operating profits of each division and exclude tax and financing items. The segment results of the Group distinguishes three separate overhead categories. Trading overheads represent the direct costs of the divisional operations. Common overheads comprise costs shared between the divisions within geographic locations, in particular the costs of local management, advertising, finance and accounting. Group management overheads include the costs of Group management, legal, insurance and IT costs.

Intra-group transactions relate to internal licensing income and expense.

1 Accounting policies continued

p) Segment reporting continued

Segment assets comprise goodwill, other intangible assets, property, plant and equipment, inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent corporate and deferred taxation balances and all components of net funds.

q) Capital management

Details of capital risk management are set out in Note 29 to the Group accounts.

r) Financial risk management

Details of financial risk management are set out in Note 29 to the Group accounts.

s) Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of fellow subsidiaries or of franchisees, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

t) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

2 Operating segments

a) Operating segments

The Group's operating segments have been determined based on the management accounts reviewed by the Board of Directors.

The Group has five key reportable segments which are the Group's strategic units. These strategic business units service different customer markets within specific geographical locations and are managed separately since they require different business and geographic strategies.

Monthly internal management reports are prepared for each of the strategic business units and reviewed by the Board. The Chief Operating Decision Maker as defined by IFRS 8 is deemed to be the Board. The following summary describes the operations in each of the Group's reportable segments:

- **UK/Europe Retail** – sale of fashion garments and accessories through retail stores, concessions and e-commerce in the United Kingdom, Ireland and Continental Europe.
- **UK/Europe Wholesale** – sale of fashion garments and accessories through department stores, multi-brand stores and franchise operators in the United Kingdom, Ireland and Continental Europe.
- **North America Retail** – sale of fashion garments and accessories through retail stores and e-commerce in the US and Canada.
- **North America Wholesale** – sale of fashion garments and accessories through multi-brand stores in the US and Canada.
- **Rest of the World Wholesale** – sale of fashion garments and accessories through department stores and licensed operators primarily in Australia, Asia, India and South Africa.

Information regarding the results of each reportable segment is included on page 36. Performance is measured based on segment operating profit before financing costs, as included in the internal management reports that are reviewed by the Board. Segment profit is used to measure performance as the Board believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis. Finance income and expenses are not included within the reportable segments as these are managed centrally. The operating segments on page 36 are those used by the Board to review performance and to make resource allocations between segments. The performance in the year for each segment is detailed in the Business Review on pages 8 to 15. Within this the Directors have outlined the key factors underlying the results for the year, including the contribution from individual brands or stores and licensing income where relevant.

The segment analysis on page 36 covers the Group as a whole. This includes both continuing and discontinued activities. The results of the discontinued activities are set out in Note 3.

2 Operating segments continued

a) Operating segments continued

	UK/Europe			North America			Rest of the World		Intra Group	Total
2011	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	Total £m	£m	£m
Revenue (Note 4)	117.7	37.6	**155.3**	33.5	19.6	**53.1**	15.4	**15.4**		**223.8**
Gross profit (Note 4)	70.2	13.2	**83.4**	18.5	7.5	**26.0**	2.8	**2.8**	3.6	**115.8**
Gross margin	*59.6%*	*35.1%*	***53.7%***	*55.2%*	*38.3%*	***49.0%***	*18.2%*	***18.2%***		***51.7%***
Trading overheads	(73.4)	(7.9)	**(81.3)**	(21.4)	(3.4)	**(24.8)**	(1.5)	**(1.5)**		**(107.6)**
Operating contribution	(3.2)	5.3	**2.1**	(2.9)	4.1	**1.2**	1.3	**1.3**	3.6	**8.2**
Common overhead costs			**(4.8)**			**(3.6)**				**(8.4)**
Other income			**7.2**					**2.3**	(3.6)	**5.9**
Divisional operating profit/(loss)			**4.5**			**(2.4)**		**3.6**	–	**5.7**
Group management overheads										**(4.8)**
Operating profit before financing and closure costs										**0.9**
Represented by:										
Profit from continuing operations										**3.7**
Loss from discontinued operations (Note 3)										**(2.8)**
										0.9
Total assets	39.2	55.0	**94.2**	8.7	8.6	**17.3**	6.9	**6.9**	–	**118.4**
Total liabilities	18.9	13.7	**32.6**	2.5	4.9	**7.4**	6.6	**6.6**	–	**46.6**
Non-current asset additions	0.9	0.1	**1.0**	–	–	**–**	–	**–**		**1.0**
Depreciation	1.6	0.8	**2.4**	1.1	0.1	**1.2**	–	**–**		**3.6**
Impairment losses	–	–	**–**	0.1	–	**0.1**	–	**–**		**0.1**

The share of the results of the joint venture operations of £1.5 million (2010: £0.4 million) relate to Rest of the World retail operations and are not disclosed in the information above (see Note 16).

Closure costs of £9.3 million were charged in 2010 and relate to the US and Japan retail businesses. An amount of £3.5 million was released in 2011 relating to unutilised provisions (refer to Note 3) and in connection with the closure of the US retail business.

2 Operating segments continued
a) Operating segments continued

Restated* 2010	UK/Europe Retail £m	UK/Europe Wholesale £m	UK/Europe Total £m	North America Retail £m	North America Wholesale £m	North America Total £m	Rest of the World Retail £m	Rest of the World Wholesale £m	Rest of the World Total £m	Intra Group £m	Total £m
Revenue (Note 4)	131.2	39.2	**170.4**	36.2	18.0	**54.2**	11.8	12.8	**24.6**		**249.2**
Gross profit (Note 4)	77.6	10.6	**88.2**	19.6	6.1	**25.7**	7.2	2.5	**9.7**	3.9	**127.5**
Gross margin	*59.1%*	*27.0%*	***51.8%***	*54.1%*	*33.9%*	***47.4%***	*61.0%*	*19.5%*	***39.4%***		***51.2%***
Trading overheads	(80.7)	(10.1)	**(90.8)**	(23.9)	(3.4)	**(27.3)**	(10.7)	(1.5)	**(12.2)**		**(130.3)**
Operating contribution	(3.1)	0.5	**(2.6)**	(4.3)	2.7	**(1.6)**	(3.5)	1.0	**(2.5)**	3.9	**(2.8)**
Common overhead costs			**(5.4)**			**(3.4)**					**(8.8)**
Licensing income			**6.7**						**2.1**	(3.9)	**4.9**
Disposal of lease interests			**(0.8)**								**(0.8)**
Divisional operating loss			**(2.1)**			**(5.0)**			**(0.4)**	–	**(7.5)**
Group management overheads											**(4.5)**
Operating loss before financing, impairments and closure costs											**(12.0)**
Represented by:											
Loss from continuing operations											**(3.0)**
Loss from discontinued operations (Note 3)											**(9.0)**
											(12.0)
Total assets	37.4	63.8	**101.2**	12.2	6.5	**18.7**	3.4	6.7	**10.1**	–	**130.0**
Total liabilities	19.6	17.9	**37.5**	9.4	2.7	**12.1**	2.6	5.5	**8.1**	–	**57.7**
Non-current asset additions	1.7	0.7	**2.4**	0.3	–	**0.3**	0.1	–	**0.1**		**2.8**
Depreciation	2.4	0.9	**3.3**	0.7	0.1	**0.8**	0.7	–	**0.7**		**4.8**
Impairment losses	0.3	–	**0.3**	0.4	–	**0.4**	–	–	**–**		**0.7**

* The comparative results for the year ended 31 January 2010 have been restated. See discontinued operations Note 3.

2 Operating segments continued

b) Revenue from external customers

	2011 £m	2010 £m
UK	**140.0**	152.6
US	**39.8**	40.9
Canada	**13.3**	13.3
Japan	**–**	11.8
Other	**30.7**	30.6
	223.8	249.2

c) Non-current assets

	2011 £m	2010 £m
UK	**13.4**	14.7
US	**0.3**	0.8
Canada	**1.1**	1.7
Hong Kong	**1.6**	1.6
China	**1.6**	0.9
Other	**0.4**	0.5
	18.4	20.2

No single customer represents more than 10% of the Group's total revenue.

3 Discontinued operations

On 2 July 2010, the Group completed the sale of the trading, assets and liabilities of the Nicole Farhi business ("the Disposal Group") to OpenGate Capital ("the Purchaser") for a consideration of up to £5.0 million. At 2 July 2010, the Nicole Farhi Disposal Group comprised assets of £5.2 million and liabilities of £2.8 million along with cash of £1.0 million. Further, French Connection will support the transition of the Nicole Farhi business into new ownership by providing support office functions and other transitional services for up to two years at no cost to the Purchaser and will also provide financial support for restructuring costs during the first year. A total of £2.2 million was provided in relation to these costs. Transactional costs of £1.1 million comprising legal and other advisory fees have been expensed as part of the loss on disposal.

The consideration of up to £5.0 million comprises £0.5 million in cash, paid on completion, followed by further payments of up to £4.5 million in cash, payable from 50% of the net cash generation of the Nicole Farhi business over subsequent years with an upper limit of £1.0 million payable per year (upper limit of £0.5 million in the first year). Any outstanding consideration will be settled insofar as possible from any sales proceeds achieved from any subsequent sale of the business by the Purchaser. The deferred payments are accounted for as contingent consideration. The Directors have assessed the amount to recognise based on the "virtually certain" criteria set out in IFRS and accordingly a total of £0.5 million of the total deferred consideration has been reflected in the loss on sale on the basis that this is expected to be received in the early part of the next financial year.

The transaction has generated a total loss on sale of £(5.7) million before taking account of the unrecognised deferred contingent consideration of £4.0 million. Since its inception the Nicole Farhi business in the US has generated currency translation differences amounting to £2.6 million which were charged to translation reserves when they arose. On disposal of the business these are now required to be recycled from reserves to the income statement. The loss on sale and recycled translation differences, together with £(2.8) million (2010: £(5.3) million) of losses from the operating activities of the Disposal Group during the period, have resulted in a total loss from discontinued operations within the income statement of £(11.1) million arising from the disposal of the Nicole Farhi business.

In the year ended 31 January 2010, the Group announced the closure of all of the retail stores in Japan and also closed the Northern European Retail operation. The results of these businesses and the costs of closure are included within discontinued operations in the comparative period ended 31 January 2010. There is no impact on the income statement in the current period although the closure of these businesses generated £0.5 million of cash income in the year ended 31 January 2011.

An impairment loss of £(3.8) million relating to the Nicole Farhi assets held for sale at the previous year end was recognised in the year ended 31 January 2010.

Closure costs of £2.8 million relating to the Japan retail store closures were recognised in the year ended 31 January 2010.

3 Discontinued operations continued

The comparative statement of comprehensive income has been re-presented. The divisions included in the results below were also discontinued operations or classified as held for sale at 31 January 2010. The comparable figures for 31 January 2010 have been restated to reflect minor changes in the composition of the disposed or closed assets.

Results of discontinued operations	2011 £m	Restated 2010 £m
Revenue	**10.0**	36.7
Expenses	**(12.8)**	(45.7)
Results from operating activities before financing, impairments and exceptional costs	**(2.8)**	(9.0)
Closure costs	**–**	(2.8)
Impairment of assets held for sale	**–**	(3.8)
Currency translation differences	**(2.6)**	0.4
Results from operating activities before taxation	**(5.4)**	(15.2)
Income tax	**–**	(0.5)
Results from operating activities, net of tax	**(5.4)**	(15.7)
Loss on sale of discontinued operation	**(5.7)**	–
Effect on loss for the period	**(11.1)**	(15.7)

Cash flows utilised in discontinued operations	2011 £m	Restated 2010 £m
Net cash utilised in operating activities	**(3.4)**	(4.5)
Net cash from investing activities	**(1.9)**	–
Net cash from financing activities	**–**	–
Net cash utilised in discontinued operations	**(5.3)**	(4.5)

Included within investing activities on the cash flow statement are £2.3 million (2010: £nil) of US closure costs relating to continuing operations.

Effect of disposal of the Nicole Farhi business on the financial position of the Group	31 January 2011 £m
Inventories	**(2.8)**
Trade and other receivables	**(2.4)**
Cash	**(1.0)**
Trade and other payables	**2.8**
Net assets and liabilities	**(3.4)**
Cash consideration net of costs of disposal	**(0.1)**
Provisions for cost of transitional services and restructuring costs	**(2.2)**
Loss on sale of discontinued operation	**(5.7)**

US retail stores closed

During the year ended 31 January 2011, the Group completed the planned closure of the majority of its under-performing retail stores in the US. Losses from these closed retail stores of £(1.9) million (2010: £(3.2) million) are included within the operating results of continuing operations. Together with the release of £3.5 million of unutilised closure provisions created in the prior year (2010: £6.5 million provision), the closed US stores generated a profit of £1.6 million (2010: loss of £(9.7) million) during the year.

4 Revenue and gross margin

Sale of goods	Continuing operations 2011 £m	Continuing operations 2010 £m	Restated* Discontinued operations 2011 £m	Restated* Discontinued operations 2010 £m	Consolidated operations 2011 £m	Consolidated operations 2010 £m
Revenue	**213.8**	212.5	**10.0**	36.7	**223.8**	249.2
Gross margin	**110.6**	109.1	**5.2**	18.4	**115.8**	127.5

The revenue from external customers is derived from the sale of clothing and accessories.

* See discontinued operations Note 3.

5 Operating expenses

	2011 £m	Restated* 2010 £m
Selling and distribution costs	**102.6**	105.6
Administration costs	**10.1**	10.6
	112.7	116.2

Included within discontinued operations (refer to Note 3) are £8.0 million (2010: £27.4 million) of operating expenses.

* See discontinued operations Note 3.

6 Other operating income

	2011 £m	Restated* 2010 £m
Licensing income	**5.8**	4.9

Included within discontinued operations is £0.1 million (2010: £nil) of licensing income.

* See discontinued operations Note 3.

7 Staff numbers and costs

The average number of people employed by the Group during the year, including Directors, was as follows:

	2011 Number	2010 Number
Selling, distribution and retail	**2,541**	2,851
Design, development and production management	**161**	187
Administration	**132**	135
	2,834	3,173

The aggregate payroll costs of these people were as follows:

	2011 £m	2010 £m
Wages and salaries	**41.9**	48.7
Social security costs	**3.6**	4.3
Defined contribution pension costs	**0.4**	0.5
	45.9	53.5

Included within the total staff cost above is the remuneration of the Directors totalling £0.9 million (2010: £0.9 million). Details of Directors' remuneration, share options and pension entitlements are disclosed in the Directors' Remuneration Report. Details of pension costs are disclosed in Note 31 to the Group accounts.

8 Finance income and expense

Recognised in the income statement	2011 £m	2010 £m
Finance income		
Interest receivable on bank balances	**0.2**	0.1
Finance expense		
Interest payable on bank loans and overdrafts	**–**	–
	0.2	0.1

9 Loss before taxation

The Group's loss before taxation is stated after charging/(crediting) the following:

	2011 £m	2010 £m
Fees payable to the Company's auditors and its associates in respect of		
the audit of the Group's annual accounts	**0.1**	0.1
the audit of the Company's subsidiaries, pursuant to legislation	**0.3**	0.3
tax and other assurance services	**0.1**	0.1
transaction assistance	**0.2**	0.1
Depreciation and impairment of owned assets	**3.7**	5.5
(Profit)/loss on sale of items of property, plant and equipment	**(0.2)**	1.4
Closure costs	**(3.5)**	6.5
Impairment of assets held for sale	**–**	3.8
Operating lease rentals		
Plant and machinery	**0.1**	0.1
Leasehold properties	**32.6**	40.1
Rent receivable	**(1.2)**	(1.4)

The auditor's remuneration in respect of the Company's audit fees was £40,000 (2010: £40,000).

During the year £325,000 (2010: £310,000) was paid to the auditors and their associates for non-audit services in respect of tax compliance and advisory services (£50,000 (2010: £207,000)), royalty and turnover reviews (£21,000 (2010: £13,000)), transaction assistance (£242,000 (2010: £85,000)) and other services (£12,000 (2010: £5,000)).

10 Income tax expense

a) Recognised in the income statement

	2011 £m	2010 £m
Current tax		
UK corporation tax on profits of the period	**–**	–
Adjustment in respect of previous periods	**(0.5)**	0.1
	(0.5)	0.1
Overseas tax	**0.7**	0.6
Total current tax	**0.2**	0.7
Deferred tax – origination and reversal of		
UK temporary differences	**(0.1)**	0.5
Adjustment in respect of previous periods	**–**	(0.5)
Effect of change in tax rates	**0.1**	–
Total deferred tax	**–**	–
Tax on loss (Note 10b)	**0.2**	0.7

£nil (2010: £0.5 million) of the income tax expense is included within discontinued operations (see Note 3).

10 Income tax expense continued

b) Factors affecting tax charge for year

The tax charged for the year is different to the standard 28% (2010: 28%) rate of corporation tax in the UK. The differences are explained below:

	2011 £m	2010 £m
Loss before taxation	(2.2)	(24.2)
Loss multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	(0.6)	(6.8)
Effects of		
Expenses not deductible for tax purposes	0.1	0.6
Disposal of discontinued operations for which no tax has been recognised	0.6	3.0
Foreign exchange movements transferred from reserves not taxable	0.1	0.8
Current year losses for which no deferred tax has been recognised	1.2	2.4
Current year temporary differences and deferred capital allowances for which no deferred tax has been recognised	–	1.7
Difference in effective tax rates on overseas earnings	(0.4)	(0.5)
Adjustments to tax charge in respect of previous periods	(0.5)	(0.4)
Share of joint venture tax charge which has been netted off within share of profit of joint ventures	(0.4)	(0.1)
Deferred tax charge relating to reduction in UK tax (28% to 27% effective from 1 April 2011)	0.1	–
Total tax charge for the year (Note 10a)	0.2	0.7

The income tax expense recognised in equity is £0.1 million (2010: £0.5 million credit).

The effective tax rate in the future will be affected by the proportion of any profits or losses generated in the different tax jurisdictions.

c) Income tax recognised in other comprehensive income

	Before tax 2011 £m	Tax (expense)/ benefit 2011 £m	Net of tax 2011 £m	Before tax 2010 £m	Tax (expense)/ benefit 2010 £m	Net of tax 2010 £m
Currency translation differences on foreign currency net investments	–	–	–	(1.5)	–	(1.5)
Currency translation differences on foreign currency loans	0.4	(0.1)	0.3	(0.6)	–	(0.6)
Effective portion of changes in fair value of cash flow hedges	0.1	–	0.1	(1.1)	–	(1.1)
Currency translation differences transferred to profit and loss	2.5	–	2.5	(0.4)	0.5	0.1
	3.0	(0.1)	2.9	(3.6)	0.5	(3.1)

11 Dividends – equity

	2011 £m	Pence per share	2010 £m	Pence per share
Final paid for prior financial year	0.5	0.5p	–	–
Interim paid for current financial year	0.5	0.5p	–	–
Total dividends paid during the year	1.0	1.0p	–	–

The Board is proposing a final dividend of 1.0 pence (2010: 0.5 pence) giving a total dividend for the current financial year of 1.5 pence per share (2010: 0.5 pence). £nil (2010: £0.6 million) of dividends were paid during the year to the minority shareholders of a subsidiary undertaking of the Group.

12 Earnings/(losses) per share

Earnings or losses per share are calculated on 95,879,754 shares being the weighted average number of ordinary shares in both years, there being no dilutive effect from options. Basic losses per share of 2.4 pence per share (2010: 26.0 pence) is based on £(2.3) million (2010: £(24.9) million) being the loss attributable to equity shareholders.

On continuing operations the basic earnings/(losses) per share of 9.2 pence per share (2010: restated losses of (9.6) pence) is based on £8.8 million (2010: restated losses of £(9.2) million) being the profit relating to continuing operations.

On discontinuing operations the basic losses per share of (11.6) pence per share (2010: restated losses of (16.4) pence) is based on £(11.1) million (2010: restated losses of £(15.7) million) being the loss relating to discontinued operations.

The reconciliation to adjusted earnings per share is as follows:

	2011 Continuing £m	2011 Continuing Pence per share £m	Restated* 2010 Continuing £m	Restated* 2010 Continuing Pence per share £m
Profit/(loss) attributable to equity shareholders	**8.8**	**9.2p**	(9.2)	(9.6)p
US closed stores	**1.9**	**2.0p**	3.2	3.3p
Closure costs provision	**(3.5)**	**(3.7)p**	6.5	6.8p
Adjusted profit	**7.2**	**7.5p**	0.5	0.5p

The adjusted earnings per share relates to the core continuing operations and in the opinion of the Directors, gives a better measure of the Group's underlying performance than the basic losses per share.

* See discontinued operations Note 3.

13 Intangible assets

	Goodwill 2011 £m	Goodwill 2010 £m
Cost		
At 1 February	**14.3**	14.2
Acquisition during the year	**–**	0.1
At 31 January	**14.3**	14.3
Impairment		
At 1 February and 31 January	**(11.9)**	(11.9)
Net book value at 31 January	**2.4**	2.4

Goodwill of £2.0 million relates to the acquisition of retail franchise operations in the UK.

Given the similar nature of the activities of each cash generating unit, a consistent methodology is applied across the Group in assessing cash generating unit recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs to sell. The value in use is the present value of the cash flows expected to be generated by the cash generating unit over a projection period together with a terminal value. Cash flows are projected based on actual operating results and the Directors' five year forward forecasts which are based on Directors' knowledge and historical experience and economic growth forecasts for the fashion industry, including maximum sales growth forecasts of 2% per annum. A pre-tax discount rate of 15% (2010: 15%) has been applied to the value in use calculations reflecting market assessments of the time value of money at the balance sheet date. A terminal growth rate of 2% (2010: 2%) has been used based on industry growth rates. As discussed in Our Business on pages 4 to 7, like all retailers the Group is susceptible to volatility in the propensity of consumers to spend, which is affected by macro-economic issues. Further, both the Group's retail and wholesale businesses have largely inflexible cost bases given rise to substantial operational gearing. Accordingly the key sensitivity with regard to future cash flows and value in use relates to the assumed sales growth. As noted above this has been set at a maximum of 2% per annum.

14 Assets held for sale

In the prior year ended 31 January 2010 the assets and liabilities of the Nicole Farhi brand within the Group were presented as held for sale. The Company announced an agreement with OpenGate Capital under which OpenGate would acquire the assets and liabilities of the Nicole Farhi business for a consideration of up to £5.0 million, deferred and contingent upon the future results of the business. At 31 January 2010 the disposal group comprised assets of £6.4 million and liabilities of £4.7 million. An impairment loss of £3.8 million on the assets held for sale was recognised in discontinued operations. The assets held for sale were reported within the UK/Europe and North America operating segments.

There are no assets or liabilities held for sale at 31 January 2011.

	2010 £m
Assets classified as held for sale	
Inventories	2.8
Trade and other receivables	3.6
	6.4
Liabilities classified as held for sale	
Trade and other payables	(4.7)

15 Property, plant and equipment

2011	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2010	18.1	70.5	88.6
Currency movements	–	0.5	0.5
Additions	–	1.0	1.0
Disposals	(6.1)	(7.5)	(13.6)
At 31 January 2011	**12.0**	**64.5**	**76.5**
Depreciation			
At 1 February 2010	17.4	60.1	77.5
Currency movements	–	0.3	0.3
Impairment	–	0.1	0.1
Charge for year	0.2	3.4	3.6
Disposals	(6.1)	(7.4)	(13.5)
At 31 January 2011	**11.5**	**56.5**	**68.0**
Net book value			
At 31 January 2011	**0.5**	**8.0**	**8.5**
At 31 January 2010	0.7	10.4	11.1

The Group has plant and equipment held under finance leases having a net book value of £nil (2010: £nil) on which depreciation of £nil (2010: £0.7 million) was charged during the year.

The impairment loss recognised in the year of £0.1 million (2010: £0.7 million) is a result of a review of the carrying value of the store portfolio assets.

Property, plant and equipment with a net book value of £0.1 million (2010: £0.8 million) was disposed of during the year. Net income received on disposal was £0.3 million (2010: £0.6 million costs of disposal) with a resulting profit on disposal of £0.2 million (2010: £(1.4) million loss) of which £nil (2010: £(0.6) million) is included within discontinued operations.

The Group has £52.7 million (2010: £56.6 million) of gross assets with a £nil net book value.

15 Property, plant and equipment continued

2010	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2009	20.1	78.1	98.2
Currency movements	(1.2)	(1.2)	(2.4)
Additions	–	2.8	2.8
Transfer to assets held for sale	(0.7)	(1.4)	(2.1)
Disposals	(0.1)	(7.8)	(7.9)
At 31 January 2010	**18.1**	**70.5**	**88.6**
Depreciation			
At 1 February 2009	18.9	63.5	82.4
Currency movements	(1.0)	(1.1)	(2.1)
Impairment	–	0.7	0.7
Charge for year	0.2	4.6	4.8
Transfer to assets held for sale	(0.6)	(0.6)	(1.2)
Disposals	(0.1)	(7.0)	(7.1)
At 31 January 2010	**17.4**	**60.1**	**77.5**
Net book value			
At 31 January 2010	**0.7**	**10.4**	**11.1**
At 31 January 2009	1.2	14.6	15.8

16 Investments

The Group's investments in joint ventures are as follows:

	2011 £m	2010 £m
Share of current assets	**4.0**	2.9
Share of non-current assets	**0.2**	0.2
Share of current liabilities	**(0.8)**	(0.5)
	3.4	2.6
Share of revenue	**7.4**	5.8
Share of expense	**(5.6)**	(5.3)
Share of income tax expense	**(0.3)**	(0.1)
	1.5	0.4

The investments are accounted for using the equity method of accounting.

17 Inventories

	2011 £m	2010 £m
Raw materials and consumables	**0.8**	0.9
Work in progress	**0.8**	1.4
Finished goods	**38.7**	38.5
	40.3	40.8

During the year, inventory write-downs of £3.1 million (2010: £2.0 million) were expensed within cost of sales. The amount of inventory recognised as an expense during both the current and prior years is equal to the amount recognised within cost of sales.

All inventory is valued at the lower of cost and net realisable value. There is no inventory carried at fair value less costs to sell either in the current or prior year.

18 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**9.0**	7.8
Other receivables	**6.2**	8.2
Prepayments and accrued income	**10.4**	10.9
	25.6	26.9

No receivables are due in more than one year and are non-interest bearing. Standard credit terms provided to customers differ, but are typically between 30 and 60 days. Included within trade receivables is a bad debt provision of £0.4 million (2010: £0.3 million). During the year, £0.1 million (2010: £0.2 million) of bad debt write-offs were incurred.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 29.

19 Cash and cash equivalents

	2011 £m	2010 £m
Cash and cash equivalents in the balance sheet and cash flow	**34.1**	35.7

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 29.

20 Current trade and other payables

	2011 £m	2010 £m
Trade payables	**19.2**	18.5
Bills of exchange payable	**2.2**	2.4
Other taxation and social security	**3.8**	2.9
Accruals and deferred income	**17.9**	19.1
	43.1	42.9

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

21 Provisions

Restructuring	2011 £m	2010 £m
Balance at 1 February	**8.7**	–
Movement during the year	**(7.2)**	8.7
Balance at 31 January	**1.5**	8.7

During the previous year ended 31 January 2010, the Group implemented a strategic review with the aim of making the changes necessary to return the Group to profit and cash generation.

Restructuring provisions were estimated for the following:

- £2.5 million provision relating to the termination of our retail operations in Japan, resulting in the closure of 21 stores included within discontinued operations; and
- £6.2 million provision relating to the planned closure of the majority of our retail stores in the US, included within continuing operations.

£3.7 million of the restructuring provisions relating to lease terminations were utilised during the year. £3.5 million of the provisions have been credited to the profit and loss account within continuing operations in the current year following the settlement of the costs of closure of the US retail stores.

22 Current tax payable

	2011 £m	2010 £m
UK corporation tax	**0.6**	0.5
Overseas tax	**0.5**	–
Current tax payable	**1.1**	0.5

23 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2011 £m	2010 £m	2011 £m	2010 £m
Property, plant and equipment	**2.3**	2.0	**–**	–
Deferred rent	**0.4**	0.4	**–**	–
Provisions	**0.7**	1.0	**–**	–
Deferred capital gains	**–**	–	**0.9**	0.8
Losses	**0.7**	0.7	**–**	–
	4.1	4.1	**0.9**	0.8

Deferred tax assets have not been recognised on the following temporary differences due to the degree of uncertainty of the time period over which the underlying tax losses and deductions will be utilised in our UK and US businesses.

	2011 £m	2010 £m
Tax losses carried forward	**13.1**	6.9
Property, plant and equipment	**3.0**	3.8
Deferred capital losses	**0.3**	–
Other temporary differences	**0.8**	1.7
	17.2	12.4

No provision is made in respect of additional taxation which may be payable in the future on the distribution by overseas subsidiaries of their retained profits.

24 Share capital

Ordinary shares of 1 pence each	2011 Number	2011 £m	2010 Number	2010 £m
Authorised shares at the beginning of the year	**125,000,000**	**1.3**	125,000,000	1.3
Allotted, called up and fully paid shares at the beginning and end of the year	**95,879,754**	**1.0**	95,879,754	1.0

At 31 January 2011, the following equity settled options have been granted and remain outstanding in respect of ordinary shares of 1p each in the Company:

Date of grant	Options	Option price	Contractual life of options
1 November 2002 (vested 1 November 2005)	604,755	177.20p	10 years
1 November 2002 (vested 1 November 2005)	105,000	141.50p	10 years
29 October 2008	2,886,800	56.20p	10 years

Share options granted are subject to detailed performance conditions. The performance condition for the outstanding round of option grants is based on a target profit before tax and hurdles are set in order to reward strong financial performance. Options which do not vest following the application of the performance conditions lapse and become unavailable for exercise.

	Weighted average exercise price	Number of options 2011	Weighted average exercise price	Number of options 2010
Outstanding at the beginning of the period	**77.10p**	**4,895,861**	77.40p	5,155,161
Forfeited during the period	**71.71p**	**(1,299,306)**	83.60p	(259,300)
Outstanding at the end of the period	**79.04p**	**3,596,555**	77.10p	4,895,861

The number of share options exercisable at the year end is 709,755 (2010: 876,261).

The Group has adopted the exemption to apply IFRS 2 only to equity instruments granted after 7 November 2002.

The fair value of the share options granted is not considered to be material to the accounts in the current and prior years.

25 Reconciliation of decrease in cash to movement in net funds

	2011 £m	2010 £m
Decrease in cash	**(1.9)**	(3.0)
Cash outflow from finance leases	**–**	1.2
Change in net funds from cash flows	**(1.9)**	(1.8)
Translation differences	**0.3**	0.4
Movement in net funds	**(1.6)**	(1.4)
Net funds at beginning of year	**35.7**	37.1
Net funds at end of year	**34.1**	35.7

26 Analysis of net funds

	1 February 2010 £m	Cash flow £m	Non cash changes £m	31 January 2011 £m
Cash and cash equivalents in the balance sheet and cash flow	35.7	(1.9)	0.3	**34.1**
Net funds	35.7	(1.9)	0.3	**34.1**

27 Commitments

Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2011 for which no provision has been made in these accounts were as follows:

	Leasehold property		Other	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Operating leases which expire:				
Within one year	**3.4**	7.3	**–**	–
Within two to five years	**34.4**	35.3	**0.1**	0.2
After five years	**221.6**	222.9	**–**	–
	259.4	265.5	**0.1**	0.2

Aggregate future rentals receivable under non-cancellable operating leases at 31 January 2011 for which no accrual has been made in these accounts were as follows:

	Leasehold property	
	2011 £m	2010 £m
Operating leases which expire:		
Within one year	**1.0**	0.5
Within two to five years	**–**	3.5
	1.0	4.0

At 31 January 2011 the Group had contracted capital commitments not provided for in the accounts of £0.4 million (2010: £0.3 million).

At 31 January 2011 the Group had commitments on foreign exchange contracts amounting to £4.8 million (2010: £4.0 million). In addition, the Group had commitments in respect of letters of credit of £1.4 million (2010: £1.1 million).

28 Contingent liabilities

Under certain circumstances the Group guarantees the lease commitments of some franchisees. In addition, the Group has a number of non-trading properties sub-let to alternative tenants. In the event that these tenants default, the Group may be liable. At the year end, the total annual commitment amounted to £0.1 million (2010: £0.1 million).

29 Financial instruments

Details of financial risk management, treasury policies and use of financial instruments are set out in the section entitled 'Management of risks' within Our Business.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash position on a regular basis through the use of regularly updated cash flow forecasts, and believes that it has sufficient and appropriate net funds and facilities available.

Interest rate risk

The Group does not use interest rate financial instruments. The Group regularly monitors and reacts accordingly to any exposure to fluctuations in interest rates and the impact on its monetary assets and liabilities.

Foreign currency risk

The Group is exposed to foreign currency risks on sales, purchases and cash holdings that are denominated in a currency other than Sterling. The currency giving rise to this risk is primarily the Hong Kong Dollar. The Group's policy is to reduce the risk associated with purchases denominated in foreign currencies, by using forward fixed rate currency purchase contracts up to a maximum of one year forward, taking into account any forecast foreign currency cash flows.

29 Financial instruments continued

Foreign currency risk continued

In respect of other monetary assets and liabilities held in currencies other than the Hong Kong Dollar, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's policy is not to hedge the translational exposure that arises on consolidation of the statement of income at overseas subsidiaries.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's main credit risk is primarily attributable to its trade receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. At the balance sheet date, there were no significant concentrations of credit risk by customer or by geography. Quantitive analysis of credit risk to receivables is presented below.

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with an existing relationship bank with strong investment grade rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011 £m	2010 £m
Trade and other receivables	15.2	16.0
Cash and cash equivalents	34.1	35.7
	49.3	51.7

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2011 £m	2010 £m
United Kingdom and Europe	7.6	5.5
North America	3.1	2.3
Rest of the World	4.5	8.2
	15.2	16.0

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2011 £m	2010 £m
Wholesale customers	9.0	7.8

The ageing of gross trade receivables at the reporting date was:

	Gross 2011 £m	Impairment 2011 £m	Gross 2010 £m	Impairment 2010 £m
Current	8.0	–	6.4	–
30 days	1.1	(0.1)	0.4	–
60 days	0.1	(0.1)	0.7	–
More than 60 days	0.2	(0.2)	0.6	(0.3)
	9.4	(0.4)	8.1	(0.3)

An impairment has been recorded against the trade receivables that the Group believes may not be recoverable. Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

29 Financial instruments continued

Exposure to credit risk continued

The movement in impairment in respect of trade receivables during the year was as follows:

	2011 £m	2010 £m
At 1 February	**0.3**	0.4
Movement during year	**0.1**	(0.1)
At 31 January	**0.4**	0.3

Interest rate profile of financial assets

The interest rate profile of the financial assets of the Group at 31 January 2011 was as follows:

	Financial assets on which no interest is received		Floating rate financial assets		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Sterling	**0.1**	0.1	**23.8**	23.6	**23.9**	23.7
US Dollar	**–**	–	**5.6**	6.2	**5.6**	6.2
Hong Kong Dollar	**–**	–	**1.8**	2.4	**1.8**	2.4
Japanese Yen	**–**	0.5	**–**	–	**–**	0.5
Other	**–**	–	**2.8**	2.9	**2.8**	2.9
Total	**0.1**	0.6	**34.0**	35.1	**34.1**	35.7

Financial assets comprise cash and short term deposits. The effective interest rate on floating rate financial assets during the year was 1.3% (2010: 1.7%).

There were no fixed rate or floating rate financial liabilities at the end of the current or prior year.

Currency exposure

Net monetary assets and liabilities of the Group that are not denominated in the local functional currency were as follows:

At 31 January 2011 Net foreign currency monetary assets/(liabilities)	**Sterling £m**	**US Dollar £m**	**Canadian Dollar £m**	**Hong Kong Dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Trade and other receivables	2.0	0.3	–	–	1.4	0.1	**3.8**
Cash and overdraft	–	2.0	–	0.5	1.7	–	**4.2**
Trade and other payables	(0.9)	(0.8)	–	–	(2.3)	–	**(4.0)**
Intercompany balances	(5.3)	13.6	6.9	(14.1)	6.7	–	**7.8**
Total	**(4.2)**	**15.1**	**6.9**	**(13.6)**	**7.5**	**0.1**	**11.8**

At 31 January 2010 Net foreign currency monetary assets/(liabilities)	Sterling £m	US Dollar £m	Canadian Dollar £m	Hong Kong Dollar £m	Euro £m	Other £m	**Total £m**
Trade and other receivables	1.6	0.1	–	–	1.5	0.1	**3.3**
Cash and overdraft	–	4.0	–	0.5	1.2	–	**5.7**
Trade and other payables	(0.8)	(0.3)	–	–	(2.1)	–	**(3.2)**
Intercompany balances	(4.5)	7.4	6.9	(9.6)	2.3	0.1	**2.6**
Total	**(3.7)**	**11.2**	**6.9**	**(9.1)**	**2.9**	**0.2**	**8.4**

Forward foreign exchange contracts have not been taken into consideration above. As at 31 January 2011, the Group has committed forward foreign exchange contracts of £4.8 million (2010: £4.0 million).

29 Financial instruments continued

Currency exposure continued

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	**2011**	2010
US Dollar	**1.546**	1.575	**1.602**	1.602
Canadian Dollar	**1.587**	1.772	**1.602**	1.707
Hong Kong Dollar	**12.012**	12.208	**12.487**	12.444
Japanese Yen	**134.490**	147.639	**131.231**	145.266
Euro	**1.170**	1.126	**1.168**	1.153

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies at 31 January would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant. This analysis is performed on the same basis for the prior year.

	Equity 2011 £m	**Profit and loss 2011 £m**	Equity 2010 £m	Profit and loss 2010 £m
US Dollar	**(0.9)**	**(0.4)**	(0.9)	(0.2)
Canadian Dollar	**(0.6)**	**–**	(0.6)	(0.1)
Hong Kong Dollar	**0.8**	**0.5**	0.8	–
Euro	**(0.4)**	**(0.3)**	–	(0.5)
	(1.1)	**(0.2)**	(0.7)	(0.8)

Borrowing facilities

Working capital and letter of credit facilities of £3.2 million were available to the Group at 31 January 2011 (31 January 2010: £10.3 million). The facilities are subject to an annual review and were most recently renewed in September 2010.

Fair values

The fair value of the Group's financial instruments at 31 January 2011 were as follows:

	31 January 2011		31 January 2010	
	Carrying amount £m	**Estimated fair value £m**	Carrying amount £m	Estimated fair value £m
Primary financial instruments used to finance the Group's operations:				
Cash and cash equivalents	**34.1**	**34.1**	35.7	35.7
Trade receivables	**9.0**	**9.0**	7.8	7.8
Trade payables	**(19.2)**	**(19.2)**	(18.5)	(18.5)
Derivative financial instruments	**–**	**–**	(0.1)	(0.1)

The fair value of forward exchange contracts outstanding as at 31 January 2011 is a liability of £0.0 million (2010: £0.1 million). £0.1 million has been credited to the hedging reserve (2010: £1.1 million debited).

These contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

The fair value of derivative financial instruments is determined using discounted cash flow techniques based on readily available market data and represent a Level 2 measurement in the fair value hierarchy under IFRS 7. Level 2 is defined as inputs other than quoted prices in active markets that are observable for the asset or liability.

29 Financial instruments continued

Capital management

The capital structure of the Group consists of net funds and equity attributable to the equity holders of the parent Company, comprising issued share capital, reserves and retained earnings. The Group manages its capital with the objective that all entities within the Group continue as going concerns. The Group is not subject to any externally imposed capital management.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To achieve this the Board of Directors monitors the balance sheet, the working capital, the cash flows and the level of dividends paid to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

At present employees, including the Chairman, hold 44% of ordinary shares. Share options have been issued amounting to just over 5% of the issued share capital.

The Company does not have permission from shareholders to conduct share buy-backs.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 Directors' interests and related party transactions

The Group made sales of £2.4 million (2010: £1.9 million) to FCUK IT Company and £0.8 million (2010: £0.6 million) to FCIT China Limited during the year, both of which are joint ventures. The closing liabilities due from the respective joint ventures are £0.6 million (2010: £0.5 million) and £0.2 million (2010: £0.2 million).

There are no related party transactions between French Connection Group PLC and the non-controlling interest subsidiary undertakings.

At 31 January 2011, Stephen Marks, Chairman and Chief Executive had an interest in 40,094,190 ordinary shares (2010: 40,094,190) of which 2,281,500 shares (2010: 2,281,500) were held in family trusts, representing in aggregate 41.8% (2010: 41.8%) of the total issued ordinary share capital of the Company.

Details of the Directors' remuneration, being the key management personnel, are disclosed in the Directors' Remuneration Report.

31 Pension costs

The Group operates a Group defined contribution scheme and contributes towards a number of personal pension plans. The assets of these schemes are held separately from those of the Group in independently administered funds.

The pension cost charge for the year was £0.4 million (2010: £0.5 million). At 31 January 2011 and 31 January 2010 there were no outstanding amounts payable to the schemes.

32 Accounting estimates and judgements

The Directors have made significant accounting estimates and judgements in applying the Group's accounting policies in the following areas:

Impairment – the Group is required to test, at least annually, whether goodwill has suffered any impairment. The Group also reviews the carrying value of property, plant and equipment where events or changes in circumstances indicate any potential impairment. The Directors have used five year forecast models and an appropriate pre-tax weighted average cost of capital in its goodwill and fixed asset impairment calculations. Growth assumptions are based on Directors' knowledge and historical experience. The discount rate used is based on the weighted average cost of capital applicable to the individual assets concerned.

Inventory valuation – the Directors have used their knowledge and experience of the fashion industry in determining the level and rates of provisioning required to calculate the appropriate inventory carrying values.

Discontinued operations – the Directors have applied judgment in determining which entities to classify and present as discontinued, taking into account the criteria and guidance set out in IFRS and also with consideration of the size and contribution of the entities. This includes an assessment of how best to present the results for the Group to aid the reader to understand the contribution from those businesses that are being closed and disposed and those that are retained as continuing core businesses.

33 Principal subsidiary undertakings

Details of the principal subsidiary undertakings at 31 January 2011 are set out below. Unless otherwise stated, the Company directly owned all the issued ordinary shares.

Company	Country of Incorporation, Registration and Operation	Principal Activity
French Connection Limited	England	Brand management
French Connection UK Limited (formerly French Connection Retail Limited)	England	Supply of fashion merchandise
NF Restaurants Limited	England	Restaurant
French Connection (Hong Kong) Limited	British Virgin Islands (operates in Hong Kong)	Supply of fashion merchandise
French Connection (London) Limited (formerly Stephen Marks (London) Limited)	England	Supply of fashion merchandise
French Connection No. 2 Pour Hommes Sarl*	France	Supply of fashion merchandise
PreTex Textilhandels GmbH*	Germany	Supply of fashion merchandise
French Connection Holdings Inc	USA	Holding Company
French Connection Group Inc*	USA	Supply of fashion merchandise
Louisiana Connection Limited*	USA	Supply of fashion merchandise
Roosevelt Connection Limited*	USA	Supply of fashion merchandise
Soho Connection Limited*	USA	Supply of fashion merchandise
French Connection (Canada) Limited (75%)	Canada	Supply of fashion merchandise
Toast (Mail Order) Limited (75%)	Wales	Supply of fashion merchandise
YMC Limited (75%)	England	Supply of fashion merchandise
FCUK IT Company (50% partnership)*	Hong Kong	Supply of fashion merchandise
FCIT China Limited (50%)*	Hong Kong	Supply of fashion merchandise

FCUK IT Company's principal place of business is Block 1, 7th Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon, Hong Kong.

FCIT China Limited's principal place of business is 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong.

* Shares are held by subsidiary undertakings.

COMPANY BALANCE SHEET

AT 31 JANUARY 2011

	Note	2011 £m	2010 £m
Fixed assets			
Tangible assets	3	**0.3**	0.4
Investments	4	**23.1**	28.7
		23.4	29.1
Current assets			
Debtors	5	**40.4**	40.3
Cash at bank and in hand		**–**	–
		40.4	40.3
Current liabilities			
Creditors	6	**(2.3)**	(1.4)
Derivative financial instruments		**–**	(0.1)
		(2.3)	(1.5)
Net current assets		**38.1**	38.8
Total assets less current liabilities		**61.5**	67.9
Provisions for liabilities and charges	7	**(0.8)**	(0.8)
Net assets		**60.7**	67.1
Capital and reserves			
Called-up share capital	8	**1.0**	1.0
Share premium account	8	**9.4**	9.4
Profit and loss account	8	**50.3**	56.8
Other reserves	8	**–**	(0.1)
Equity shareholders' funds	9	**60.7**	67.1

The notes on pages 56 to 59 form part of these accounts.

These accounts were approved by the Board of Directors on 15 March 2011 and were signed on its behalf by:

Stephen Marks
Director

Roy Naismith
Director

Company Number: 1410568

NOTES TO THE COMPANY ACCOUNTS

1 Accounting policies

a) Basis of preparation

The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP, these are presented on pages 55 to 59.

b) Basis of accounting

The accounts have been prepared under the historical cost accounting rules, except for derivative financial instruments measured at fair value, and in accordance with applicable accounting standards. As permitted by Section 408 of the Companies Act 2006, the profit and loss account under UK GAAP of the Company is not presented. No new standards have been adopted in this year's financial statements. The Company has taken the exemption granted by FRS 8 Related Party disclosures not to disclose transactions with wholly owned subsidiaries of the Group.

c) Depreciation

Depreciation is provided to write off the cost less estimated residual value of fixed assets by equal annual instalments over their useful lives, which are estimated to be as follows:

Plant, equipment, fixtures and fittings : 3 to 10 years

d) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision has been made for deferred taxation arising from timing differences between the recognition of income and expenditure for taxation and accounting purposes. Deferred tax amounts are not discounted.

e) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Transactions in the period are translated into Sterling at the rates of exchange ruling on the date of transaction or at hedged rates. Resulting exchange differences are taken to the profit and loss account. Forward fixed rate currency purchase contracts are used.

f) Leased assets

Operating lease annual rentals are charged to the profit and loss account in the period to which they relate. Rentals receivable under operating leases are included in the profit and loss account on an accruals basis. There are no finance leases in the current year.

g) Pension cost

Pension costs charged to the profit and loss account represent the amount of contributions payable to defined contribution and personal pension schemes in respect of the period.

h) Share-based payment

The Group operates share option incentive schemes for Directors and key employees. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the "Black-Scholes" option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement is adjusted at each balance sheet date to reflect the number of share options that are expected to vest revised for expected leavers and estimated achievement of non-market based vesting conditions. The Group has adopted the exemption to apply FRS 20 only to equity instruments granted after 7 November 2002. The fair value of the share options granted is not considered to be material in the current and prior years.

i) Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts are used to manage the risk associated with purchases denominated in foreign currencies as described in the section entitled 'Management of risks' within Our Business. Any changes in the fair value of the forward contracts during the period in which the hedge is in effect will be reflected as a component of reserves within a hedging reserve to the extent that the hedge is effective. The ineffective part of the hedge is recognised in the profit and loss account.

Financial Reporting Standard 29 "Financial Instruments: Disclosures" (FRS 29) sets out the requirements for the presentation of, and disclosures relating to, financial instruments and replaces the requirements of FRS 25 "Financial Instruments: Disclosure and Presentation". The Company is exempt from the requirements of FRS 29 as the financial statements for the Group include disclosures that comply with IFRS 7, the equivalent International Financial Reporting Standard.

1 Accounting policies continued

j) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity trade and other receivables, cash and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less any impairment losses.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

k) Investments

Investments are stated at cost less provision for permanent diminution in value.

l) Share capital

When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. The cost of own shares purchased to satisfy the exercise of employee share options is charged to total equity and the proceeds of their reissue are credited to total equity.

m) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

n) Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of fellow subsidiaries or of franchisees, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2 Staff numbers and operating costs

All Directors and staff are employed by French Connection (London) Limited, a subsidiary undertaking. Details of staff numbers and costs are shown in that Company's accounts. Directors' remuneration is disclosed in the Directors' Remuneration Report.

The audit fee of the Company is disclosed in Note 9 to the Group accounts.

3 Property, plant and equipment

	Plant equipment fixtures and fittings £m	Total £m
Cost or valuation		
At 1 February 2010 and 31 January 2011	**3.3**	**3.3**
Depreciation		
At 1 February 2010	2.9	2.9
Charge for year	0.1	0.1
At 31 January 2011	**3.0**	**3.0**
Net book value		
At 31 January 2011	**0.3**	**0.3**
At 31 January 2010	0.4	0.4

4 Investments

The Company's investments in subsidiary undertakings is as follows:

	Total £m
Cost	
At 1 February 2010 and 31 January 2011	**51.8**
Provision	
At 1 February 2010	(23.1)
Charge for year	(5.6)
At 31 January 2011	**(28.7)**
Carrying amount	
At 31 January 2011	**23.1**
At 31 January 2010	28.7

The Directors have conducted an impairment review comprising a comparison of the carrying amount of the investment with its recoverable amount being the higher of net realisable value and value in use. The recoverable amount has been determined as the net realisable value. To the extent that the carrying amount exceeds the recoverable amount, the investment is impaired and has been provided against. The impairment loss has been recognised in the profit and loss account in the year.

Impairments of £5.6 million (2010: £8.2 million) relating to the Group's investments in subsidiary companies, French Connection Holdings Inc., and French Connection (London) Limited have been provided in the current year.

The principal subsidiaries of the Company are set out in Note 33 to the Group accounts.

5 Debtors

	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	**39.8**	39.6
Deferred tax recoverable (Note 7)	**0.4**	0.4
Other debtors	**0.1**	0.1
Prepayments and accrued income	**0.1**	0.2
	40.4	40.3

Included within debtors are amounts due within one year of £0.2 million (2010: £0.3 million).

6 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Trade creditors	**0.2**	0.4
Corporation tax payable	**0.1**	–
Accruals and deferred income	**2.0**	1.0
	2.3	1.4

7 Deferred tax

Deferred tax asset (Note 5)	2011 £m	2010 £m
Deferred capital allowances	**0.3**	0.3
Short term timing differences	**0.1**	0.1
	0.4	0.4

7 Deferred tax continued

Deferred tax liability	2011 £m	2010 £m
Deferred capital gains	**0.8**	0.8

The movement during the year has been processed entirely through the profit and loss account.

8 Reserves

	Hedging reserve £m	Share premium account £m	Profit and loss account £m
At 1 February 2010	(0.1)	9.4	56.8
Loss for the financial year	–	–	(5.5)
Dividend paid during the year	–	–	(1.0)
Effective portion of changes in fair value of cash flow hedges	0.1	–	–
At 31 January 2011	**–**	**9.4**	**50.3**

Share capital and share option information is set out in Note 24 in the Group accounts.

The loss before taxation dealt with in the accounts of the Company was £(5.5) million (2010: £(7.2) million).

9 Reconciliation of movements in equity shareholders' funds

	2011 £m	2010 £m
Loss for the financial year	**(5.5)**	(7.3)
Dividends paid during the year	**(1.0)**	–
Dividend received during the year from a subsidiary	**–**	1.8
Effective portion of changes in fair value of cash flow hedges	**0.1**	(0.6)
Net movement in equity shareholders' funds	**(6.4)**	(6.1)
Opening equity shareholders' funds	**67.1**	73.2
Closing equity shareholders' funds	**60.7**	67.1

10 Commitments

	Leasehold property		Other	
	2011 £m	2010 £m	2011 £m	2010 £m
Operating leases which expire:				
Within two to five years	**0.1**	0.3	**0.1**	0.1
After five years	**0.8**	0.8	**–**	–
	0.9	1.1	**0.1**	0.1

At 31 January 2011 the Company had commitments on foreign exchange contracts amounting to £4.8 million (2010: £4.0 million). The fair value of forward exchange contracts outstanding as at 31 January 2011 is a liability of £0.0 million (2010: £0.1 million). £0.1 million has been credited to the hedging reserve (2010: £0.6 million debited to the hedging reserve).

11 Contingent liabilities

The Company raises finance for, and guarantees the bank borrowings of certain subsidiary undertakings which, at 31 January 2011, amounted to £nil (2010: £nil).

12 Related party disclosures

There are no related party transactions between the Company and the non-controlling interest subsidiary undertakings.

At 31 January 2011, Stephen Marks, Chairman and Chief Executive had an interest in 40,094,190 ordinary shares (2010: 40,094,190) of which 2,281,500 shares (2010: 2,281,500) were held in family trusts, representing in aggregate 41.8% (2010: 41.8%) of the total issued ordinary share capital of the Company.

FIVE YEAR RECORD

Years ended 31 January	2007 £	2008 £	2009 £	2010 £	**2011 £**
Total revenue	241.3m	236.1m	248.0m	249.2m	**223.8m**
Profit/(loss) before taxation	4.0m	3.1m	(11.8)m	(9.0)m	**8.9m**
Discontinued operations	–	–	(5.6)m	(15.7)m	**(11.1)m**
Basic earnings/(losses) per share	0.1p	1.5p	(17.3)p	(26.0)p	**(2.4)p**
Adjusted earnings per share	2.2p	1.5p	0.9p	0.5p	**7.5p**
Dividends per share	5.0p	5.0p	1.7p	0.5p	**1.5p**
Net assets	120.5m	118.0m	100.9m	72.3m	**71.8m**
Operated retail trading space 000 sq ft	457	443	490	458	**337**

The 2010 results above reflect the results for that year as disclosed in the 2011 Annual Report and the 2009 results reflect the results for that year as disclosed in the 2010 Annual Report. Each has, respectively, been adjusted for discontinued operations.

The Adjusted Earnings Per Share has been amended to reflect the core continuing operations by excluding the trading of the discontinued and closed operations and excluding the costs of closure and loss on disposal in 2010 and 2011. In previous years the adjustments made are to remove the effect of property disposals and, in 2007, a one-off non-cash tax charge.

Core continuing operations	2010 £	**2011 £**
Revenue	200.8m	**205.0m**
Profit before taxation	0.7m	**7.3m**
Adjusted earnings per share	0.5p	**7.5p**
Operated retail trading space 000 sq ft	337	**337**

The core continuing operations of the Group exclude the trading results of discontinued operations (including the Nicole Farhi business which was sold in the year and, in FY10, the Japan business which was closed in that year) and the results of certain US retail stores which were closed before 31 January 2011. The core continuing operations reflect the entire business in operation at 1 February 2011.

RETAIL LOCATIONS

Core continuing operations		31 January 2011 Locations	sq ft	31 January 2010 Locations	sq ft
OPERATED LOCATIONS					
UK/Europe					
French Connection	Stores	72	221,858	73	222,826
French Connection	Concessions	43	24,779	42	24,239
Toast	Stores	9	10,578	7	8,270
YMC	Stores	2	1,355	1	505
Great Plains	Concessions	2	1,058	2	1,058
		128	259,628	125	256,898
North America					
French Connection	Stores	21	77,397	22	79,997
Total operated locations		149	337,025	147	336,895
French Connection licensed and franchised					
UK/Europe		13	18,460	13	16,560
North America		1	2,000	1	2,000
Middle East		13	25,331	17	30,195
Australia		80	84,800	53	76,513
Hong Kong		6	9,336	6	9,336
China		20	28,562	19	27,876
India		25	21,835	20	16,944
Other		41	42,035	42	44,283
Total licensed and franchised locations		199	232,359	171	223,707
Total branded locations		348	569,384	318	560,602

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 10 am on 18 May 2011 at the offices of French Connection Group PLC, Centro 1, 39 Camden Street, London NW1 0DX:

Ordinary Resolutions

1 To receive and adopt the audited accounts and the report of the Directors and of the auditors for the financial year ended 31 January 2011.

2 To approve the Directors' Remuneration Report for the financial year ended 31 January 2011.

3 To re-elect Neil Williams as a Director of the Company. Mr Williams is required to retire from the office of Director by rotation in accordance with the provisions of the Articles of Association of the Company.

4 To re-elect Claire Kent as a non-executive Director of the Company. Ms Kent is required to retire from the office of non-executive Director by rotation in accordance with the provisions of the Articles of Association of the Company.

5 To re-appoint KPMG Audit Plc as auditors and to authorise the Directors to determine their remuneration.

6 THAT:
the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551, Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for shares or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £291,202 PROVIDED THAT unless previously revoked, varied or extended, this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution SAVE THAT the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

To consider and, if thought fit, pass resolution 7 below as a Special Resolution of the Company:

7 THAT:
if resolution 6 is passed, the Directors be and they are hereby empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority under Section 551 of the Act conferred by Resolution 6 above, and/or by way of a sale of treasury shares for cash (by virtue of Section 573 of the Act), in each case as if Section 561(1) of the said Act did not apply to any such allotment provided that:

(a) the power conferred by this resolution shall be limited to:

(i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities:

(A) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

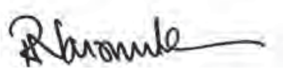
(B) to the holders of any other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(ii) the allotment (otherwise than under sub-paragraph (i) above) of equity securities or sale of treasury shares up to an aggregate nominal value equal to £47,940 (representing 5% of the issued share capital for the time being); and

(b) unless previously revoked, varied or extended, this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution SAVE THAT the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry in pursuance of such an offer or agreement and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board



Roy Naismith
Company Secretary
20-22 Bedford Row, London WC1R 4JS

15 March 2011

Notes

1 Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with Capita so as to arrive no later than 10 am on 16 May 2011.

2 The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction (as described in Note 3) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

3 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Capita (ID RA10) not later than 48 hours before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4 Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5 The statement of the rights of shareholders in relation to the appointment of proxies in Note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

6 As at 10 April 2011, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 95,879,754 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 10 April 2011 are 95,879,754.

7 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6 pm on 16 May 2011 or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6 pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the AGM.

8 Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:

- to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a questions, or;
- it is undesirable in the interests of the Company or the good order of the meeting to answer the question.

9 Copies of the Directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

10 A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at *www.frenchconnection.com*.

11 In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.

12 Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

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Northern House
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Huddersfield HD8 0GA

FINANCIAL CALENDAR

2011

18 May	Annual General Meeting and Interim Management Statement
14 September *(provisional)*	Half-Year Statement
23 November *(provisional)*	Interim Management Statement

2012

31 January	Financial Year End
14 March *(provisional)*	Preliminary Announcement of Results


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