ANNUAL REPORT 2014

French Connection Group PLC

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FRENCH CONNECTION • GREAT PLAINS • TOAST • YMC

The French Connection Group designs, produces and distributes branded fashion clothing for men and women to more than 60 countries around the world

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In the Annual Report last year I set out the initiatives we put in place to drive a turnaround in our trading performance. I am pleased that the initiatives have delivered improved results during the year and that they are continuing to gain traction as our business performance further strengthens.

After delivering a reduction in losses in H1, the Group reports an underlying operating profit in H2 of £1.7m (2013: H2 loss of £(0.9)m). As a consequence, the overall Group underlying operating loss before taxation (and excluding store closure costs) for the year was therefore better than expectations at £(4.4)m, an encouraging improvement compared with the loss of £(7.2)m last year.

The majority of the improvement in the Group financial performance was from our Retail division which reduced operating losses by £3.8m over the year. This was driven out of our UK/Europe business, through enhanced margins particularly in the latter part of H2, lower underlying labour costs and the closure of 9 non-contributing stores. In the Wholesale division, better UK/Europe trading was offset by tough trading conditions in North America. Group management and common overheads were reduced by 11.7%.

The UK/Europe retail performance continues to strengthen following the implementation of the retail initiatives. At the operational level focus has been placed on process re-engineering and staff scheduling, which have resulted in both cost savings and better time management. This has been in conjunction with a push to improve full price sales evidenced by positive LFL's in H2.

The improved collections under the control of the new design team have shown a positive impact. Significantly, changes in our retail buying resulted in higher full price sell through, lower levels of discounting during the sale period, much better stock control and consequently reduced working capital consumption. This has further enabled us to continue to improve the brand equity by having shorter sale periods in the UK at the end of the last two seasons.

During the year our ecommerce business has continued to perform well and has grown by 8%, benefiting from the continued investment in our multi-channel offering. It is clear that we will need to maintain this investment in order to ensure we provide high levels of functionality to customers.

We continued to rationalise the UK/Europe store portfolio with a total of 9 non-contributing stores closed during the year. We plan to close a further 3-5 non-contributing stores during the current year.

As the year progressed the UK wholesale business built momentum as the benefits of the changes to the collections fed through, resulting in an improved second half performance. Orders for the Spring 2014 collections are ahead of last year. A good initial reaction to the Winter 2014 collections, linked to an improved sell through of the previous season, has resulted in further progress.

Toast performed well during the year and continues to leverage on its primarily online business model, complemented by a small retail portfolio.

In International markets, in our Joint Ventures in China and Hong Kong, additional stores were opened and with positive LFL's, the share of profit from joint ventures increased. In North America, the apparel market has been weak in 2014 and we have not been immune to the effects of this.

Global Licensing continues to be a very important part of the business highlighting the strength of the brand, with the new licenses for furniture, shoes, and bags performing well.

The Group remains debt free and ended the year with a strong cash position of £28.2m (2013: £28.5m). To conserve working capital the Board has decided that no dividend shall be paid for the year (2013: Nil). The shareholder distribution policy will be kept under review during the year.

Overall, there has been significant positive change across the business during the year. We have felt the benefit of the new team who have now been in place for over a year and have made considerable impact across many areas. More recently we have been pleased with the reception to our Spring range.

We have accomplished a great deal in the past year and will build on that momentum to deliver further improvements. There is still much to do and I am confident that we are on the right path and have the right strategy to drive further progress.

Finally on behalf of the Board, I would like to thank all our staff around the world for their continuing efforts and hard work which is contributing to the success and delivery of the improved performance we have seen over the past year.

Stephen Marks
Chairman and Chief Executive

12 March 2014

OUR BUSINESS

Business objectives, strategy, and business model

At the heart of our business is a passion for the clothes. In 1972, when French Connection was conceived, we set out to create well-designed, stylish clothing that appealed to a broad market. We have since worked hard to build on that vision and as a result, French Connection is synonymous with fashion and style.

It remains our prime goal to create distinctiveness in a crowded market place through focus on design. The brand's strength lies in balancing new, exciting ideas with consistent quality and affordability and in a world of "fast fashion" we are proud of our commitment to the creative process.

With a passionate focus on fashion underpinning the business our aim is to generate increased shareholder value through the sale 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.

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. We seek to ensure that 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 clothing to match our customers' expectation has been, and continues to be, the key to our continued success.

We seek to ensure that our resources are deployed effectively and efficiently to support our business. Design and production of the ranges and maintenance of our operating standards are paramount for all our business managers who have broad responsibility for their area of operations.

Brands

Our principal brand is *French Connection* which accounts for 87% of the Group's revenues.

The *French Connection* brand operates in the fashion-orientated market place 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 and accessories.

Our other brands include:

TOAST: a range of beautifully crafted ladies' and men's clothing and unique homeware, available on-line, in selected John Lewis stores and through a growing number of dedicated high-street stores;

Great Plains: a fashion basics range designed in-house and supplied through wholesale to multi-brand 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.

Our operations

We design, produce and distribute branded fashion clothing for men and women from our business premises in London, Swansea, New York, Paris, Dusseldorf, Hong Kong and Toronto. We operate retail stores and concessions in the UK, Europe, US and Canada and also operate ecommerce businesses in each of those territories. Further, we wholesale our products to retailers operating in over 60 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.

Our design teams are based in London and we arrange for the products to be manufactured in specialist third part factories in Europe and Asia supervised by local buying offices. The main countries where manufacturing takes place are China, India and Turkey.

The Group retails garments through a network of stores on high streets and in shopping malls across the UK, Europe and North America and through concessions within leading department stores such as House of Fraser. We also operate ecommerce internet sites through which our products are available for home delivery in the UK, Europe and North America.

The product ranges are also offered for sale at wholesale through our showrooms in London, New York, Paris, Dusseldorf and Hong Kong to selected customers operating department stores, multi-brand fashion stores or ecommerce 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 Europe, the Middle East, Asia and Australia. These customers are supplied through our wholesale channels in the UK and Hong Kong. Our licensees operating stores in Hong Kong and China are 50% Joint Venture businesses operated by our local partners in those territories.

Brand extensions

Our globally recognised *French Connection* and *fcuk* brands have been extended successfully into complementary licensed products including men's and women's toiletries and fragrances, shoes, watches, jewellery, furniture and eyewear which together generate another major profit stream for the Group: licence royalty income.

Current trends
The continued growth of multi-channel retailing is a clear focus for French Connection. We will continue to invest in the people and systems to support this growth opportunity to ensure our customers can shop with us however they wish and get the very best multi-channel experience. The success of our click and collect program is an example of this investment.

Principal risks and uncertainties
Our success depends on our ability to produce ranges of garments which are sufficiently attractive to potential customers. We seek to achieve this through retention of experienced and skilled designers and merchandisers and by remaining as operationally flexible as possible.

The nature of fashion retail, however, 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 affected 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 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.

Each year the brands produce two main seasonal fashion ranges 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 and this is exacerbated by upward-only rent reviews. To mitigate cost pressures we have focused on reducing retail operating costs and have achieved considerable savings by optimising our rostering timetables in store.

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. 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 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 overseas.

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

The principal treasury risks to the Group arise from exchange rate and interest rate fluctuations. 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 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. Our 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 Statement.

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

- total sales achieved in the retail channels; including LFL sales growth;
- total sales achieved in the wholesale channels;
- total sales by geography;
- overall gross margin;
- net operating margin for the retail and wholesale channels in total and across all geographies.

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

WORLDWIDE OPERATIONS

	UK/Europe	North America		Rest of the World	
LOCATION	London, Swansea, Paris, Dusseldorf	New York	Toronto	Hong Kong	
TERRITORIES	UK, Europe, Middle East	USA	Canada	Hong Kong, China	Australia, Asia, South Africa
RETAIL OPERATIONS	Retail stores and concessions, e-commerce	Retail stores, e-commerce	Retail stores, e-commerce	Retail stores and concessions through joint ventures	
WHOLESALE CUSTOMERS	Department stores, multi-brand stores, franchise operators	Department stores, multi-brand stores	Multi-brand stores		Department stores and concessions
LICENSING	Product and country licensing	Product licensing		Product licensing	Product licensing
BRANDS	French Connection, Great Plains, Toast, YMC	French Connection, YMC	French Connection	French Connection	French Connection

RETAIL LOCATIONS

		31 January 2014 Locations	sq ft	31 January 2013 Locations	sq ft
Operated locations					
UK/Europe					
French Connection	Stores	66	202,770	74	218,115
French Connection/Great Plains	Concessions	51	33,560	54	36,134
Toast	Stores	12	15,384	11	11,407
YMC	Stores	2	1,355	2	1,355
		131	253,069	141	267,011
North America					
French Connection US	Stores	7	22,841	8	33,900
French Connection Canada	Stores	9	24,325	9	24,325
		16	47,166	17	58,225
Total operated locations		147	300,235	158	325,236
French Connection licensed and franchised					
UK/Europe		7	7,994	10	14,821
North America		1	2,000	1	2,000
Middle East		6	9,805	13	23,842
Australia		72	72,112	92	96,329
Hong Kong		5	6,062	6	7,031
China		23	34,960	21	31,556
India		110	60,782	89	56,129
Other		48	44,516	51	45,240
Total licensed and franchised locations		272	238,231	283	276,948
Total branded locations		419	538,466	441	602,184

CORPORATE SOCIAL 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.

Impact on the environment

The use of resources to manufacture and supply our products utilise finite global resources. 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.

Some of the initiatives we have implemented include:

- In the UK, the business meets its responsibilities under the packaging waste regulations through membership of Valpak;
- Wooden hangers are sourced from sustainable sources and we do not give them away with the products;
- Reduction in packaging materials for finished goods i.e. no plastic banding, no inner cartons;
- Plastic returnable tote bins for shipping to our own UK stores to reduce cardboard;
- Plastic and cardboard waste is collected from our UK stores for recycling;
- In our US operations, corrugated cartons are re-used whenever possible and ultimately recycled using a band machine so they are crushed into bails for collection; and
- In Canada we are participants in 'Stewardship Ontario', paying a fee for all point of sale materials to be recycled.

Carbon emissions	Tonnes of CO_2e
Emissions from	
Scope 1 (vehicles, fugitive emissions, gas)	428
Scope 2 (electricity)	5,139
Total footprint	**5,567**

Group chosen intensity measurement	£m
Turnover	189
Emissions reported above per £m of turnover	**29**

This is our first greenhouse gas (GHG) emissions report in line with UK mandatory reporting requirements, set out by the Department for Environment, Food and Rural Affairs (DEFRA). There is no year on year comparison.

The mandatory requirement is for the disclosure of scope 1 and 2 emissions only. We have captured all material qualifying emissions from around the Group. Some extrapolation and estimation techniques have been used to calculate the Group CO_2e in respect of less than 5% of our stores and the final month of our data.

The reported sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. We have computed our emissions using the DEFRA Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance issued in June 2013.

Our total GHG footprint in line with these guidelines is 5,567 tonnes CO_2e.

Supply chain

The Group has used third party manufacturing facilities around the world for over thirty 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 CSR topics, such as business ethics, anti-bribery, animal testing and use of chemicals, which are subject to set standards within the business, examples of which are as follows:

Our suppliers have previously confirmed to us that all of our angora is carefully collected by shearing and cutters which does not cause any harm or distress to the animals.

Toast supports the non-use of animals in testing and challenge our suppliers on this matter – our glycerine soaps as an example, do not contain any animal derived ingredients and are suitable for use by vegetarian and vegans.

CORPORATE SOCIAL RESPONSIBILITY
Continued

Tax
The Board is committed to ensuring full compliance with the law and making all tax payments timeously.

The Board are committed to ensuring that openness, honesty and transparency will be paramount in all dealings with the tax authorities and other relevant bodies.

People
We are committed to providing equal opportunities for all of our employees.

We ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

We run cycle to work and childcare voucher schemes in the UK for our employees.

The breakdown of the gender of Directors and employees at the end of the financial year is as follows:

	Men Number	Women Number
Company Directors	4	1
Other senior managers	8	7
All other employees	500	1,639
Total	512	1,647

Notes
Company Directors consist of the Company's Board.

Other senior managers is as defined in The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and includes: i) persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors; and ii) any other Directors of undertakings included in the consolidated accounts.

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.

FINANCIAL REVIEW

The improvement in the financial results reported at the half-year has continued into H2, with all key metrics showing improved trends.

Financial results overview

After reporting reduced losses at the half-year, the Group made further improvements in H2, reversing the loss incurred in the previous year. H2 underlying Group operating profit was £1.7m (2013: loss of £(0.9)m).

For the full year ended 31 January 2014 underlying Group operating loss was reduced to £(4.4)m (2013: loss of £(7.2)m). After taking into account the cost of disposal and closure of under-performing stores the total loss before tax was £(6.1)m (2013: loss of £(10.5)m).

Revenue overview

Total revenue in H2 was 1.8% lower than H2 2013, an improvement in trend from H1 which was 6.4% lower than H1 2013.

Total revenue for the year at £189.4m was 4% lower than 2013. The lower revenue was the result of the closure of non-contributing UK/Europe stores, negative H1 UK/Europe Retail LFL's and lower Wholesale revenue in North America in what was a very challenging trading environment. These reductions were offset partly by strong revenue performances in ecommerce, Toast and UK/Europe Wholesale.

Gross margin

Group gross margin was broadly flat at 47.6% (2013: 47.9%). Notable was the improvement in gross margin in both UK/Europe Wholesale and Retail due to lower markdowns. This improvement was offset by the need for increased discounting in North America due to the tough trading environment.

Operating expenses

Total Group operating expenses of £101.4m were 6.9% lower than last year. After adjusting for store closures, operating expenses were 3.7% lower than last year, thanks to a range of cost reduction measures.

Segment revenue and results	2014 £m	2013 £m
Revenue		
Retail	**117.5**	123.4
Wholesale	**71.9**	73.9
Group revenue	**189.4**	197.3
Gross profit	**90.2**	94.6
Retail	**56.9%**	55.8%
Wholesale	**32.5%**	34.9%
Group gross margin	**47.6%**	47.9%
Underlying operating (loss)/profit		
Retail	**(11.6)**	(15.4)
Wholesale	**11.7**	13.9
License income	**6.1**	6.5
Common and Group overheads	**(11.3)**	(12.8)
Finance income	**0.1**	0.2
Share of profit from joint ventures	**0.6**	0.4
Underlying Group operating loss	**(4.4)**	(7.2)
Underlying operating margin		
Retail	**(9.9)%**	(12.5)%
Wholesale	**16.3%**	18.8%
Underlying Group operating margin	**(2.3)%**	(3.6)%

Geographical information	2014 £m	2013 £m
Revenue		
UK/Europe	**71%**	70%
North America	**24%**	25%
Rest of the World	**5%**	5%
Divisional operating (loss)/profit		
UK/Europe	**(3.9)**	(9.4)
North America	**2.4**	5.5
Rest of the World	**1.6**	1.8
Group overheads and finance income	**(4.5)**	(5.1)
Underlying Group operating loss	**(4.4)**	(7.2)

FINANCIAL REVIEW
Continued

Trading segments
In prior years, we have reported segments based on geographies including UK/Europe, North America and Hong Kong and where relevant analysed the performance between Retail and Wholesale. The Board continues to focus on the key metrics for Retail and Wholesale and across the key territories in which the Group operates and has presented the results for the year across these businesses sectors together with the geographical analysis. There is no change to the metrics that are reviewed by the Board to monitor the overall performance of the Group, but the segmental note has been simplified to highlight the key metrics that the Board focuses on (see Note 2).

Retail
Group retail revenues of £117.5m were 4.8% lower than the prior year. The decline in revenue was primarily due to the closure of a number of UK/Europe non-contributing stores and the reduced summer and Christmas sale periods. North America retail was impacted by the tough trading environment in the market, extreme weather conditions towards the end of the year and the closure of one store.

H2 UK/Europe LFL's retail gross sales were 1.4% (H1: fall of -4.5%). Overall LFL retail gross sales for the full year therefore fell -1.4% (2013: fall of -7%). The better trend was driven by strong store performance in the last 8 weeks of the year and better ecommerce stock availability compared to the prior year.

The retail gross margin of 56.9% (2013: 55.8%) reflected a strong performance in UK/Europe retail where lower discounting and higher full price sales delivered an improvement in margin of 240 basis points offset by higher discounting to clear inventory in North America.

The retail underlying loss of £(11.6)m was an improvement of £3.8m compared to prior year. This improvement was all driven out of UK/Europe through improving LFL's, better margins, lower underlying operating expenses and the closure of non-contributing stores.

Ecommerce sales grew in the year by 8.1% and now represent 20% of total Group retail sales (2013: 18%).

Wholesale
Group wholesale revenues of £71.9m were 2.7% lower than prior year. A 2.9% improvement in UK/Europe revenue was offset by a reduction in North America revenue where trading continued to be difficult in H2. These dynamics also impacted gross margin by £(2.3)m, with a small improvement in UK/Europe offset by the need for additional discounting in North America.

Overall wholesale underlying operating profit was a £11.7m profit, a reduction of £2.2m caused by the tough trading conditions in North America, offset by a stronger UK/Europe, and overall lower operating expenses.

Geographical analysis
The geographical revenue break-down is largely unchanged with UK/Europe representing 71% of Group revenues (2013: 70%). The combination of strong performance in both Retail and Wholesale in UK/Europe led to an improvement of £5.5m in divisional operating contribution whilst the difficult conditions in North America led to a reduction of £3.1m. Rest of the world was slightly down.

Other Income
The net income received from Global licensing was £6.1m in the year. This represented a decline of £0.4m compared to last year, largely as a result of the termination of the licence to supply product to the Sears department stores in the US and the buying office fees previously charged to Nicole Farhi. These will no longer be a drag on comparatives in 2015. The new licences brought on-stream in UK and North America during the year (furniture, shoes and bags) demonstrate the continued strength of the brand and are growing well.

Our retail Joint Ventures in Hong Kong and China have delivered an improvement in trading performance both in LFL retail performance and an increased number of stores. The share of profit of these joint ventures was £0.6m (2013: £0.4m).

Balance sheet and cash flow
The Group balance sheet at 31 January 2014 remains strong with £28.2m of cash (2013: £28.5m), no bank borrowings and a minimum cash position during the year of £9.9m (2013: £10.6m).

The trading operations of the Group generated cash of £1.8m (2013: cash consumed £(3.7)m) as a result of a release of cash utilised within working capital, notably a further decrease in inventory of £2.3m reflecting the continued improvements in the efficiency of merchandising and buying.

Capital expenditure of £0.8m (2013: £1.7m) was reduced as the prior year included the fit-out of two new outlet stores, two other store re-sites, as well as investment in infrastructure within our IT estate. In the year the restructuring costs of closing under-performing stores was £1.7m. We plan to spend a similar amount in the current year as we continue to target the closure of non-contributing stores when economically viable.

Taxation
The tax credit for the year of £0.1m (2013: £Nil) represents a reduction in the tax potentially payable on deferred capital gains less the tax payable on current profits generated in Hong Kong and the US (as reduced by past losses).

Dividends
The Board of Directors remains of the view that the business is best served by retaining current cash reserves to support the turnaround of the business, and therefore do not recommend the payment of a dividend. The Board intend to keep the shareholder distribution policy under close review during the year.

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

Adam Castleton
Group Finance Director

12 March 2014

BOARD OF DIRECTORS

Stephen Marks Chairman and Chief Executive	Stephen (aged 67) founded the Company in 1969 and has managed the Group's development since then in the position of Chairman and Chief Executive.
Adam Castleton A.C.A. Group Finance Director	Adam (aged 49) was appointed to the Board on 12 August 2013. He is a chartered accountant having qualified at Price Waterhouse, Manchester. He holds a bachelor's degree in Economics from Manchester University. He has over 25 years of financial experience and has held leadership roles at a number of international consumer-facing companies, including eBay, Shopping.com, Polo Ralph Lauren (Europe), and The Walt Disney Company. He joined French Connection from O2 UK, where he was Finance Director of the O2 Business Division, and previously acting CFO of O2 UK.
Neil Williams A.C.A. Operations Director	Neil (aged 49) joined the Group from KPMG in 1992 and was appointed to the Board in May 1994.
Dean Murray Independent Non-Executive Director	Dean (aged 51) 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, and Gear4music, an online retailer of musical instruments.
Claire Kent Independent Non-Executive Director	Claire (aged 50) 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. Since leaving Morgan Stanley, Claire has focused on advising companies on their IPOs (Prada in 2011; Pandora in 2010) and playing a role in the sale of private equity-owned companies (Cath Kidston, Original Additions). She is also an advisory Director of Investcorp, a consultant for Prada and a Board member of Georg Jensen.

DIRECTORS' REPORT

The Directors of French Connection Group PLC ("the Company") present their Annual Report for the year ended 31 January 2014.

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 operating subsidiaries of the 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 business is set out in the Financial 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 Social Responsibility Statement. The disclosures contained in those reports form part of this Directors' Report.

Fair, balanced and understandable

The Board has considered the regulatory changes impacting corporate reporting and Executive remuneration and believes this Annual report and Accounts complies with these changes taking into account emerging best practice. Notably the Board has determined that the 2014 Annual Report and Accounts, taken as a whole is fair, balanced and understandable. It provides the information necessary for shareholders to assess the performance, strategy and operating model of the Group and Company in accordance with the Code requirements.

Corporate Governance

The Corporate Governance Statement on pages 14 to 15 forms part of the Directors' Report.

Dividend

The Directors are recommending that no dividend should be paid for the year.

Directors

The Directors of the Company are set out in the Board of Directors.

Neil Williams and Claire Kent, Directors, retire by rotation in accordance with the Articles of Association and offer themselves for re-election at the AGM. Adam Castleton, following his appointment as a Director during the year, in accordance with the Articles of Association, offers himself for election at the AGM. The Board considers that Mr Williams, Ms Kent and Mr Castleton continue to make a major contribution to the strategy and operations of the Group and therefore recommend their re-election as Directors. Details of Mr Williams', Ms Kent's and Mr Castleton'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 2014, 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 and Adam Castleton whose shareholding is disclosed in the Directors' Remuneration Report.

The details of share options held by Directors are set out in the Directors' Remuneration Report. 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 12 March 2014 the Company is aware of the following substantial interests in its ordinary shares:

	Shares	Percentage of Issued Share Capital
Stephen Marks	40,094,190	41.8%
of which:		
– held in family trusts	1,506,500	
– held by family members	775,000	
Schroder Investment Management	11,551,302	12.0%
OTK Holding	6,000,000	6.3%
Liad Meidar	4,837,000	5.0%

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 dependent.

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 2014, the Group's average trade creditors represented 33 days purchases (2013: 31 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.

Carbon emissions

The Group has disclosed carbon emissions data within the Corporate Social Responsibility Report.

Property, plant and equipment

The changes in intangible and tangible fixed assets during the year are set out in Notes 11 and 12 to the Group accounts.

Financial instruments

The financial instrument policies are set out in Note 26 to the Group accounts.

Joint Ventures

The Group is a member of two 50:50 Joint Ventures operating retail stores in China and Hong Kong. Both joint ventures are managed by committees with equal representation from the members. The Group's share of the results of these businesses is included in these accounts for the whole of the financial year.

Charitable and political donations

Charitable donations of £14,051 (2013: £20,659) were made during the year. No political donations were made in either 2014 or 2013.

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 issued share capital of the Company, together with movements in the Company's issued share capital during the year, are shown in Note 21.

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 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 and Articles of Association. 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 AGM.

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.

AGM

The AGM of the Company will be held at 10.00 am on 15 May 2014 and a notice of meeting has been sent to shareholders setting out details of the business to be conducted.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 63 to 64 of this document.

At our forthcoming AGM, a resolution will be put to shareholders to approve a new long term incentive share option plan, the previous plan having expired.

Disclosure of information to auditors

The Directors who were members of the Board on the date the Directors' Report was approved have confirmed the following:

- to the best of each Director's knowledge and belief there is no information relevant to their report of which the auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to take to be aware of relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Our auditors, KPMG Audit Plc have instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the Company.

By order of the Board

Adam Castleton
Company Secretary

12 March 2014

CORPORATE GOVERNANCE STATEMENT

Compliance with the UK Corporate Governance Code

The Board is responsible for ensuring compliance with the new edition of UK Corporate Governance Code (the 'Code'), which was published by the Financial Reporting Council in September 2012 and applies to reporting periods beginning on or after 1 October 2012. It is available at www.frc.org.uk.

Except as referred to below, the Company has complied with all relevant provisions of the Code throughout the year ended 31 January 2014 and from that date up to the date of publication of this Annual Report.

Mr Marks is both Chairman and Chief Executive and is also the founder and the major shareholder. The culture of the business, led by the Chief Executive, is one of detailed involvement and a need for speedy reaction times. Mr Marks has led this culture and defined the character of the business throughout its existence.

Constructive challenge by the independent non-Executive Directors, as well as the effective functioning of the committees ensures that authority is suitably balanced.

The Board contains two non-Executive Directors, each of which chairs one of the three committees of the Board and therefore has specific responsibilities. The Board has concluded that there would be no benefit in nominating a senior non-Executive Director. Both are utilised as sounding boards for the Chairman and both are available to other Executive Directors or shareholders as necessary.

There were no non-Executive Board appointments made or contemplated during the year. It is our intention to form a Nominations Committee comprising the two non-Executive Directors when any appointment is contemplated. The appointment of the Group Finance Director was considered by the main Board.

The Chairman believes that the Board and its Committees functioned well during the year and supported the strategy and development of the Company. A detailed and formal evaluation was therefore not carried out during the year. It is expected that during the coming financial year the Company Secretary will review the most appropriate method for conducting any additional internal or external evaluation with the Board.

The Board and its composition

The Board reserves to itself certain key matters to approve or monitor on behalf of the shareholders the strategic direction, development and control of the Group. It approves strategic plans and annual capital and revenue budgets. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. It monitors the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board delegates responsibility for the day-to-day operation of the business to the Executive Directors within the framework of agreed prudent and effective controls.

The Company Secretary's responsibilities include ensuring good information flows to the Board and between senior management and the non-Executive Directors. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is responsible, through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development.

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at the meetings in addition to receiving minutes of previous meetings.

The training needs of Directors are formally considered on an annual basis and are also monitored throughout the year with appropriate training being provided if required.

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. All Directors of the Company are covered by a comprehensive Directors and Officers insurance policy.

The Company's Articles of Association give power to the Board to appoint Directors, but require Directors to submit themselves for election at the first AGM following their appointment. One third of the Board is subject to re-election annually.

The Board of Directors at the date of this report comprises three Executive Directors and two independent non-Executive Directors. The biographical details of each Board member are set out in the Board of Directors, including their main commitments outside the Company.

During FY 2014 there were nine scheduled Board meetings which were all fully attended.

The non-Executive Directors are considered to be independent in that they remain free from any business or other relationship which could materially influence their judgement and represent a strong source of advice and independent challenge.

Roy Naismith left the Board as Group Finance Director in April 2013 and was replaced by Adam Castleton in August 2013. Adam Castleton was appointed as Company Secretary on 12 August 2013. Adam has the necessary recent and relevant financial experience for the role as Group Finance Director and is also knowledgeable on governance and the management of risk required for the Company Secretary role. A full biography is set out in the Board of Directors.

Neil Williams and Claire Kent are required to stand for annual re-election in accordance with B.71 of the Code and the Company's Articles of Association.

Committees

Each Board Committee has written terms of reference approved by the Board, which are available on the Company's website.

Audit committee

The Audit Committee comprises Dean Murray who is Chair and Claire Kent, the two independent non-Executive Directors.

The Committee met twice during the year and each meeting was fully attended.

Details of the Audit Committee are included in the Audit Committee Report.

Remuneration committee

The Remuneration Committee comprises Claire Kent who is Chair and Dean Murray.

The Committee met twice during the year and each meeting was fully attended.

Details of the Remuneration Committee are included in the Directors' Remuneration Report.

The Disclosure Committee

The Disclosure Committee was established in October 2013 to assist and inform the Chief Executive in his decisions concerning the identification of inside information and its Disclosure. The Disclosure Committee comprises the Chief Executive, Group Finance Director and Chief Operating Officer.

The Disclosure Committee met once during the year and was fully attended.

Code of ethics

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. As noted above the Board includes two non-Executive Directors who provide independent challenge and input into the overall governance of the Group.

The culture established by Mr Marks and the senior management is to expect a high standard of behaviour from everybody working for the Company.

The Board has considered the risks associated with the issues raised by the Bribery Act 2010 as part of the broader review of risks faced by the Group and has reviewed the processes and controls in place to prevent offences under the Act.

The Company also offers a confidential, whistle blowing hotline for any employee wishing to report any concern that they feel is inappropriate to raise with their line manager. All whistle blowing allegations are reported to and considered by the Executive Committee and Board. No instances were made during the financial year.

Going concern

The Group has considerable cash resources, ending the year with £28.2m (2013: £28.5m) and with a minimum Group cash balance during the year of £9.9m (2013: £10.6m). The Group has no debt.

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

Tax

Board level oversight of tax matters is part of the Company's tax risk governance process.

All significant tax matters are reported to the Board by the Group Finance Director and tax matters are governed by the Group tax strategy.

Internal control and risk management

The Board supported by the Audit Committee 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 UK Corporate Governance Code.

The Board conducts an annual review of 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 a separate 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. Certain elements of internal audit work are conducted or coordinated by the existing finance and accounting functions. These include reviews of financial controls internationally, externally facilitated reviews of procurement transactions and support for system developments between the separate accounting functions.

Communication with shareholders

Communication with shareholders 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 all shareholders and proactive invitation made to shareholders with more than 1% of the share capital.

Meetings typically occur shortly after the announcements of half year and full year results. The opinions expressed by shareholders are gathered by the Company Broker and passed directly to the Board.

The AGM 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.

By order of the Board

Adam Castleton
Company Secretary

12 March 2014

AUDIT COMMITTEE REPORT

Introduction from the Audit Committee Chair

Since my appointment as Chair of the Audit Committee in October 2009 I have focused on using my financial and commercial expertise to ensure the Committee fulfils its duties properly, including challenging the Company's finance personnel in terms of key judgements applied in preparing the financial statements and the external auditors with regard to the audit plan, scope and audit effectiveness. The Audit Committee is responsible for ensuring that the financial integrity of the Group is effective, through the regular review of its financial performance. It is also responsible for ensuring that the Group has appropriate risk management processes and internal controls, and that the external audit process is robust. I explain in more detail the Committee's activities in this report.

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we have considered, including compliance with the UK Corporate Governance (the Code) and associated Guidance on Audit Committees. I confirm that we have fully complied with the requirements of the Code as issued in September 2012 and which applies to financial years beginning on or after 1 October 2012.

Roy Naismith, the Group Finance Director left the Company in April 2013, and was replaced by Adam Castleton in August 2013. During the interim period, Neil Williams (Operations Director) combined his role with that of Interim Group Finance Director. Neil qualified as a Chartered Accountant with KPMG. The Company's financial operations and controls continued to run smoothly during this period and I would like to thank Neil for his diligence and for the Finance team's continued professionalism during what might otherwise have been an unsettling time.

This is the final year of the Audit Partner's five year rotation and I would personally like to thank Robert Brent for his responsiveness and professionalism. We expect to agree the placement of the new Audit Partner before the next AGM.

In the coming year I expect the Committee to put in place additional and extended policies and guidelines covering tendering of the external audit, hiring of staff from the external audit firm, review of risk management framework and reviewing the effectiveness of the external audit process.

I thank my fellow Committee member Claire Kent for all her work and input to the Committee and have welcomed the openness of KPMG and French Connection personnel throughout the year.

Dean Murray
Chair of the Audit Committee

Membership and remit of the Audit Committee

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, objectivity and effectiveness 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.

At the date of the 2014 Annual Report, the Audit Committee comprises two independent non-Executive Directors: Dean Murray (Chair) and Claire Kent. In accordance with Code provision C.3.1, the Board considers that Dean Murray has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their experience, appear within the Board of Directors.

The Audit Committee normally meets at least three times a year. Audit Committee meetings are also attended by the Group Finance Director, who is Secretary to the Committee and by invitation the Group Financial Controller and Partner and other senior staff of the external auditor. The Committee met twice during the year and each meeting was fully attended.

Terms of reference

Significant risk issues identified are referred to the Board for further consideration. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee is authorised by the Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Chair of the Audit Committee reports to the subsequent Board meeting on the Committee's work and the Board receives a copy of the minutes of each meeting.

Significant issues considered by the Audit and Risk Committee

The Committee considered the significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 January 2014. As part of the half year and full year reporting process, management present an accounting paper to the Committee, and the external auditors are asked to also comment on the key areas of accounting judgement and disclosure. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards.

After discussion with both management and the external auditor, the Committee determined that the key risks of misstatement of the Group's financial statements related to:

Net realisable value of inventories (NRV)

Net realisable value was discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditors' Group audit plan, and also at the conclusion of the audit of the financial statements.

The Audit Committee required the Group Financial Controller to present a detailed summary of inventory and to describe the methodology for calculating the inventory provision which was considered in detail by the Committee. The Group Financial Controller was also required to describe the stock taking procedures and to explain any significant adjustments made during the year.

The Committee interrogated management's key assumptions made regarding Net Realisable Value and was satisfied that the significant assumptions had been appropriately scrutinised, challenged and were sufficiently robust.

The auditor explained their audit procedures to test management's assumptions and calculations and considered the Group's disclosures on the subject. On the basis of their audit work, the auditor considered that the carrying value of inventory was materially appropriate in the context of the financial statements as a whole.

Risk management framework

The risk management framework is considered by the Board during the year. It is expected that the Audit Committee will also consider additional review procedures to further strengthen the control environment and enhance corporate governance.

The Group did not have a separate internal audit function during the year. The Audit Committee considered whether there was a need for such a function, concluding that the benefits, when compared to the potential benefits of deploying additional resources in other areas, were not sufficiently clear. It is expected that this matter will be reviewed again during FY 2015.

Confidential reporting

The Group's whistle blowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal.

The Audit Committee receives quarterly reports on whistle blowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported.

No issues have been reported in the current year.

Reporting of other matters

All significant insurance claims and incidents of fraud or theft are reported to the Committee.

There have been no significant incidents during the year.

External auditor appointment

KPMG Audit PLC was re-appointed as external auditors in the financial year.

The Audit Committee considers that the relationship with the auditors is working well and is satisfied with their effectiveness.

KPMG has acted as the Company's external auditor since 1990 and the Company complies with the requirement to rotate the audit partner every five years. The current audit partner, Robert Brent, completes his five year rotation following this year end and a new partner has been introduced.

We have assessed the effectiveness of the annual audit by KPMG. This included reviewing their audit approach, the strength of the audit team and their knowledge of the business, the quality of the audit work and the robustness of their challenge. We concluded that KPMG had completed the external audit effectively and in accordance with auditing standards.

Our auditor, KPMG Audit PLC has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors. Resolutions will be proposed at the AGM on 15 May 2014 to appoint KPMG LLP as the Company's external auditor and to authorise the Directors to agree their remuneration for the 2014/2015 audit.

The Audit Committee has considered the new Code, and recognises the Competition Commission's proposal that FTSE350 companies must tender the external audit at least every ten years. While this is not applicable to French Connection, the Committee nevertheless recognises this to be best practice. The Committee is also aware of the EU proposals that may come into force during 2014 and that will be relevant for all listed companies, which as currently drafted introduce mandatory firm rotation.

The Audit Committee will continue to monitor these developments during the coming year as these may determine the year in which an external audit tender should be undertaken by the Company. The Committee will develop an appropriate Audit tendering policy during the year in the light of any new guidelines.

AUDIT COMMITTEE REPORT
Continued

External auditor's independence
The Committee has adopted a policy in relation to the appointment of the external auditors to conduct non-audit services for the Group.

The policy identifies three categories of work: that which is closely related to the statutory audit work, such as tax planning and compliance, and which is therefore pre-approved by the committee, that which it is inappropriate for the auditors to conduct, such as internal accounting work, IT services, or internal auditing, and from which the auditors are therefore excluded and all other types of work for which prior approval is required from the Audit Committee where the costs are greater than £5,000.

The objective of this policy is to protect the independence of the auditors while retaining the benefits to be gained from synergies with existing work areas.

In 2013/2014 the ratio of audit to non-audit fees was 1:0.88. This is higher than we would expect on a going forward basis and reflected significant tax advisory work which is not expected to recur.

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.

External audit annual assessment
The Group Finance Director, and the Audit Committee meet with the external auditors to discuss the audit strategy and any key issues included on the Audit Committee's agenda during the year.

After formal discussion, the Audit Committee considers that the relationship with the auditors is working well and is satisfied with their effectiveness.

During 2014/2015 the Audit Committee will consider putting in place more detailed guidelines and policies under the heading *reviewing the effectiveness of the external audit process*, to make the review process more detailed and to require input from a wider constituency e.g. the Company's finance team.

DIRECTORS' REMUNERATION REPORT

Annual Statement by the Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2014. In my report as Chairman of the Remuneration Committee, I set out the Committee's approach to Directors' remuneration. The Committee's objective is to set a remuneration policy that is clearly understood by our shareholders and employees, and that drives the right behaviour in terms of incentivising Executive Directors to deliver growing long-term shareholder value.

Mr Roy Naismith stepped down from the Board of French Connection and ceased to serve as Group Finance Director in April 2013. He was replaced by Mr Adam Castleton in August 2013.

The Remuneration Committee considered and approved the appropriate termination payment for Mr Naismith and contract of employment and remuneration package for Mr Castleton in accordance with the Group remuneration policy and the details of both are contained within this report.

There were no other substantial changes relating to Directors' remuneration made during the year.

As required by law, at the 2014 AGM we are seeking shareholders' approval of our Directors' remuneration policy, as set out in the next section of this report.

We are happy to discuss any remuneration matters with shareholders and hope that we can enjoy your support on the remuneration-related resolutions at the 2014 AGM.

Claire Kent
Chairman, Remuneration Committee

Directors' Remuneration Report

The Directors' Remuneration Report sets out details of the remuneration policy (Section 1) for Executive and non-Executive Directors, describes the implementation of that policy (Section 2) and discloses the amounts paid relating to the year ended 31 January 2014.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules, as well as the GC100 and Investor Group.

The Directors' remuneration policy set out within this report will be put to shareholders for approval in a binding vote at the forthcoming AGM. The policy remains consistent with that operated during the 2013 financial year and approved at the 2013 AGM under the previous reporting framework.

The Remuneration Committee comprises Claire Kent as Chair and Dean Murray. Adam Castleton acts as Secretary to the Committee (since his appointment in August 2013, previously Roy Naismith until his ceasing to hold office in April 2013). The Committee met twice during the year to consider the Directors' and senior managers' remuneration.

When setting the policy for Executive Directors' remuneration, the Committee takes into account total remuneration levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is to weight remuneration towards variable pay. This is typically achieved through setting base pay, pension and benefits up to market median levels, with a variable pay opportunity linked to the achievement of Company and personal performance targets.

In setting remuneration for the Executive Directors, the Committee does take note of the overall approach to reward for employees in the Group and salaries increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce.

We remain committed to shareholder dialogue and take an active interest in voting outcomes. There have been no significant policy changes or other substantial matter which required dialogue with shareholders during the year. If any of the shareholders are opposed to our policy we would endeavour to meet with them to understand and respond to any issues they may have.

The Committee considers developments in institutional investors' best practice expectations and the views expressed by shareholders during any dialogue. The Committee does not formally consult directly with employees on Executive pay.

DIRECTORS' REMUNERATION REPORT
Continued

Terms of reference for the Remuneration Committee

1. Membership
The members of the Committee shall be at least two non-Executive Directors who are independent of management and free of any business or other relationship (including, without limitation, cross-directorships or day to day involvement in the management of the business) which could interfere with the exercise of their independent judgement.

The Chairman of the Committee shall be appointed by the Board. The quorum of the Committee shall be at least two members.

2. Secretary
The secretary of the Company shall be the secretary of the Committee.

3. Attendance
The Chief Executive may be invited to attend meetings to discuss the performance of Executive Directors and make proposals as necessary.

The Group Finance Director will report to the Committee on significant Group-wide changes in salary structure and terms and conditions affecting other employees at senior Executive level.

4. Frequency of meetings
Meetings shall be held not less than twice a year.

5. Advisers
The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Group as and when it considers this necessary.

6. Duties
The duties of the Committee shall be to:

- make recommendations to the Board on the Company's framework of Executive remuneration and its cost and to determine on behalf of the Board specific remuneration packages and conditions of employment (including pension rights) for Executive Directors;
- approve any contract of employment or related contract with Executive Directors on behalf of the Company;
- determine the terms of any compensation package in the event of early termination of the contract of any Executive Director;
- ensure that the content of the Board's annual report to shareholders on Directors' remuneration reflect the enhanced regulations and amendments to CA2006 which were introduced for financial years ending after 30 October 2013.

7. Minutes
The minutes of meetings of the Committee shall be circulated to all members of the Board.

Section 1: Remuneration Policy
The objective of the policy is to ensure it is appropriate to the Group's needs and reward Executives for creating shareholder value. It is the Remuneration Committee's intention to maintain 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.

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;
- 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.

Structure of remuneration

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Salary and fees	To provide the core reward for the role Sufficient to attract, retain and motivate high calibre Executives	Basic salaries are reviewed annually, with changes effective from 1 February Salaries are typically set having regard to competitive market practice, each Director's contribution to the business, general inflation rates and the conditions within the Group Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group Salary levels for current incumbents for the 2014 financial year are as follows: Chairman/CEO: £299,477 Group Finance Director: £215,000 Operations Director: £226,204	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy No recovery provisions apply to salary
Benefits in kind	In line with the Company's strategy to keep remuneration simple and consistent with practices in the market	Executive Directors receive car benefit, medical cover and life cover in line with other senior management Executive Directors also receive personal accident and sickness cover The cost to the Company of providing these benefits may vary from year to year depending on the cost of insuring the benefit	Not applicable No recovery provisions apply to benefits
Pension	To provide post-retirement remuneration and market typical benefits to ensure that the overall remuneration package is competitive	Defined contribution plan with up to 10% monthly employer contributions A cash alternative may be considered For tax and wealth planning, the Company may make payments of pension benefits due in advance for Executive Directors	Not applicable No recovery provisions apply to pension benefits
Annual Bonus	To incentivise and recognise execution of the business strategy on an annual basis Rewards the achievement of annual financial, operational and individual goals	Bonuses are capped at 100% of basic salary Bonus payments are proposed to the Board after the end of each financial year and approved by the Committee for payment in March The bonus is calculated using pro-rata base salary if the Director joined the Company during the year If the Director resigns or has his/her employment terminated before the payment date, no bonus will normally be payable	The annual grant of bonuses is based on the financial performance of the Group in relation to initial budgets, prior year performance and market conditions, as well as operational and individual goals The current Group Finance Director's service contract has specific criteria for the payment of an annual bonus based on Group Financial targets, with a sliding scale applicable for 2013/14 only After that time the general policy noted above comes into operation for the Group Finance Director No recovery provisions apply to the Annual Bonus
Long-term incentive plans (LTIPs)	To align the interests of the Executive Directors with the performance of the business and the interests of the shareholders through the use of share option schemes To incentivise and recognise execution of the business strategy over the longer term Rewards strong financial performance	At the discretion of the Board and approval of the Remuneration Committee the Company may issue share options to Directors 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 although this power has not been used in the last ten years Options will normally be granted at market value on the date of grant unless otherwise stated in a Service Agreement 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 which case 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 option schemes include an upper limit on the number of shares which can be issued of 10% of the total share capital in any ten year period	Share Awards vest based on three year performance against a challenging range of financial targets No recovery provisions apply to the LTIP

DIRECTORS' REMUNERATION REPORT
Continued

The Committee has not been required to apply any discretion during 2014 outside the stated Remuneration Policy, other than consideration of the specific terms of the Service Contract of the incoming Group Finance Director.

Any use of the above discretions would, where relevant, be explained in the Annual Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

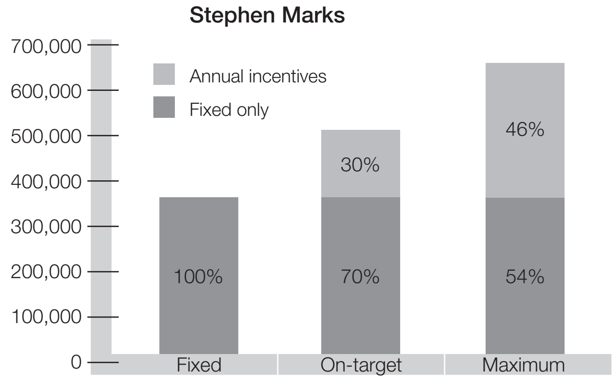
The performance metrics that are used for our annual bonus and LTIP are to reflect the Group's key performance indicators, notably 'Profit before Tax'.

The Executive remuneration policy is broadly in line with other French Connection employees, with the main difference that there is no share scheme below senior Executive level and some variation of benefits offered.

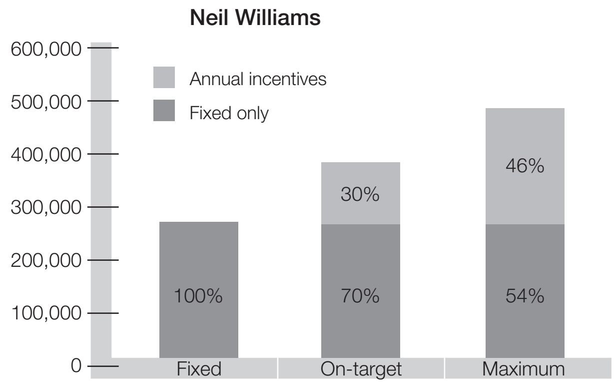
Any loss of office payment will be approved by the Group Board and Remuneration Committee. Any payment will be made at discretion and on a case by case basis. Any payments made beyond contractual and statutory obligations would be exceptional in nature either due to additional obligations taken on by the departing Director or due to specific circumstance and always benchmarked against market practice.

Illustration of application of policy

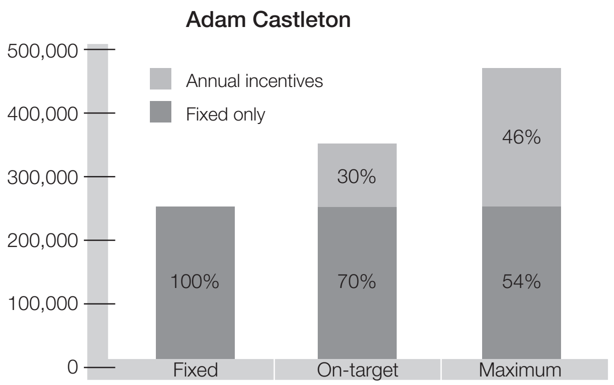
The bar charts below represents the variations in remuneration at different levels of performance for the first year of application of the remuneration policy for the Executive Directors. Long-term incentive plans have been excluded from the illustrations below because options are normally granted at market value on the date of grant and therefore have no immediate intrinsic value.



	Base	Benefit	Pension	Total
Fixed (£)	299,477	22,520	29,948	351,945
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			



	Base	Benefit	Pension	Total
Fixed (£)	226,204	17,182	21,962	265,348
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			



	Base	Benefit	Pension	Total
Fixed (£)	215,000	12,000	22,700	249,700
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			

Executive Director's terms of employment

Neil Williams' service contract is dated 17 April 1996, has an indefinite term, and includes provision for a notice period of twelve months by either party.

Adam Castleton's service contract is dated 26 April 2013, has an indefinite term, and includes provision for a notice period of 12 months during the first year of employment and thereafter six months by either party.

The service agreements can be inspected at the Group registered office.

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.

The non-Executive Directors each receive total annual fees of £30,000.

No detailed disclosures have been provided for non-Executive Directors other than for that relating to their fees, as this is the only form of remuneration the non-Executive Directors receive.

Section 2: Application of the remuneration policy for 2015

The Executive Directors' salaries will be reviewed with effect from 1 March 2014 and will be increased as follows:

Stephen Marks	+3%
Neil Williams	+3%
Adam Castleton	+0%

The annual bonus for the 2015 financial year will operate on the same basis as for the 2014 financial year and will be consistent with the policy detailed in the Remuneration policy section of this report in terms of the maximum bonus opportunity. The measures have been selected to reflect goals that support the key strategic objectives of the Company.

The Remuneration Committee will exercise their discretion to grant share options according to the Remuneration Policy during the Financial Year 2015 dependent upon the financial position of the Group and the personal contribution of each Executive Director.

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 January 2014 and 2013:

Director's earnings

Directors' emoluments

Year ended 31 January 2014	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Loss of office £000	Pension £000	Total £000
Executive Directors						
Stephen Marks	**299**	**23**	**50**	**–**	**30**	**402**
Neil Williams	**226**	**17**	**40**	**–**	**22**	**305**
Adam Castleton	**102**	**9**	**45**	**–**	**10**	**166**
Roy Naismith	**50**	**4**	**–**	**188**	**5**	**247**
Non-Executive Directors						
Dean Murray	**30**	**–**	**–**	**–**	**–**	**30**
Claire Kent	**30**	**–**	**–**	**–**	**–**	**30**
	737	**53**	**135**	**188**	**67**	**1,180**

The annual bonus shown above was accrued in respect of the performance for the year ended 31 January 2014.

Year ended 31 January 2013	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Loss of office £000	Pension £000	Total £000
Executive Directors						
Stephen Marks	299	23	–	–	30	352
Neil Williams	226	14	–	–	22	262
Roy Naismith	194	14	–	–	19	227
Non-Executive Directors						
Dean Murray	30	–	–	–	–	30
Claire Kent	30	–	–	–	–	30
	779	51	–	–	71	901

The comparative annual bonuses reported in the 2013 Directors Remuneration Report included amounts payable in 2013 but related to the performance for the year ended 31 January 2012. No bonuses were paid in 2013 in relation to the year ended 31 January 2013 and accordingly no amounts are included in the 2013 table above.

Percentage change in remuneration of Chief Executive

The Chief Executive received no pay increase in 2014 in line with the rest of the eligible Group employees. Annual bonus paid to the Chief Executive was higher than the previous year (no bonus paid in 2013). Employee annual incentives have not been finalised at the signing date of the Annual Report.

Relative importance of spend on pay

Remuneration paid to all employees of the Group during 2014 was £38.9m which represented 38% of the total overheads of the Group (2013: £41.1m (38%)).

The table below shows the total pay for all of the Group's employees compared to distributions and other significant spend.

	2014 £m	2013 £m	% change
Employee costs	**38.9**	41.1	(5)%
Dividends	**–**	–	–
Overheads	**101.4**	108.9	(7)%

Payments for loss of office (audited)

Roy Naismith ceased to be an Executive Director and the Group Finance Director of the Company on 26 April 2013.

In line with his service agreement and statutory entitlements, Mr Naismith was entitled to an aggregate payment of £178,000. Mr Naismith also agreed to abide by extended confidentiality, restrictive covenants and other restrictions for a period of 12 months from leaving the Group compared to those set out in his contract of employment.

A pension contribution was made of £9,711, and family health cover was extended until 31 October 2013.

Mr Naismith's share options detailed below lapsed on 26 April 2013.

Directors' shareholding and share interests (audited)

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire shares in the Company granted to 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 February 2013 No. of options	Issued/ (lapsed) during the year	**31 January 2014 No. of options**	Exercise price (p)	Dates of grant	Dates from which exercisable	Dates of expiry
Stephen Marks	376,700	–	**376,700**	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018
Neil Williams	284,500	–	**284,500**	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018
Adam Castleton	–	600,000	**600,000**	29.25	4 Nov 2013	4 Nov 2016	4 Nov 2023
Roy Naismith	244,300	(244,300)	**–**	56.2	29 Oct 2008	29 Oct 2011	29 Oct 2018

No options were exercised during the year.

The options awarded to Adam Castleton during the year have targeted performance conditions attached (50% of the share options will vest if the minimum performance criteria is met) and a three year service condition. The face value of these options based on the share price at the date of grant was £240,780.

The market price of the shares at 31 January 2014 was 36.5p and the range during the year was 24.5p to 42.5p. The average market share price during the year was 31.6p. The options granted are exercisable between three and ten years after the date of grant and were subject to performance conditions described above.

Statement of Directors' shareholding and share interests

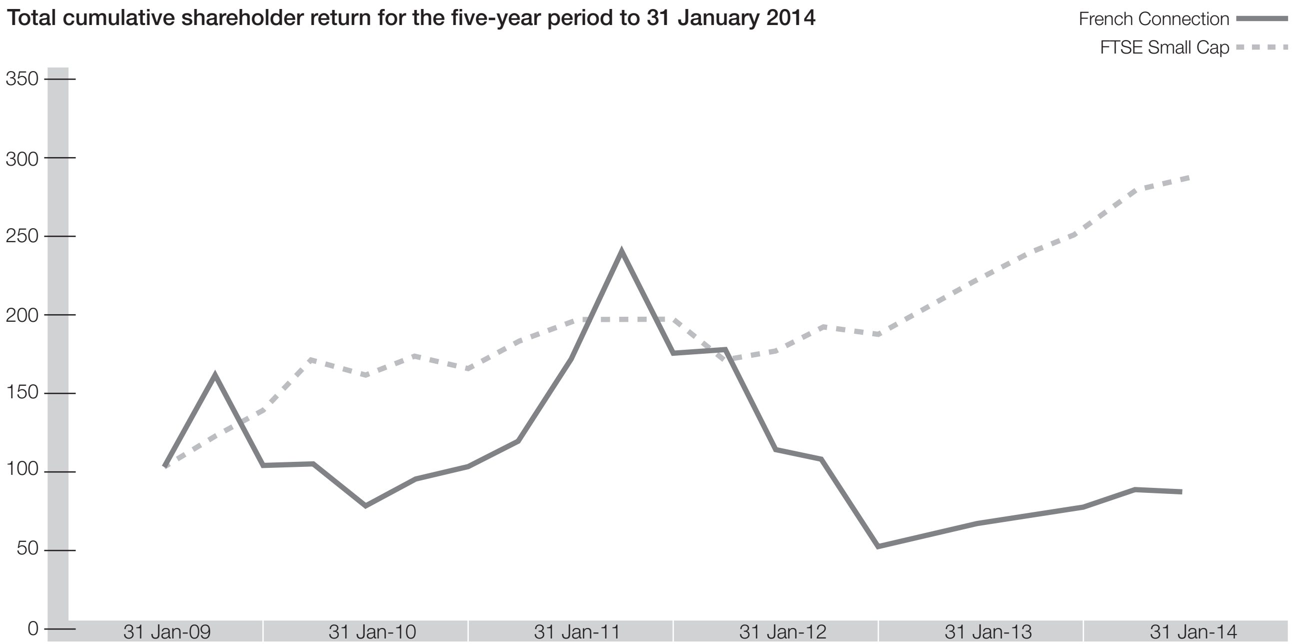
Year ended 31 January 2014	**Share options* with performance conditions No.**	**Vested but unexercised No.**	**Shares beneficially owned No.**	**Total interest in shares No.**
Stephen Marks	–	376,700	40,094,190	40,470,890
Neil Williams	–	284,500	–	284,500
Adam Castleton	600,000	–	33,000	633,000
	600,000	**661,200**	**40,127,190**	**41,388,390**

* outstanding service conditions

DIRECTORS' REMUNERATION REPORT
Continued

Review of past performance and total shareholder return
This graph below demonstrates 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 2014



	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Total CEO remuneration	330	505	342	352	402
Annual variable element award rates against maximum opportunity	0%	62%	0%	0%	17%

Approval
This report was approved by the Board of Directors on 12 March 2014 and signed on its behalf by:

Adam Castleton
Company Secretary

Company Number: 1410568

12 March 2014

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 Strategic Report, a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. These Reports were all approved by the Board of Directors.

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.

By order of the Board

Stephen Marks
Chairman and Chief Executive
12 March 2014

Adam Castleton
Group Finance Director

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group plc

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of French Connection Group PLC for the year ended 31 January 2014 set out on pages 30 to 59. 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 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying value of inventory (£38.5m)

Refer to page 17 (Audit Committee Report), page 37 (accounting policy) and page 53 (financial disclosures).

- The risk – Inventory is carried in the financial statements at the lower of cost and net realisable value. The fashion industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the cost of inventory exceeds its net realisable value.
- Our response – Our audit procedures included, among others, the following procedures:
  - We tested the Group's controls over inventory by attending inventory counts at both warehouse and retail sites, testing controls over the calculation of inventory loss allowances, inventory provisions and standard costs, and testing reconciliations between the inventory ledger and the general ledger.
  - We challenged the adequacy of the Group's provisions against inventory by seasonal collection and overall. We assessed the Directors' assumptions on net realisable value of inventory, taking into account our knowledge of the industry and of current and forecast future performance of the Group, and considered the historical accuracy of provisioning as a tool for evaluating the adequacy of the control environment in setting the current provisions.
  - We considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2.775m. This has been determined with reference to a benchmark of Group revenue (of which it represents 1.5%), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group, and is a less volatile measure than profit or loss.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.135m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at three reporting components in the United Kingdom and by the Group audit team at nine components in the United Kingdom. In addition the Group audit team undertook a review of the financial information of the components in Canada and Hong Kong. Specified audit procedures were performed by component auditors in the USA. The combined effect of this approach covered 96% of total Group revenue; 95% of the total profits and losses that made up Group loss before tax; and 97% of total Group assets. The segment disclosures in Note 2 set out the individual significance of a specific country.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. Materiality for these components was set at £1.2m.

Detailed audit instructions were sent to the component auditors in the United Kingdom and the USA. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. The Group audit team held telephone meetings with the auditors at these locations.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 14 to 15 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.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.
- 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 10, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 14 to 15 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at *www.frc.org.uk/auditscopeukprivate*. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at *www.kpmg.com/uk/auditscopeukco2013a*, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

12 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2014

	Note	2014 £m	2013 £m
Revenue	2	**189.4**	197.3
Cost of sales		**(99.2)**	(102.7)
Gross profit	2	**90.2**	94.6
Operating expenses	3	**(101.4)**	(108.9)
Other operating income	4	**6.1**	6.5
Finance income	6	**0.1**	0.2
Share of profit of joint ventures, net of tax	13	**0.6**	0.4
Underlying operating loss		**(4.4)**	(7.2)
Net loss on store disposals and closures		**(1.7)**	(1.3)
Impairment of goodwill		**–**	(2.0)
Loss before taxation	7	**(6.1)**	(10.5)
Income tax credit – UK		**0.4**	–
Income tax expense – overseas		**(0.3)**	–
Total income tax credit	8	**0.1**	–
Loss for the year		**(6.0)**	(10.5)

The Group's results were entirely from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Continued

	Note	2014 £m	2013 £m
Loss for the year		**(6.0)**	(10.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		**0.3**	(0.2)
Currency translation differences on foreign currency loans, net of tax		**(1.0)**	0.1
Effective portion of changes in fair value of cash flow hedges		**(0.3)**	–
Other comprehensive income for the year, net of tax		**(1.0)**	(0.1)
Total comprehensive income for the year		**(7.0)**	(10.6)
Loss attributable to:			
Equity holders of the Company		**(6.1)**	(10.3)
Non-controlling interests		**0.1**	(0.2)
Loss for the year		**(6.0)**	(10.5)
Total comprehensive income attributable to:			
Equity holders of the Company		**(7.1)**	(10.4)
Non-controlling interests		**0.1**	(0.2)
Total income and expense recognised for the year		**(7.0)**	(10.6)
Losses per share			
Basic and diluted losses per share	10	**(6.4)p**	(10.7)p

The notes on pages 35 to 53 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2014

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets	11	**0.4**	0.4
Property, plant and equipment	12	**4.5**	5.7
Investments in joint ventures	13	**3.1**	3.0
Deferred tax assets	20	**4.8**	4.4
Total non-current assets		**12.8**	13.5
Current assets			
Inventories	14	**38.5**	41.5
Trade and other receivables	15	**22.7**	23.7
Cash and cash equivalents	16	**28.2**	28.5
Derivative financial instruments	26	**–**	0.1
Total current assets		**89.4**	93.8
Total assets		**102.2**	107.3
Non-current liabilities			
Deferred tax liabilities	20	**0.5**	0.9
Total non-current liabilities		**0.5**	0.9
Current liabilities			
Trade and other payables	17	**43.1**	41.2
Current tax payable	19	**0.2**	–
Provisions	18	**1.7**	1.7
Derivative financial instruments	26	**0.2**	–
Total current liabilities		**45.2**	42.9
Total liabilities		**45.7**	43.8
Net assets		**56.5**	63.5
Equity			
Called-up share capital	21	**1.0**	1.0
Share premium account		**9.4**	9.4
Other reserves		**4.3**	5.3
Retained earnings		**40.9**	47.0
Total equity attributable to equity holders of the Company		**55.6**	62.7
Non-controlling interests		**0.9**	0.8
Total equity		**56.5**	63.5

The notes on pages 35 to 53 form part of these accounts.

These accounts were approved by the Board of Directors on 12 March 2014 and were signed on its behalf by:

Stephen Marks
Director

Adam Castleton
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 2012	**1.0**	**9.4**	**0.1**	**5.3**	**58.3**	**74.1**	**1.0**	**75.1**
Loss for the year ended 31 January 2013					**(10.3)**	**(10.3)**	**(0.2)**	**(10.5)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.2)		**(0.2)**		**(0.2)**
Currency translation differences on foreign currency loans, net of tax				0.1		**0.1**		**0.1**
Transactions with owners recorded directly in equity								
Dividends					(1.0)	**(1.0)**		**(1.0)**
Balance at 31 January 2013	**1.0**	**9.4**	**0.1**	**5.2**	**47.0**	**62.7**	**0.8**	**63.5**
Loss for the year ended 31 January 2014					**(6.1)**	**(6.1)**	**0.1**	**(6.0)**
Other comprehensive income								
Currency translation differences for overseas operations				0.3		**0.3**		**0.3**
Currency translation differences on foreign currency loans, net of tax				(1.0)		**(1.0)**		**(1.0)**
Effective portion of changes in fair value of cash flow hedges			(0.3)			**(0.3)**		**(0.3)**
Balance at 31 January 2014	**1.0**	**9.4**	**(0.2)**	**4.5**	**40.9**	**55.6**	**0.9**	**56.5**

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 2014

	Note	2014 £m	2013 £m
Operating activities			
Loss for the period		**(6.0)**	(10.5)
Adjustments for:			
Depreciation and impairment		**1.9**	3.1
Impairment of goodwill		**–**	2.0
Finance income		**(0.1)**	(0.1)
Currency translation differences		**–**	(0.1)
Share of profit of joint ventures		**(0.6)**	(0.4)
Non-operating loss on store disposals and closures		**1.7**	1.3
Income tax credit		**(0.1)**	–
Operating loss before changes in working capital and provisions		**(3.2)**	(4.7)
Decrease in inventories		**2.3**	5.4
Decrease in trade and other receivables		**0.8**	2.4
Increase/(decrease) in trade and other payables		**1.9**	(6.8)
Cash flows from operations		**1.8**	(3.7)
Income tax paid		**(0.2)**	(0.5)
Cash flows from operating activities		**1.6**	(4.2)
Investing activities			
Interest received		**0.1**	0.1
Proceeds from investment in joint ventures		**0.4**	0.9
Acquisition of property, plant and equipment		**(0.8)**	(1.7)
Net costs from store closures		**(1.7)**	(0.2)
Disposal of discontinued operations		**–**	0.4
Cash flows from investing activities		**(2.0)**	(0.5)
Financing activities			
Dividends paid	9	**–**	(1.0)
Cash flows from financing activities		**–**	(1.0)
Net decrease in cash and cash equivalents	23	**(0.4)**	(5.7)
Cash and cash equivalents at 1 February	23	**28.5**	34.2
Exchange rate fluctuations on cash held	23	**0.1**	–
Cash and cash equivalents at 31 January	23	**28.2**	28.5

The notes on pages 35 to 53 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 54 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 Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition Note 26 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.

The Group ended the year with £28.2m of net cash and no borrowings. Over the cycle of the year the Group had minimum net cash of £9.9m. 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 29. 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.

There were no revisions to Adopted IFRS that became applicable in the year ended 31 January 2014 which had a significant impact on the Group's financial statements.

The Group does not consider that there are any standards, amendments or interpretations issued by the IASB, but not yet applicable, that will have a significant impact on the financial statements.

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.

NOTES TO THE GROUP ACCOUNTS
Continued

1 Accounting policies continued

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.

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 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.

1 Accounting policies continued

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 and work in progress are stated at the lower of cost and net realisable value. 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. Net realisable value is the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow moving or defective items where appropriate.

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 11.

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

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 ecommerce 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

Operating 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 substantially enacted at the balance sheet date, plus any adjustment to tax payable in respect of previous years.

NOTES TO THE GROUP ACCOUNTS
Continued

1 Accounting policies continued

m) Income tax continued
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 substantially 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. Overheads represent the direct costs of the divisional operations, common overheads shared between the divisions within geographic locations, in particular the costs of local management, advertising, finance and accounting and Group management overheads including the costs of Group management, legal, insurance and IT costs.

q) Capital management
Details of capital risk management are set out in Note 26 to the Group accounts.

r) Financial risk management
Details of financial risk management are set out in Note 26 to the Group accounts.

s) Guarantees
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of fellow subsidiaries or of third parties, 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) Segment reporting

The Group's operating segments have been determined based on the key monthly information reviewed by the Board of Directors (deemed to be the Chief Operating Decision Maker). The key metric reviewed cover the Retail and Wholesale sectors in totality, with the performance by key geographies also reviewed.

In prior years the segment reporting has included the results of five reportable segments, including UK/Europe Retail, UK/Europe Wholesale, North America Retail, North America Wholesale and Hong Kong Wholesale. The Board has revised the segment reporting to more fully align with the key metrics that are focused on monthly to monitor the business performance. This includes the global performance for Retail and Wholesale with regards to revenue and gross margins achieved, and the underlying profit/loss. Other items below this profit measure are reviewed on a line by line basis for the Group in total.

The segment note below reflects the information used by the Board and better reflects the 'management approach' as it includes the key metrics used. Accordingly the prior year information has been represented on this basis.

In addition to the information provided below, detailed commentary on the results of Retail and Wholesale, together with an analysis of the geographical performance, can be found in the Financial Review.

b) Segment revenue and results

Income statement	2014 £m	2013 £m
Revenue		
Retail	**117.5**	123.4
Wholesale	**71.9**	73.9
Group revenue	**189.4**	197.3
Gross profit	**90.2**	94.6
Retail	**56.9%**	55.8%
Wholesale	**32.5%**	34.9%
Group gross margin	**47.6%**	47.9%
Underlying operating (loss)/profit		
Retail	**(11.6)**	(15.4)
Wholesale	**11.7**	13.9
License income	**6.1**	6.5
Common and Group overheads	**(11.3)**	(12.8)
Finance income	**0.1**	0.2
Share of profit from joint ventures	**0.6**	0.4
Underlying Group operating loss	**(4.4)**	(7.2)
Underlying operating margin		
Retail	**(9.9)%**	(12.5)%
Wholesale	**16.3%**	18.8%
Underlying Group operating margin	**(2.3)%**	(3.6)%

NOTES TO THE GROUP ACCOUNTS
Continued

2 Operating segments continued
c) Geographical information

	2014 £m	2013 £m
Revenue		
UK/Europe	71%	70%
North America	24%	25%
Rest of the World	5%	5%
Divisional operating (loss)/profit		
UK/Europe	(3.9)	(9.4)
North America	2.4	5.5
Rest of the World	1.6	1.8
Group overheads and finance income	(4.5)	(5.1)
Underlying Group operating loss	(4.4)	(7.2)

d) Revenue from external customers

	2014 £m	2013 £m
UK	119.5	121.5
US	34.6	37.5
Canada	10.8	11.7
Other	24.5	26.6
	189.4	197.3

e) Non-current assets

	2014 £m	2013 £m
UK	8.9	9.4
US	0.4	0.6
Canada	–	0.1
Other	3.5	3.4
	12.8	13.5

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

3 Operating expenses

	2014 £m	Restated 2013 £m
Selling and distribution costs	92.8	99.5
Administration costs	8.6	9.4
	101.4	108.9

The comparatives have been restated to present an improved representation of operating expenses.

4 Other operating income

	2014 £m	2013 £m
Licensing income	6.1	6.5

5 Staff numbers and costs

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

	2014 Number	2013 Number
Selling, distribution and retail	**1,909**	2,097
Design, development and production management	**211**	209
Administration	**138**	138
	2,258	2,444

The aggregate payroll costs of these people were as follows:

	2014 £m	2013 £m
Wages and salaries	**35.4**	37.6
Social security costs	**3.0**	3.0
Defined contribution pension costs	**0.5**	0.5
	38.9	41.1

Included within the total staff cost above is the remuneration of the Directors totalling £1.2m (2013: £0.9m). Details of Directors' remuneration, share options and pension entitlements are disclosed in the Directors' Remuneration Report. Details of pension costs are disclosed in Note 28 to the Group accounts.

6 Finance income and expense

Recognised in the income statement	**2014 £m**	2013 £m
Finance income		
Interest receivable on bank balances	**0.1**	0.1
Currency translation differences	**–**	0.1
	0.1	0.2

7 Loss before taxation

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

	2014 £m	2013 £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	**0.1**	0.1
tax and other assurance services	**0.2**	0.2
Depreciation and impairment of owned assets	**1.9**	3.1
Loss on sale of items of property, plant and equipment	**–**	0.2
Store closure provisions	**1.7**	1.1
Impairment of goodwill	**–**	2.0
Operating lease rentals		
Plant and machinery	**0.3**	0.3
Leasehold properties	**26.6**	28.4
Rent receivable	**(1.5)**	(1.4)

The auditor's remuneration in respect of the audit of the Company was £37,000 (2013: £40,000).

During the year, the fees payable to the auditors and their associates for non-audit services was £168,000 (2013: £182,000) in respect of tax compliance and advisory services (£146,000 (2013: £162,000)), royalty and turnover reviews (£15,000 (2013: £14,000)) and other services (£7,000 (2013: £6,000)).

8 Income tax credit

a) Recognised in the income statement

	2014 £m	2013 £m
Current tax		
Overseas tax	0.3	0.5
Adjustment in respect of previous periods	–	(0.5)
Total current tax	0.3	–
Deferred tax – origination and reversal of		
UK temporary differences	–	(0.2)
Effect of change in tax rates	–	0.2
Adjustment in respect of previous periods	(0.4)	–
Total deferred tax	(0.4)	–
Tax on loss (Note 8b)	(0.1)	–

b) Factors affecting tax credit for year

The tax credited for the year is different to the standard 23% (2013: 24%) rate of corporation tax in the UK. The differences are explained below:

	2014 £m	2013 £m
Loss before taxation	(6.1)	(10.5)
Loss multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(1.4)	(2.5)
Effects of:		
Expenses not deductible	0.2	0.3
Impairment of goodwill	–	0.4
Losses for which no deferred tax asset has been recognised	1.6	1.8
Current year temporary differences and deferred capital allowances for which deferred tax has been recognised	(0.1)	0.5
Difference in effective tax rates on overseas earnings	(0.2)	(0.1)
Adjustments to tax charge in respect of previous periods	(0.4)	(0.5)
Share of joint venture tax charge which has been netted off within share of profit of joint ventures	(0.1)	(0.1)
Deferred tax charge relating to reduction in UK tax (23% to 21% effective from 1 April 2014)	0.3	0.2
Total tax credit for the year (Note 8a)	(0.1)	–

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

8 Income tax credit continued

c) Income tax recognised in other comprehensive income

	Before tax 2014 £m	Tax credit 2014 £m	Net of tax 2014 £m	Before tax 2013 £m	Tax credit 2013 £m	Net of tax 2013 £m
Currency translation differences on foreign currency net investments	0.3	–	0.3	(0.2)	–	(0.2)
Currency translation differences on foreign currency loans	(1.4)	0.4	(1.0)	0.1	–	0.1
Effective portion of changes in fair value of cash flow hedges	(0.3)	–	(0.3)	–	–	–
	(1.4)	0.4	(1.0)	(0.1)	–	(0.1)

9 Dividends – equity

	2014 £m	Pence per share	2013 £m	Pence per share
Final paid for prior financial year	–	–	1.0	1.0p
Total dividends paid during the year	–	–	1.0	1.0p

The Board is proposing that no dividend should be paid for the year. No dividends were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2013: Nil).

10 Losses per share

Basic losses per share are calculated on 95,899,754 (2013: 95,899,754) shares being the weighted average number of ordinary shares during the year.

Diluted losses per share are calculated on 95,989,627 shares being the weighted average number of ordinary shares adjusted to assume the exercise of dilutive options (2013: 95,983,319).

Basic and diluted losses per share of (6.4) pence per share (2013: losses of (10.7) pence) is based on losses of £(6.1)m (2013: losses of £(10.3)m) attributable to equity shareholders.

The reconciliation to adjusted earnings per share is as follows:

	2014 £m	2014 pence per share	2013 £m	2013 pence per share
Loss attributable to equity shareholders	(6.1)	(6.4)p	(10.3)	(10.7)p
Net loss on store disposals and closures	1.7	1.8p	1.3	1.3p
Impairment of goodwill	–	–	2.0	2.1p
Adjusted loss	(4.4)	(4.6)p	(7.0)	(7.3)p

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

NOTES TO THE GROUP ACCOUNTS
Continued

11 Intangible assets

Goodwill	2014 £m	2013 £m
Cost		
At 1 February and 31 January	**14.3**	14.3
Impairment		
At 1 February	**13.9**	11.9
During the year	**–**	2.0
At 31 January	**13.9**	13.9
Net book value at 31 January	**0.4**	0.4

In the prior year, as a result of the downturn in retail trade, goodwill of £2.0m relating to the acquisition of retail franchise operations in the UK was impaired. No impairment has been made in the current year.

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, 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% (2013: 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% (2013: 2%) has been used based on industry growth rates. As discussed in Our Business, 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 giving 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.

12 Property, plant and equipment

2014	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2013	10.4	62.0	72.4
Currency movements	(0.2)	(0.9)	(1.1)
Additions	–	0.8	0.8
Disposals	(2.3)	(4.2)	(6.5)
At 31 January 2014	**7.9**	**57.7**	**65.6**
Depreciation			
At 1 February 2013	9.6	57.1	66.7
Currency movements	(0.2)	(0.9)	(1.1)
Charge for year	0.1	1.8	1.9
Disposals	(2.3)	(4.1)	(6.4)
At 31 January 2014	**7.2**	**53.9**	**61.1**
Net book value			
At 31 January 2014	**0.7**	**3.8**	**4.5**
At 31 January 2013	0.8	4.9	5.7

The Group has no plant and equipment held under finance leases in both the current and prior years and no depreciation was charged during either year.

The impairment loss recognised in the year of £Nil (2013: £0.5m) is a result of a review of the carrying value of the store portfolio assets.

12 Property, plant and equipment continued

Property, plant and equipment with a net book value of £0.1m (2013: £Nil) was disposed of during the year. Net costs incurred on disposal were £Nil (2013: £(0.2)m) resulting in a loss on disposal of £(0.1)m (2013: £(0.2)m) which was charged to the store closures provision during the year.

The Group has £54.0m (2013: £53.9m) of gross assets with a £Nil net book value.

13 Investments

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

	2014 £m	2013 £m
Share of current assets	**3.9**	4.8
Share of non-current assets	**0.5**	0.5
Share of current liabilities	**(1.3)**	(2.3)
	3.1	3.0
Share of revenue	**6.4**	6.9
Share of expense	**(5.7)**	(6.4)
Share of income tax expense	**(0.1)**	(0.1)
	0.6	0.4

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

14 Inventories

	2014 £m	2013 £m
Raw materials and consumables	**0.1**	0.4
Work in progress	**0.2**	0.5
Finished goods	**38.2**	40.6
	38.5	41.5

During the year, inventory write-downs of £2.9m (2013: £6.8m) 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.

15 Trade and other receivables

	2014 £m	Restated 2013 £m
Trade receivables	**13.7**	14.1
Other receivables	**1.1**	1.5
Prepayments and accrued income	**7.9**	8.1
	22.7	23.7

The comparatives have been restated to present a clearer representation of trade and other receivables. There is no net impact on the total balance.

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 £0.3m (2013: £0.3m). During the year, £0.2m (2013: £0.3m) 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 26.

NOTES TO THE GROUP ACCOUNTS
Continued

16 Cash and cash equivalents

	2014 £m	2013 £m
Cash and cash equivalents in the balance sheet and cash flow	**28.2**	28.5

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 26.

17 Current trade and other payables

	2014 £m	2013 £m
Trade payables	**21.7**	19.7
Bills of exchange payable	**1.6**	1.9
Other taxation and social security	**4.2**	3.8
Accruals and deferred income	**15.6**	15.8
	43.1	41.2

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

18 Provisions

Store closures	2014 £m	2013 £m
Balance at 1 February	**1.7**	0.6
Utilised during the year	**(1.7)**	–
Increase during the year	**1.7**	1.1
Balance at 31 January	**1.7**	1.7

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

19 Current tax payable

	2014 £m	2013 £m
Overseas tax	**0.2**	–

20 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2014 £m	2013 £m	2014 £m	2013 £m
Property, plant and equipment	**3.3**	3.1	**–**	–
Deferred rent	**0.3**	0.3	**–**	–
Provisions	**0.5**	0.3	**–**	–
Deferred capital gains	**–**	–	**0.5**	0.9
Trading losses	**0.7**	0.7	**–**	–
	4.8	4.4	**0.5**	0.9

20 Deferred tax continued

The Group has a potential deferred tax asset, principally relating to past years' trading losses of £14.9m. As the Group returns to profit, this value will be realised.

	2014 £m	2013 £m
Trading losses	**13.1**	13.7
Property, plant and equipment	**1.1**	1.6
Capital losses	**–**	1.8
Other temporary differences	**0.7**	0.4
	14.9	17.5

21 Share capital

Ordinary shares of 1 pence each	2014 Number	2014 £m	2013 Number	2013 £m
Allotted, called up and fully paid shares at the beginning and end of the year	**95,899,754**	**1.0**	95,899,754	1.0

At 31 January 2014, 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
29 October 2008 (vested 29 October 2011)	1,836,000	56.20p	10 years
27 April 2011	50,000	102.30p	10 years
1 November 2012	400,000	24.50p	10 years
4 November 2013	600,000	29.25p	10 years

Share options granted are subject to detailed performance conditions. The performance conditions for the outstanding option grants are 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 2014	Weighted average exercise price	Number of options 2013
Outstanding at the beginning of the period	**52.61p**	**2,886,500**	79.97p	3,214,387
Forfeited during the period	**56.20p**	**(600,500)**	97.60p	(128,442)
Lapsed during the period	**–**	**–**	170.95p	(599,445)
Granted during the period	**29.25p**	**600,000**	24.50p	400,000
Outstanding at the end of the period	**47.00p**	**2,886,000**	52.61p	2,886,500

The number of share options exercisable at the year end is 1,836,000 (2013: 2,436,500).

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

NOTES TO THE GROUP ACCOUNTS
Continued

22 Reconciliation of decrease in cash to movement in net funds

	2014 £m	2013 £m
Change in net funds from cash flows	**(0.4)**	(5.7)
Translation differences	**0.1**	–
Movement in net funds	**(0.3)**	(5.7)
Net funds at beginning of year	**28.5**	34.2
Net funds at end of year	**28.2**	28.5

23 Analysis of net funds

	1 February 2013 £m	Cash flow £m	Non cash changes £m	31 January 2014 £m
Cash and cash equivalents in the balance sheet and cash flow	28.5	(0.4)	0.1	**28.2**
Net funds	**28.5**	**(0.4)**	**0.1**	**28.2**

24 Commitments
Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2014 for which no provision has been made in these accounts, were as follows:

	Leasehold property		Other	
	2014 £m	2013 £m	2014 £m	2013 £m
Operating leases which expire:				
Within one year	**0.9**	4.1	**–**	–
Within two to five years	**24.5**	25.1	**0.3**	0.4
After five years	**134.9**	165.1	**–**	–
	160.3	194.3	**0.3**	0.4

Aggregate future rentals receivable under non-cancellable operating leases at 31 January 2014 for which no accrual has been made in these accounts were as follows:

	Leasehold property	
	2014 £m	2013 £m
Operating leases which expire:		
Within two to five years	**1.8**	3.1
After five years	**0.5**	0.6
	2.3	3.7

At 31 January 2014 the Group had contracted capital commitments not provided for in the accounts of £0.2m (2013: £0.3m).

At 31 January 2014 the Group had commitments on foreign exchange contracts amounting to £4.5m (2013: £4.5m). In addition, the Group had commitments in respect of letters of credit of £1.4m (2013: £1.1m).

25 Contingent liabilities
The Group has a number of sublet and assigned properties. In the event that the tenants of these properties default, the Group may be liable. At the year end, the total annual commitment amounted to £Nil (2013: £0.4m).

26 Financial instruments

Details of financial risk management, treasury policies and use of financial instruments are set out in the section entitled 'Principal risks and uncertainties' 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.

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. Quantitative 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	
	2014 £m	2013 £m
Trade and other receivables	**14.8**	15.6
Cash and cash equivalents	**28.2**	28.5
	43.0	44.1

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

	Carrying amount	
	2014 £m	2013 £m
UK/Europe	**8.8**	8.0
North America	**2.4**	3.9
Hong Kong	**3.6**	3.7
	14.8	15.6

26 Financial instruments continued

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

	2014 £m	Restated 2013 £m
Wholesale customers	**13.7**	14.1

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

	Gross 2014 £m	Impairment 2014 £m	Restated Gross 2013 £m	Impairment 2013 £m
Current	**10.1**	**–**	11.5	–
30 days	**1.7**	**–**	1.0	–
60 days	**0.3**	**–**	0.4	–
More than 60 days	**1.9**	**(0.3)**	1.5	(0.3)
	14.0	**(0.3)**	14.4	(0.3)

The comparatives have been restated to present a clearer representation of trade and other receivables. There is no net impact on the total balance.

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.

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

	2014 £m	2013 £m
At 1 February	**0.3**	0.6
Movement during year	**–**	(0.3)
At 31 January	**0.3**	0.3

Interest rate profile of financial assets

The interest rate profile of the financial assets of the Group at 31 January 2014 was as follows:

	Financial assets on which no interest is received		Floating rate financial assets		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Sterling	**0.1**	0.2	**16.3**	15.3	**16.4**	15.5
US Dollar	**–**	–	**7.8**	7.5	**7.8**	7.5
Hong Kong Dollar	**–**	–	**1.4**	2.9	**1.4**	2.9
Other	**–**	–	**2.6**	2.6	**2.6**	2.6
Total	**0.1**	0.2	**28.1**	28.3	**28.2**	28.5

Financial assets comprise cash and short term deposits. The effective interest rate on floating rate financial assets during the year was 0.5% (2013: 1.3%).

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

26 Financial instruments continued

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 2014 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	–	–	0.7	0.1	**3.1**
Cash and overdraft	0.5	5.0	–	–	1.9	0.1	**7.5**
Trade and other payables	(1.2)	(1.7)	–	–	(0.9)	–	**(3.8)**
Intercompany balances	–	(1.8)	9.9	(11.0)	10.2	–	**7.3**
Total	**1.3**	**1.8**	**9.9**	**(11.0)**	**11.9**	**0.2**	**14.1**

At 31 January 2013 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	2.2	0.3	–	–	0.9	0.1	**3.5**
Cash and overdraft	0.4	4.9	–	1.1	1.7	0.1	**8.2**
Trade and other payables	(1.2)	(1.5)	–	–	(2.3)	–	**(5.0)**
Intercompany balances	(0.1)	2.9	9.7	(9.6)	9.0	–	**11.9**
Total	**1.3**	**6.6**	**9.7**	**(8.5)**	**9.3**	**0.2**	**18.6**

Forward foreign exchange contracts have not been taken into consideration above. As at 31 January 2014, the Group has committed forward foreign exchange contracts of £4.5m (2013: £4.5m).

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2014	2013	**2014**	2013
US Dollar	**1.568**	1.589	**1.644**	1.586
Canadian Dollar	**1.629**	1.587	**1.832**	1.584
Hong Kong Dollar	**12.166**	12.321	**12.761**	12.296
Euro	**1.179**	1.232	**1.219**	1.168

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 2014 £m	**Profit and loss 2014 £m**	Equity 2013 £m	Profit and loss 2013 £m
US Dollar	**–**	**(0.1)**	–	(0.6)
Canadian Dollar	**(0.8)**	**(0.2)**	(0.6)	(0.4)
Hong Kong Dollar	**–**	**1.0**	–	0.8
Euro	**(0.3)**	**(0.9)**	(0.4)	(0.6)
	(1.1)	**(0.2)**	(1.0)	(0.8)

NOTES TO THE GROUP ACCOUNTS
Continued

26 Financial instruments continued

Borrowing facilities

Working capital and letter of credit facilities of £4.2m were available to the Group at 31 January 2014 (31 January 2013: £4.2m). The facilities are subject to an annual review and were most recently renewed in July 2013.

Fair values

The fair value of the Group's financial instruments at 31 January 2014 were as follows:

	31 January 2014		31 January 2013	
	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	**28.2**	**28.2**	28.5	28.5
Trade receivables	**13.7**	**13.7**	14.1	14.1
Trade payables	**(21.7)**	**(21.7)**	(19.7)	(19.7)
Derivative financial instruments	**(0.2)**	**(0.2)**	0.1	0.1

The fair value of forward exchange contracts outstanding as at 31 January 2014 is a liability of £0.2m (2013: asset of £0.1m). £0.3m has been debited to the hedging reserve (2013: £Nil).

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.

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 41.8 percent of ordinary shares. Share options have been issued amounting to just over three percent of the issued share capital.

The Company will request permission from shareholders if deemed necessary to purchase its own shares.

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.

27 Directors' interests and related party transactions

The Group made sales of £1.5m (2013: £1.7m) to FCUK IT Company and £0.8m (2013: £1.1m) to FCIT China Limited during the year, both of which are joint ventures. The closing liabilities due from the respective joint ventures are £0.3m (2013: £0.4m) and £0.3m (2013: £0.4m).

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

French Connection Group was invoiced directly for property costs relating to 202 Westbourne Grove, London and recharged these costs to SAM Corporation Limited. Stephen Marks, Chairman and Chief Executive of French Connection Group PLC is a Director of French Connection Group PLC and is the sole shareholder of SAM Corporation Limited. The total costs invoiced and recharged during the year was £534,546 and was conducted at arm's length.

27 Directors' interests and related party transactions continued

At 31 January 2014, Stephen Marks, Chairman and Chief Executive had an interest in 40,094,190 ordinary shares (2013: 40,094,190) of which 2,281,500 shares (2013: 2,281,500) were held by family members or in family trusts, representing in aggregate 41.8% (2013: 41.8%) of the total issued ordinary share capital of the Company. At 31 January 2014, Adam Castleton, Group Finance Director, had an interest in 33,000 ordinary shares (2013: nil) representing 0.03% of 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.

28 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 £0.5m (2013: £0.5m). At 31 January 2014 and 31 January 2013 there were no outstanding amounts payable to the schemes.

29 Accounting estimates and judgements

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

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. Provision is made for obsolete, slow moving or defective items where appropriate. Provisions are considered on a seasonal basis taking into consideration the various channels that are available to the Group to sell existing inventory and the estimated prices that can be achieved.

30 Principal subsidiary undertakings

Details of the principal subsidiary undertakings at 31 January 2014 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	England	Supply of fashion merchandise
French Connection (London) Limited	England	Supply of fashion merchandise
French Connection (Hong Kong) Limited	British Virgin Islands (operates in Hong Kong)	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 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	3	**0.5**	0.6
Investments	4	**24.5**	25.7
		25.0	26.3
Current assets			
Debtors	5	**47.5**	40.5
Cash at bank and in hand		**–**	–
Derivative financial instruments		**–**	0.1
		47.5	40.6
Current liabilities			
Creditors	6	**(2.5)**	(1.5)
Derivative financial instruments		**(0.2)**	–
		(2.7)	(1.5)
Net current assets		**44.8**	39.1
Total assets less current liabilities		**69.8**	65.4
Deferred tax liability	7	**(0.6)**	(0.7)
Net assets		**69.2**	64.7
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	**59.0**	54.2
Other reserves	8	**(0.2)**	0.1
Equity shareholders' funds	9	**69.2**	64.7

The notes on pages 55 to 59 form part of these accounts.

These accounts were approved by the Board of Directors on 12 March 2014 and were signed on its behalf by:

Stephen Marks
Director

Adam Castleton
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 and these are presented on pages 54 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 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 or prior years.

NOTES TO THE COMPANY ACCOUNTS
Continued

1 Accounting policies continued

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 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.

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 third parties, 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 7 to the Group accounts.

3 Property, plant and equipment

	Plant equipment fixtures and fittings £m
Cost or valuation	
At 1 February 2013	3.2
Additions	0.1
Disposals	(0.2)
At 31 January 2014	**3.1**
Depreciation	
At 1 February 2013	2.6
Charge for year	0.2
Disposals	(0.2)
At 31 January 2014	**2.6**
Net book value	
At 31 January 2014	**0.5**
At 31 January 2013	0.6

4 Investments

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

	Total £m
Cost	
At 1 February 2013 and 31 January 2014	**70.8**
Provision	
At 1 February 2013	45.1
Charge for year	1.2
At 31 January 2014	**46.3**
Carrying amount	
At 31 January 2014	**24.5**
At 31 January 2013	25.7

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.

Impairment of £1.2m (2013: £Nil) relating to the Group's investment in subsidiary company, French Connection Holdings Inc. has been provided in the current year.

The principal subsidiaries of the Company are set out in Note 30 to the Group accounts.

NOTES TO THE COMPANY ACCOUNTS
Continued

5 Debtors

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	**47.0**	39.8
Deferred tax (Note 7)	**0.2**	0.3
Other debtors	**0.1**	0.1
Prepayments and accrued income	**0.2**	0.3
	47.5	40.5

Included within debtors are amounts due within one year of £0.3m (2013: £0.4m).

6 Creditors: amounts falling due within one year

	2014 £m	2013 £m
Trade creditors	**0.2**	0.4
Accruals and deferred income	**2.3**	1.1
	2.5	1.5

7 Deferred tax

Deferred tax asset (Note 5)	2014 £m	2013 £m
Deferred capital allowances and short-term timing differences	**0.2**	0.3

Deferred tax liability	2014 £m	2013 £m
Deferred capital gains	**0.6**	0.7

Any 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 2013	0.1	9.4	54.2
Loss for the financial year			(0.7)
Dividends received during the year from subsidiaries			5.5
Effective portion of changes in fair value of cash flow hedges	(0.3)		
At 31 January 2014	**(0.2)**	**9.4**	**59.0**

Share capital and share option information is set out in Note 21 in the Group accounts.

The profit before taxation dealt within the accounts of the Company was £4.8m (2013: £0.8m).

9 Reconciliation of movements in equity shareholders' funds

	2014 £m	2013 £m
(Loss)/profit for the financial year	(0.7)	0.8
Dividends paid during the year	–	(1.0)
Dividends received during the year from subsidiaries	5.5	–
Effective portion of changes in fair value of cash flow hedges	(0.3)	–
Net movement in equity shareholders' funds	4.5	(0.2)
Opening equity shareholders' funds	64.7	64.9
Closing equity shareholders' funds	**69.2**	64.7

10 Commitments

	Leasehold property		Other	
	2014 £m	2013 £m	2014 £m	2013 £m
Operating leases which expire:				
Within two to five years	–	–	0.2	0.2
After five years	0.9	0.8	–	–
	0.9	0.8	0.2	0.2

At 31 January 2014 the Company had commitments on foreign exchange contracts amounting to £4.5m (2013: £4.5m). The fair value of forward exchange contracts outstanding as at 31 January 2014 is a liability of £0.2m (2013: asset of £0.1m). £0.3m has been charged to the hedging reserve (2013: £Nil).

11 Contingent liabilities

The Company raises finance for and guarantees the bank borrowings of certain subsidiary undertakings which, at 31 January 2014, amounted to £Nil (2013: £Nil).

12 Related party disclosures

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

Details of DIrector related party transactions are disclosed in Note 27 to the Group accounts.

Management has identified the Directors of the Company as related parties for the purpose of FRS8 'Related Party Disclosures'. Details of the relevant relationships with these individuals are disclosed in the Directors' Remuneration Report as set out in the Group financial statements.

FIVE YEAR RECORD

Years ended 31 January	2010 £	2011 £	2012 £	2013 £	**2014** **£**
Revenue	249.2m	223.8m	216.0m	197.3m	**189.4m**
(Loss)/profit before taxation	(9.0)m	8.9m	5.0m	(10.5)m	**(6.1)m**
Discontinued operations	(15.7)m	(11.1)m	0.8m	–	**–**
Basic (losses)/earnings per share	(26.0)p	(2.4)p	5.5p	(10.7)p	**(6.4)p**
Adjusted earnings/(losses) per share	0.5p	7.5p	4.3p	(7.3)p	**(4.6)p**
Dividends per share	0.5p	1.5p	1.6p	–	**–**
Net assets	72.3m	71.8m	75.1m	63.5m	**56.5m**
Operated retail trading space 000 sq ft	458	337	330	325	**300**

ADVISERS

HEAD OFFICE	STOCKBROKERS	PRINCIPAL BANKERS
Centro 1 39 Camden Street London NW1 0DX	Numis Securities Ltd 10 Paternoster Square London EC4M 7LT	Barclays Bank Plc London Corporate Banking 1 Churchill Place London E14 5HP
SECRETARY AND REGISTERED OFFICE	AUDITORS	REGISTRARS AND TRANSFER OFFICE
Adam Castleton 20-22 Bedford Row London WC1R 4JS	KPMG Audit Plc 15 Canada Square Canary Wharf London E14 5GL	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
REGISTERED NUMBER		
1410568, England		

FINANCIAL CALENDAR

2014

15 May	AGM and Interim Management Statement (provisional)
18 September *(provisional)*	Half-Year Statement
20 November *(provisional)*	Interim Management Statement

2015

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

NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own personal advice from your stockbroker, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your ordinary shares in French Connection Group PLC, you should forward this document and other documents enclosed (except the personalised form of proxy) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of the Company will be held at 10.00 am on Thursday 15 May 2014 at the offices of French Connection Group PLC, Centro 1, 39 Camden Street, London NW1 0DX to consider and, if thought fit, pass the following resolutions:

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 2014.

2 To approve the Directors' Remuneration Report for the financial year ended 31 January 2014, other than the part containing the Directors' Remuneration Policy in the form set out in the Company's annual report and accounts for the financial year ended 31 January 2014.

3 To approve the Directors' Remuneration Policy in the form set out in the Directors' Remuneration Report in the Company's annual report and accounts for the financial year ended 31 January 2014.

4 To elect Adam Castleton as a Director of the Company.

5 To re-elect Neil Williams as a Director of the Company.

6 To re-elect Claire Kent as a Director of the Company.

7 To appoint KPMG LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid and to authorise the Directors to determine their remuneration.

8 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 £287,699 (being 30% of the issued share capital) 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.

9 THAT:
the French Connection Group Plc Company Share Option Plan 2014 (the "2014 Plan"), a summary of which is set out in Appendix 2 to this Notice be adopted and established and the Directors be and they are hereby authorised to do all things which they may consider necessary or desirable in order to carry the 2014 Plan into effect, including the making of non-material or consequential amendments thereto.

Special Resolution

To consider and, if thought fit, pass resolutions 10 and 11 below as Special Resolutions of the Company:

10 THAT:

if resolution 8 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 8 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 £47,950 (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.

11 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the end of the next annual general meeting of the Company.

By order of the Board

Adam Castleton
Secretary
20-22 Bedford Row
London WC1R 4JS

9 April 2014

Explanatory notes to the AGM Notice

Resolution 1 – Approval of the annual report and accounts
The Directors are required by the Companies Act 2006 (the "Act") to lay before the Company at this Annual General Meeting the accounts of the Company for the financial year ended 31 January 2014, the report of the Directors, the Directors' Remuneration Report and the report of the Company's auditor on those accounts.

Resolutions 2 and 3 – Directors' Remuneration Report and Directors' Remuneration Policy
Resolution 2 is the ordinary resolution to approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy. The vote of this resolution is advisory and no Director's remuneration is conditional upon the passing of this resolution.

Resolution 3 is the ordinary resolution to approve the Directors' Remuneration Policy, which is set out in the Directors' Remuneration Report. Once the Directors' Remuneration Policy is approved, the Company will not be able to make a remuneration payment to a current or prospective Director unless that payment is consistent with the Directors' Remuneration Policy.

Resolutions 4 to 6 – Election and Re-election of Directors
In accordance with the Company's articles of association, any Director newly appointed by the Board is required to retire and submit him/herself for re-appointment at the first annual general meeting following his/her appointment. Accordingly, Adam Castleton, who was appointed as Finance Director during the year, retires and, being eligible, offers himself for election.

The articles of association of the Company require the nearest number to one third of the Directors to retire at each annual general meeting. Neil Williams and Claire Kent are subject to rotation and being eligible, offer themselves for re-election.

Resolution 7 – Appointment of auditors
The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. KPMG Audit Plc has informed the Company that it has instigated an orderly wind down of its business and has therefore informed the Company that the entity which conducts audit services in the future is to change from KPMG Audit Plc to KPMG LLP. As such, KPMG Audit Plc has notified the Company that it is not seeking re-appointment as the Company's auditor and has provided the Company with a statement of circumstances confirming its resignation as auditor of the Company pursuant to this process. A copy of this statement of circumstances is set out in Appendix 1 to this Notice. Consequently, the Audit Committee has recommended, and the Board has approved, the resolution to appoint KPMG LLP as auditor of the Company.

Resolution 8 – Authority to allot shares
Under section 551 of the Act, Directors require shareholders' authority for the allotment of shares. Shareholders last granted such general authority to the Directors at the annual general meeting of the Company held in 2013. Such authority will expire at the end of this Annual General Meeting and Resolution 8 seeks to renew it (although the Directors have no current plans to utilise the authority, except in relation to the issue of new shares pursuant to the Company's share incentive schemes). Accordingly, Resolution 8 would renew this authority until the next annual general meeting by authorising the Directors to allot shares up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

Resolution 9 – Approval of adoption of the French Connection Group Plc Company Share Option Plan 2014 (the "2014 Plan")
Please refer to Appendix 2 which summarises the rules/provisions of the 2014 Plan.

Resolution 10 – Disapplication of statutory pre-emption rights
This resolution seeks to disapply the pre-emption rights provisions of section 561 of the Act, which requires Directors wishing to allot shares to offer them in the first instance to existing ordinary shareholders in proportion to their ordinary shareholding. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing ordinary shareholders. Shareholders last granted authority to Directors to dis-apply pre-emptive rights at the annual general meeting held in 2013. Such authority will expire at the end of this Annual General Meeting and Resolution 10 seeks to renew it. Except in relation to the issue of new ordinary shares pursuant to the Company's share incentive schemes, the Directors have no present intention of issuing any shares pursuant to this disapplication.

Resolution 11 – Notice of general meetings
Pursuant to the Shareholders' Rights Regulations the notice period for general meetings of a company has been extended to 21 clear days unless certain requirements are satisfied. The Directors believe it is in the best interests of the shareholders of the Company to enable general meetings to be called on 14 clear days' notice. It is intended that this flexibility will only be used for non-routine business and, where merited, in the interests of shareholders as a whole. The approval will be effective until the Company's next annual general meeting, when it is expected that a similar resolution will be proposed.

General notes to the AGM Notice

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 enclosed 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 13 May 2014.

2. The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction (as described in Note 1) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so (although voting in person at the AGM will terminate the proxy appointment).

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 8 April 2014, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 95,899,754 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 8 April 2014 are 95,899,754.

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 13 May 2014 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 question, 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 along with a copy of the Company's articles of association and the draft rules of the French Connection Group Plc Company Share Option Plan 2014 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.

13. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

14. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

15. In accordance with section 338 of the Companies Act 2006, a member or members of the Company may (provided that the criteria set out in section 338(3) of the Companies Act 2006 are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the AGM, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than 6 weeks before the AGM, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear their respective meanings set out in the Companies Act 2006 in relation to a communication, or a document or information sent or supplied, to a company.)

16. In accordance with section 338A of the Companies Act 2006, a member or members of the Company may (provided that the criteria set out in section 338A(3) of the Companies Act 2006 are met) require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business of the AGM, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than 6 weeks before the AGM, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear the respective meanings set out in the Companies Act 2006 in relation to a communication, or a document or information sent or supplied, to a company.)

Appendix 1 – Statement of circumstances received from KPMG Audit Plc

"1 April 2014

Statement to French Connection Group Plc (no. 01410568) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department."

Appendix 2 – summary of the French Connection Group Company Share Option Plan 2014 (the "2014 Plan")

Following the expiry of the existing French Connection Group Plc Approved Share Option Scheme and French Connection Group Plc Unapproved Share Option Scheme, the Board would like to replace both plans this year. Accordingly, shareholders are asked to approve the new 2014 Plan for the benefit of employees and full time directors.

1 **General**

The 2014 Plan will be administered by the Board of Directors of the Company or a duly constituted committee of the Board (the "Board").

The 2014 plan is in two parts: Part I will satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 so that employees may be granted options over Ordinary Shares worth up to £30,000 and income tax will not generally be payable on the exercise of those options (previously known as "approved options"); and Part II will allow the grant of options over a greater number of Ordinary Shares, but without relief from income tax ("unapproved options").

Benefits under the 2014 Plan are not transferable (except on death) and are not pensionable.

2 **Plan limits**

The total number of unissued Ordinary Shares over which options may be granted when aggregated with the total number of Ordinary Shares issued pursuant to share awards or made issuable pursuant to options granted under any employees' share scheme in the ten years immediately preceding the date upon which an option is granted, shall not exceed ten per cent of the Company's issued Ordinary Shares at the date of grant.

3 **Individual limits**
In any twelve month period, a participant may be granted options over Ordinary Shares with an aggregate market value, measured on their dates of grant, of up to two times his remuneration (annual basic rate of pay). The Board may increase this to four times his remuneration under exceptional circumstances.

The maximum value of Ordinary Shares (as at the relevant dates of grant) over which an individual may at any time hold approved options under Part I of the 2014 Plan and any other tax compliant Company Share Option Plan shall not exceed £30,000 (or such other limit as appears from time to time in the relevant legislation).

4 **Grant of options**
Options may be granted during a 42 day period following shareholders' approval and any announcement of the Company's interim and final results, and outside these periods if the Board resolves that exceptional circumstances exist.

No options may be granted when there is a restriction on dealing pursuant to the Model Code on Directors' dealings in securities as set out in the Listing Rules.

No options may be granted more than 10 years after the approval of the 2014 Plan by shareholders.

Eligible employees are all employees and Executive Directors of the Group who are required to work at least 25 hours per week for the Group.

5 **Option Exercise Price**
The price per Ordinary Share at which options may be exercised is the higher of the nominal value of an Ordinary Share and the average market value of an Ordinary Share over the three dealing days preceding the date of grant in the case of options to subscribe for shares and market value on the date of grant in the case of options to purchase.

6 **Performance Conditions**
The exercise of options will be subject to the achievement of a performance condition.

Options will vest if the performance condition is satisfied. The performance condition will be determined at the date of grant and will require sustained financial growth of the Company. The Board has determined that any performance condition will be challenging and the performance condition relating to the first grant of options will be based on improvements in profit before tax. Options will vest on a sliding scale, depending on the extent to which the performance condition is met.

7 **Renunciation of options**
Any option may be renounced in whole or in part by the participant by giving notice to that effect and returning the relevant option certificate to the Company no later than 30 days after the date of grant of that option.

8 **Exercise of options**
Options may be exercised in whole or in part on or after the third anniversary of the date of grant if the performance condition has been met. Options may be exercised earlier:

- if a participant dies;
- if a participant ceases to be employed by a Group company due to injury, ill-health, disability, redundancy or retirement;
- if the participant's employing company or business is transferred outside the Group;
- if the participant ceases employment with the Group for any other reason and the Board consents before the expiry of 30 days after the date on which he ceases employment, to the exercise of his options; or
- if the Company is taken over, or there is a scheme of arrangement or a voluntary winding up.

Where an option becomes exercisable before the third anniversary of the date of grant, the Board will take into account the proportion of the performance period that has expired and the extent to which the performance conditions have been met in determining the extent to which the option may be exercised.

9 **Lapse**
Options lapse on the earliest of the following events:

- the tenth anniversary of the date of grant;
- the first anniversary of the participant's death;
- six months after the date on which the participant ceased employment with the Group if cessation was by reason of redundancy, retirement, injury or disability;
- six months after the date on which the participant ceased employment with the Group if cessation was by reason that the participant's employing company or business is transferred outside the Group;
- six months after the participant ceases employment with the Group for any other reason and the Board consents to the exercise before the expiry of 30 days after the date on which he ceases employment;
- on the date of cessation of employment for any other reason;
- the Participant being adjudicated bankrupt;
- upon a resolution being passed or an order being made by the Court for the compulsory winding up of the Company;
- immediately upon the participant purporting to transfer, assign or charge his option; or
- following a change of control of the Company unless the option is exchanged as described in paragraph 10 below.

10 **Change in Control**
If there is a change of control of the Company, participants may, with the consent of the acquiring company, exchange options over Ordinary Shares for new options of an equivalent value over shares in the acquiring company.

11 **Variation of share capital**
Options granted under the 2014 Plan may be adjusted to reflect variations in the Company's share capital.

12 **Administration and Amendments**
The Board may amend the rules of the 2014 Plan, provided that:

- no amendments may adversely affect a participant as regards options granted before the date of amendment without the consent of the holders of not less than three-quarters of the Ordinary Shares then subject to option; and
- provisions relating to eligible employees, the limits on the number of Ordinary Shares which may be issued under the 2014 Plan, the maximum entitlement of any participant and the basis on which options may be adjusted to the advantage of participants may only be amended with the prior approval of shareholders in general meeting (except for minor amendments which benefit the administration of the 2014 Plan, or to take account of changes in legislation or to maintain favourable tax, regulatory or exchange control treatment).

13 **General**
Options may not be assigned, charged or transferred (except on death).

Ordinary Shares issued under the 2014 Plan shall rank pari passu with existing Ordinary Shares and the Company.

FrenchConnection.Com