16 September 2013

FRENCH CONNECTION GROUP PLC

Half-year results for the six month period ended 31 July 2013

French Connection PLC ("The Group"), today announces interim results for the six month period ended 31 July 2013.

Highlights:

- **Reduced loss before tax of £6.1 million (2012: loss of £6.3 million)**
- **Progress in UK/Europe Retail with losses reduced by £1 million**
- **Improved cash position of £22.3 million (2012: £21.2 million), no debt and a significant reduction in stock levels**

Commenting on these results Stephen Marks, Chairman and CEO of French Connection said:

"We have continued to implement significant changes across the business and our new team has now been in place for almost a year. This has led to improved margins, ranges and retail disciplines across our UK business.

We have recently launched the Winter collections and the reaction has been encouraging although it is still early in the season. With the recent improvement in the wholesale order books, the changes we have made are starting to resonate with our customers.

Although it is early days in our turnaround, the underlying strength of the business and the significant global awareness of the brand, coupled with the changes we are making provide the foundations for continued improvement and give me confidence for the future."

Ends

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Chairman's Statement

Dear Shareholders,

We have continued to implement significant changes across the business over the last six months, which I believe will build the foundations for improvements in the future. The improved financial performance in the period, although relatively small, represents a significant change in the trend that we have seen in recent times. Our profit performance in UK/Europe retail overall showed progress from last year, although this was offset by a lower wholesale contribution in North America and reduced licence income, both as previously highlighted.

In the six months to 31 July, revenue was £89.9 million, 6.4% lower than the comparable period last year, reflecting a softening in our wholesale business and a reduction in the UK/Europe retail business. Gross margin overall was slightly down on last year, but we saw an improvement in our UK/Europe retail business offset by a decline in the North America wholesale business due to prior season stock clearance. Overheads continue to be reduced on an underlying basis but also benefited from the reduced store base compared to the same period last year. The Group loss for the first six months of the year was £(6.1) million, down from £(6.3) million last year. In line with our continued focus on the management of working capital and especially the minimising of stock levels, we again ended the period with a strong balance sheet and an improved cash position of £22.3 million (2012: £21.2 million) and no debt.

Importantly the performance of the UK/Europe retail business has improved over the last six months, reflecting the implementation of the initiatives that we outlined last year. While like-for-like sales were down 4.5%, half of this relates to our decision to move the start of the summer sale back to improve brand equity by having shorter sale periods. This follows the pattern from the last winter season.

The UK/Europe gross margin improved benefiting from an increased full price sell through and the shorter sale period. With the elimination of some loss-making stores and reduced overheads, especially at the store level, we saw a good improvement in overall performance and are encouraged by this.

The new team has now been in place for almost a year. They have achieved positive changes in the business in many areas already and we expect the benefits of these to grow going forward. At the operational level in store, process re-engineering and enhanced staff scheduling/labour hour management has been implemented across the estate, resulting in reduced costs and improved utilisation of hours. The new head office management team has been focused on improving the sales drive within the business.

The structure of the collections has been adapted to ensure they have the appropriate mix of price points and styling, commencing with the new Winter 13 collection which has gone into the stores recently. Initial reactions from customers have been positive, with sales up on last year. Our accessories and shoe offers have been significantly improved; covering both in-house designed and licensed product and the collection has been launched in store within specially designated areas to showcase the improvements made. As reflected by the very tight working capital management now in place, both the levels of merchandise within the business and timing of receipts are being closely monitored.

Some progress has been made with the rationalisation of the UK/Europe store portfolio with 4 stores disposed of during the period and a further 3 stores planned to close by the end of the year. We will continue to consider further closures of non-contributing stores in the future when this is economically viable, but this effort is hindered by the current rental market in a number of the areas and other space available there due to closures by other businesses.

Our on-line business continues to grow strongly. Within this, the introduction of click and collect and returns to stores last year has created a seamless network for customers, making it easier for them to interact with the business. We have recently re-launched the web site with improved image sizes, functionality and styling.

Wholesale revenue in UK/Europe declined in the period, reflecting lower forward orders and in-season repeats. The response to the Winter ranges has been encouraging, with the order book level with this time last year, representing an improved trend from what we have seen recently. In addition the orders we have taken so far for the Summer 14 collections are slightly ahead of last year representing another move forward.

In North America overall we saw an improved contribution from the retail business offset by a lower performance in the wholesale channel due to increased off-price sales. Some rationalisation of the store portfolio, during the second half of last year, provided a positive impact on performance, coupled with a growing e-commerce business.

In other International markets we continued to grow our presence. Improved profitability of our joint ventures in Hong Kong and China resulted from a growth in like-for-like sales and an increase in the number of stores, set against market conditions that have softened compared to last year. Revenue in the Rest of the World wholesale channel declined due to a continuing weak performance of our Australian licence, although the gross margin improved due to a change in the mix of sales. Overall we have continued to see growth in our global franchisee business with the number of stores increasing to 263 (2012: 243), showing the continued strength of the brand globally.

Licence income in the period, whilst still a significant source of revenues, has been impacted by the loss of the clothing licence with Sears which was included in last year's figures. Within the income of £2.8 million in the current period (2012: £3.3 million), we have seen the first contribution from our new children's wear, shoe and furniture licences.

The Group finished the period with £22.3 million of cash (2012: £21.2 million) and no debt. This improvement has been driven by a significant reduction in stock levels reflecting the very close control in place which has offset the trading losses incurred.

I am very happy to welcome Adam Castleton to the Company, who has recently joined us as Group Finance Director, replacing Roy Naismith who left earlier in the year. Adam brings with him extensive experience of working in senior finance roles at a number of market leading consumer businesses.

Looking forward, considerable progress has been made to turn around the fortunes of the Group, although there is obviously still some way to go until we reach profitability. Performance in the UK has certainly not been helped by the overall market conditions which remain particularly volatile, but importantly we are on an improving trend.

We have recently launched the Winter collections and the reaction has been encouraging although it is still early in the season. With the recent improvement in the wholesale order books, the changes we have made are starting to resonate with our customers.

Although it is early days in our turnaround, the underlying strength of the business and the significant global awareness of the brand, coupled with the changes we are making provide the foundations for continued improvement and give me confidence for the future.

I would like to thank all our staff for their dedication and hard work during the difficult trading period and look forward to seeing the benefit of their efforts in future periods. The overall outcome for the year will, as ever, be dependent on the performance during the second half of the year.

BUSINESS REVIEW

Introduction

These tables show the divisional results of the continuing operations for the two periods on a comparable basis (see note 1).

Six months to 31 July 2013	**UK/Europe**			**North America**			**Rest of the World**	**Intra Group**	**Total**
	Retail £m	**Whole-sale £m**	**Total £m**	**Retail £m**	**Whole-sale £m**	**Total £m**	**Whole-sale £m**	**£m**	**£m**
Revenue	46.5	16.3	62.8	9.3	13.1	22.4	4.7		89.9
Gross profit	25.8	4.9	30.7	5.2	4.5	9.7	0.9	1.2	42.5
Gross margin	*55.5%*	*30.1%*	*48.9%*	*55.9%*	*34.4%*	*43.3%*	*19.1%*		*47.3%*
Trading overheads	(34.0)	(3.3)	(37.3)	(5.9)	(2.0)	(7.9)	(0.8)		(46.0)
Operating contribution	(8.2)	1.6	(6.6)	(0.7)	2.5	1.8	0.1	1.2	(3.5)
Common overhead costs			(1.8)			(1.6)			(3.4)
Other income			3.0			0.3	0.7	(1.2)	2.8
Divisional operating (loss)/profit			(5.4)			0.5	0.8	-	(4.1)
Group management overheads									(2.4)
Share of joint ventures									0.3
Finance income									0.1
Loss before tax									**(6.1)**

Six months to 31 July 2012	**UK/Europe**			**North America**			**Rest of the World**	**Intra Group**	**Total**
	Retail £m	**Whole-sale £m**	**Total £m**	**Retail £m**	**Whole-sale £m**	**Total £m**	**Whole-sale £m**	**£m**	**£m**
Revenue	49.0	18.1	67.1	9.8	13.1	22.9	6.0		96.0
Gross profit	26.8	5.4	32.2	5.6	5.4	11.0	1.1	1.5	45.8
Gross margin	*54.7%*	*29.8%*	*48.0%*	*57.1%*	*41.2%*	*48.0%*	*18.3%*		*47.7%*
Trading overheads	(36.0)	(3.9)	(39.9)	(6.7)	(1.9)	(8.6)	(0.8)		(49.3)
Operating contribution	(9.2)	1.5	(7.7)	(1.1)	3.5	2.4	0.3	1.5	(3.5)
Common overhead costs			(2.3)			(1.6)			(3.9)
Other income			3.5			0.5	0.8	(1.5)	3.3
Divisional operating (loss)/profit			(6.5)			1.3	1.1	-	(4.1)
Group management overheads									(2.5)
Share of joint ventures									0.2
Finance income									0.1
Loss before tax									**(6.3)**

Overview of Group results

The Group loss before tax was reduced at £(6.1) million compared to a loss of £(6.3) million for the corresponding period last year.

In the six months to 31 July 2013, revenue was £89.9 million, 6.4% lower than the equivalent period last year.

Gross margin was slightly lower at 47.3% (2012: 47.7%) with a good improvement in UK/Europe retail benefiting from reduced discounting.

Total Group operating expenses were 7% lower in the period at £51.8 million reflecting a reduced number of stores and tight control over overheads.

Licence income decreased by 15% to £2.8 million due mainly to the loss of the Sears licence last year although offset by growing income from a number of new licensees.

Our share of the profits of our joint ventures was £0.3 million (2012: £0.2 million) as a result of an increased number of stores in China and improved like-for-likes (+6.4%). Finance income was the same as last year at £0.1 million.

Our on-line business continues to grow strongly, now representing 20% of global retail sales (2012: 17%).

Progress with operational initiatives

Importantly the performance of the UK/Europe retail business has improved over the last six months reflecting the implementation of the initiatives that we outlined last year.

Store operations

- In store process re-engineering and enhanced staff scheduling/labour hour management has been implemented across the estate, resulting in reduced costs.
- The drive to improve average transaction values and units per transaction is on-going and will develop over time as the impact of the training and incentive programmes build.

Customer focused product

- The accessories offer has been significantly improved, covering both in-house designed and licensed product, to enhance the range.

Merchandise management

- As reflected in the very tight working capital management now in place, both the levels of merchandise within the business and timing of receipt are being closely monitored.

Store portfolio management

- Some progress has been made with the rationalisation of the UK/Europe store portfolio with 4 stores disposed of or closed since the start of the period.
- Ongoing efforts are being made to achieve further closures but this is hindered by the current rental market in a number of the key areas and other space available there due to the business closures.

Management team

- The new team has now been in place for almost a year. Significant change has been made within the business in many areas and we expect this to continue.

Further analysis of the trading results by division for the first six months of the year and expectations for the second half of the year are set out below.

United Kingdom and Europe region

UK/Europe accounts for 70% of Group revenue (2012: 70%) incurring reduced operating losses of £(5.4) million (2012: £(6.5) million). This movement is made up of an improvement at the trading level to a loss of £(6.6) million (2012: £(7.7) million), with common overheads reduced to £1.8 million (2012: £2.3 million). However, Other income was down to £3.0 million (2012: £3.5 million) due substantially to buying office fees charged to NFF, now discontinued, offset by the growth in new categories: e.g. children's wear and homeware.

United Kingdom and Europe - Retail

The operating result in the period from the UK/Europe retail division improved to a loss of £(8.2) million (2012: (£9.2) million) as margins were strengthened and overheads reduced.

Retail division like-for-like gross sales fell in the period by -4.5% (2012: -9.5%), with a similar decline in total net revenue which was £46.5 million (2012: £49.0 million). Average space traded has reduced by 3%. The better performance in the early weeks of the year reported in the Interim Management Statement softened but 2% of the reduction was as a result of moving back the seasonal sale period with the remainder due to the lower volumes of sale stock.

Gross margin was higher than last year at 55.5% (2012: 54.7%) benefiting from improved full price sell through and the shorter sale period.

We have continued to work with our landlords to deal with the under-performing stores. 4 poor performing UK stores were closed in the period and we expect to see 3 further stores closing during the second half of the year. We continue to actively consider further closures of non-contributing stores in the future when this is economically viable. Towards the end of the Financial Year we will review our 2014/15 plans and the level of any restructuring costs required.

United Kingdom and Europe - Wholesale

The operating result in the period from the UK/Europe wholesale division improved to £1.6 million (2012: £1.5 million) as margins were strengthened and overheads were reduced.

Wholesale revenue fell in the period by 10% to £16.3 million (2012: £18.1 million), however a slightly improved gross margin at 30.1% (2012: 29.8%) and reduced overheads to £3.3 million (2012: £3.9 million) with savings across all categories of spend, more than offset the reduction in revenue. Looking forward the Winter order book is flat on this time last year which is a change in the trend that we have seen over recent seasons. For Spring 2014 we expect to see an increase over last year.

North America region

North America accounts for 25% of Group revenue (2012: 24%) and generated a profit of £0.5 million in the period (2012: £1.3 million).

The retail division saw a 5% decline in revenue in the period (-7% in local currency). The closure of 3 poor performing stores and improved like-for-like sales resulted in reduced operating losses of £(0.7) million (2012: £(1.1) million).

The wholesale division delivered flat revenue of £13.1 million (2012: £13.1 million) although with reduced margins due to increased discounting, profit was £2.5 million (2012: £3.5 million). Revenue in local currency fell by 3%.

Licence income was lower during the period due to the termination of the Sears licence included in last year's figures. New licence agreements have started to generate strong revenues, notably in the footwear category.

Rest of the World region
Revenue in our wholesale business based in Hong Kong decreased from £6.0 million to £4.7 million and represents 5% of Group revenue (2012: 6%). The decline was driven largely by reductions in orders from our licensee in Australia although a positive change in the mix of sales has resulted in an increase in the gross margin, resulting in an operating profit of £0.8 million (2012: £1.1 million).

Brand licensing income
Licence income has been impacted by the loss of the Sears licence which was included in last year's figures. Within the income of £2.8 million in the current period (2012: £3.3 million), we have seen a strong contribution from our new licensees in the branded footwear, furniture and children's wear categories.

Central overheads and financing income
The overheads associated with the central Group management, including IT and legal costs, amounted to £2.4 million in the period, £0.1 million less than last year.

Net finance income of £0.1 million (2012: £0.1 million) was generated in the period with average net funds over the period of £16.1 million compared with £14.8 million last year.

Joint ventures
Our joint ventures in Hong Kong and China, which operate 27 locations with further locations planned, performed well in the period with good like-for-like sales growth. This resulted in the Group's share of the profits of these two operations growing to £0.3 million (2012: £0.2 million).

Profit before tax
Although we have seen some improvement during the period the continuing poor performance in our retail divisions means that the pre-tax result was a loss of £(6.1) million (2012: loss of £(6.3) million).

Earnings and dividends
Net loss for the period attributable to equity shareholders was £(6.1) million (2012: loss of £(6.1) million). Losses per share were (6.4) pence (2012: losses of (6.4) pence per share).

Given the continuing challenges faced by the business the Board has decided not to pay a dividend for the period (2012: £nil).

Working capital and net funds
The total cash at 31 July 2013 of £22.3 million was £1.1 million higher than last year's £21.2 million as a result of a continued focus on the management of working capital.

The cash utilisation in the six month period to 31 July 2013 was £6.5 million compared to £13.0 million last year reflecting the trading loss, offset by the positive movement in working capital.

Related party transactions
There have been no additional related party transactions to those disclosed in the Group's Annual Report and Accounts for the year ended 31 January 2013.

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16 September 2013

French Connection Group PLC
Registered Number: 1410568, England
Registered Office: 20-22 Bedford Row, London WC1R 4JS

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR rule 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR rule 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Stephen Marks	**Adam Castleton**
Chairman and Chief Executive	Finance Director

16 September 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months 31 July 2013 £m	Six months 31 July 2012 £m	Year ended 31 Jan 2013 £m
Revenue	1	**89.9**	96.0	197.3
Cost of sales		**(47.4)**	(50.2)	(102.7)
Gross profit	1	**42.5**	45.8	94.6
Operating expenses		**(51.8)**	(55.7)	(108.9)
Other operating income	2	**2.8**	3.3	6.5
Net loss on store disposals and closures		**-**	-	(1.3)
Operating loss before financing and impairments	1	**(6.5)**	(6.6)	(9.1)
Impairment of goodwill		**-**	-	(2.0)
Finance income		**0.1**	0.1	0.2
Finance expenses		**-**	-	-
Operating loss		**(6.4)**	(6.5)	(10.9)
Share of profit of joint ventures, net of tax		**0.3**	0.2	0.4
Loss before taxation, store disposals, closures and impairment of goodwill		**(6.1)**	(6.3)	(7.2)
Net loss on store disposals and closures		**-**	-	(1.3)
Impairment of goodwill		**-**	-	(2.0)
Loss before taxation		**(6.1)**	(6.3)	(10.5)
Total income tax expense		**-**	-	-
Loss for the period		**(6.1)**	(6.3)	(10.5)

The Groups results were entirely from continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months 31 July 2013 £m	Six months 31 July 2012 £m	Year ended 31 Jan 2013 £m
Loss for the period		**(6.1)**	(6.3)	(10.5)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences for overseas operations		**0.8**	0.4	(0.2)
Currency translation differences on foreign currency loans, net of tax		**0.2**	(0.2)	0.1
Effective portion of changes in fair value of cash flow hedges		**-**	0.1	-
Other comprehensive income for the period, net of tax		**1.0**	0.3	(0.1)
Total comprehensive income for the period		**(5.1)**	(6.0)	(10.6)
Loss attributable to:				
Equity holders of the Company	3	**(6.1)**	(6.1)	(10.3)
Non-controlling interests		**-**	(0.2)	(0.2)
Loss for the period		**(6.1)**	(6.3)	(10.5)
Total comprehensive income attributable to:				
Equity holders of the Company		**(5.1)**	(5.8)	(10.4)
Non-controlling interests		**-**	(0.2)	(0.2)
Total income and expense recognised for the period		**(5.1)**	(6.0)	(10.6)
Losses per share				
Basic and diluted losses per share	3	**(6.4)p**	(6.4)p	(10.7)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2013 £m	31 July 2012 £m	31 Jan 2013 £m
Assets				
Non-current assets				
Intangible assets		**0.4**	2.4	0.4
Property, plant and equipment		**5.2**	6.6	5.7
Investments in joint ventures		**3.5**	3.4	3.0
Deferred tax assets		**4.4**	4.4	4.4
Total non-current assets		**13.5**	16.8	13.5
Current assets				
Inventories		**38.9**	47.9	41.5
Trade and other receivables		**26.4**	27.7	23.7
Cash and cash equivalents	4	**22.3**	21.2	28.5
Derivative financial instruments		**0.1**	0.2	0.1
Total current assets		**87.7**	97.0	93.8
Total assets		**101.2**	113.8	107.3
Non-current liabilities				
Deferred tax liabilities		**0.9**	0.9	0.9
Total non-current liabilities		**0.9**	0.9	0.9
Current liabilities				
Trade and other payables		**41.1**	43.7	41.2
Current tax payable		**-**	0.5	-
Provisions	5	**0.8**	0.6	1.7
Total current liabilities		**41.9**	44.8	42.9
Total liabilities		**42.8**	45.7	43.8
Net assets		**58.4**	68.1	63.5
Equity				
Called-up share capital		**1.0**	1.0	1.0
Share premium account		**9.4**	9.4	9.4
Other reserves		**6.3**	5.7	5.3
Retained earnings		**40.9**	51.2	47.0
Total equity attributable to equity holders of the Company		**57.6**	67.3	62.7
Non-controlling interests		**0.8**	0.8	0.8
Total equity		**58.4**	68.1	63.5

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Six months 31 July 2012	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 period ended 31 July 2012					(6.1)	**(6.1)**	(0.2)	**(6.3)**
Other comprehensive income								
Currency translation differences for overseas operations				0.4		**0.4**		**0.4**
Currency translation differences on foreign currency loans, net of tax				(0.2)		**(0.2)**		**(0.2)**
Effective portion of changes in fair value of cash flow hedges			0.1			**0.1**		**0.1**
Transactions with owners recorded directly in equity								
Dividends					(1.0)	**(1.0)**		**(1.0)**
Balance at 31 July 2012	**1.0**	**9.4**	**0.2**	**5.5**	**51.2**	**67.3**	**0.8**	**68.1**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2013 £m	Six months 31 July 2012 £m	Year ended 31 Jan 2013 £m
Operating activities				
Loss for the period		**(6.1)**	(6.3)	(10.5)
Adjustments for:				
Depreciation and impairment		**1.1**	1.3	3.1
Impairment of goodwill		**-**	-	2.0
Finance income		**(0.1)**	(0.1)	(0.1)
Currency translation differences		**-**	-	(0.1)
Share of profit of joint ventures		**(0.3)**	(0.2)	(0.4)
Non-operating loss on store disposals and closures		**-**	0.2	1.3
Operating loss before changes in working capital and provisions		**(5.4)**	(5.1)	(4.7)
Decrease/(increase) in inventories		**3.1**	(1.0)	5.4
(Increase)/decrease in trade and other receivables		**(2.5)**	(1.1)	2.4
Decrease in trade and other payables		**(0.3)**	(4.2)	(6.8)
Cash flows from operations		**(5.1)**	(11.4)	(3.7)
Income tax paid		**(0.1)**	(0.1)	(0.5)
Cash flows from operating activities		**(5.2)**	(11.5)	(4.2)
Investing activities				
Interest received		**0.1**	0.1	0.1
Proceeds from investment in joint ventures		**-**	0.4	0.9
Acquisition of property, plant and equipment		**(0.5)**	(0.8)	(1.7)
Net costs from sale of property, plant and equipment		**-**	(0.2)	(0.2)
Disposal (costs)/proceeds from store closures and discontinued operations	5	**(0.9)**	-	0.4
Cash flows from investing activities		**(1.3)**	(0.5)	(0.5)
Financing activities				
Dividends paid		**-**	(1.0)	(1.0)
Cash flows from financing activities		**-**	(1.0)	(1.0)
Net decrease in cash and cash equivalents	4	**(6.5)**	(13.0)	(5.7)
Cash and cash equivalents at 1 February		**28.5**	34.2	34.2
Exchange rate fluctuations on cash held		**0.3**	-	-
Cash and cash equivalents at period end	4	**22.3**	21.2	28.5

NOTES TO THE HALF-YEAR STATEMENT

1. Operating segments

Six months to 31 July 2013	**UK/Europe**			**North America**			**Rest of the World**	**Intra Group**	**Total**
	Retail £m	**Whole-sale £m**	**Total £m**	**Retail £m**	**Whole-sale £m**	**Total £m**	**Whole-sale £m**	**£m**	**£m**
Revenue	46.5	16.3	62.8	9.3	13.1	22.4	4.7		89.9
Gross profit	25.8	4.9	30.7	5.2	4.5	9.7	0.9	1.2	42.5
Gross margin	*55.5%*	*30.1%*	*48.9%*	*55.9%*	*34.4%*	*43.3%*	*19.1%*		*47.3%*
Trading overheads	(34.0)	(3.3)	(37.3)	(5.9)	(2.0)	(7.9)	(0.8)		(46.0)
Operating contribution	(8.2)	1.6	(6.6)	(0.7)	2.5	1.8	0.1	1.2	(3.5)
Common overhead costs			(1.8)			(1.6)			(3.4)
Other income			3.0			0.3	0.7	(1.2)	2.8
Divisional operating (loss)/profit			(5.4)			0.5	0.8	-	(4.1)
Group management overheads									(2.4)
Operating loss before financing and impairments									(6.5)

Six months to 31 July 2012	**UK/Europe**			**North America**			**Rest of the World**	**Intra Group**	**Total**
	Retail £m	**Whole-sale £m**	**Total £m**	**Retail £m**	**Whole-sale £m**	**Total £m**	**Whole-sale £m**	**£m**	**£m**
Revenue	49.0	18.1	67.1	9.8	13.1	22.9	6.0		96.0
Gross profit	26.8	5.4	32.2	5.6	5.4	11.0	1.1	1.5	45.8
Gross margin	*54.7%*	*29.8%*	*48.0%*	*57.1%*	*41.2%*	*48.0%*	*18.3%*		*47.7%*
Trading overheads	(36.0)	(3.9)	(39.9)	(6.7)	(1.9)	(8.6)	(0.8)		(49.3)
Operating contribution	(9.2)	1.5	(7.7)	(1.1)	3.5	2.4	0.3	1.5	(3.5)
Common overhead costs			(2.3)			(1.6)			(3.9)
Other income			3.5			0.5	0.8	(1.5)	3.3
Divisional operating (loss)/profit			(6.5)			1.3	1.1	-	(4.1)
Group management overheads									(2.5)
Operating loss before financing and impairments									(6.6)

Finance income has not been separately allocated to the respective divisions as this income is generated by the Group treasury department which is managed centrally.

The share of the results of the joint venture operations of £0.3 million (2012: £0.2 million) relate to the Rest of the World retail operations and are not disclosed in the information above.

NOTES TO THE HALF-YEAR STATEMENT

2. Other operating income

	Six months 31 July 2013 £m	Six months 31 July 2012 £m	Year ended 31 Jan 2013 £m
Licensing income and buying office commission	**2.8**	3.3	6.5

3. Losses per share

Weighted average number of ordinary shares	Six months 31 July 2013	Six months 31 July 2012	Year ended 31 Jan 2013
Basic	**95,899,754**	95,899,754	95,899,754
Diluted *	**95,957,573**	95,899,754	95,983,319

* adjusted to assume the exercise of dilutive options.

The reconciliation to adjusted losses per share is as follows:

	Six months 31 July 2013		Six months 31 July 2012		Year ended 31 Jan 2013	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Loss attributable to equity shareholders	(6.1)	(6.4)p	(6.1)	(6.4)p	(10.3)	(10.7)p
Net loss on store disposals and closures	-	-	-	-	1.3	1.3p
Impairment of goodwill	-	-	-	-	2.0	2.1p
Adjusted loss	**(6.1)**	**(6.4)p**	**(6.1)**	**(6.4)p**	**(7.0)**	**(7.3)p**

4. Cash and cash equivalents

	31 January 2013 £m	Cash flow £m	Non cash changes £m	31 July 2013 £m	31 July 2012 £m
Cash and cash equivalents in the balance sheet and cash flow	28.5	(6.5)	0.3	**22.3**	21.2
Net funds	28.5	(6.5)	0.3	**22.3**	21.2

NOTES TO THE HALF-YEAR STATEMENT

5. Provisions

Store closures	Six months 31 July 2013 £m	Six months 31 July 2012 £m	Year ended 31 Jan 2013 £m
Balance at 1 February	**1.7**	0.6	0.6
Increase during the year	**-**	-	1.1
Utilised during the year	**(0.9)**	-	-
Balance at period end	**0.8**	0.6	1.7

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

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

Reporting entity
French Connection Group PLC (the "Company") is a company domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place. These condensed consolidated half-year financial statements of the Company as at and for the six months ended 31 July 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended 31 January 2013 are available upon request from the Company's registered office at 20-22 Bedford Row, London WC1R 4JS or can be found on the Group website *www.frenchconnection.com*.

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

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

As required by the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"), the condensed consolidated half-year financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 January 2013, which were prepared in accordance with IFRS as adopted by the EU.

These condensed consolidated half-year financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on *Review of Interim Financial Information*. The comparative figures for the year ended 31 January 2013 are not the Company's statutory accounts for that period. Those accounts have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Board of Directors approved the condensed consolidated half-year financial statements on 16 September 2013.

Significant accounting policies
The accounting policies applied by the Group in these condensed consolidated half-year financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2013.

NOTES TO THE HALF-YEAR STATEMENT

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

The Group has adopted IFRS 13 ‘Fair Value Measurement’ as of 1 February 2013 which replaces and expands the disclosure requirements in other IFRSs, including IFRS 7 ‘Financial Instruments: Disclosures’. Some of the disclosures are specifically required in interim financial statements for financial instruments. These had no significant impact on the consolidated interim financial statements, and accordingly, the Group has not provided these disclosures or 2012 comparatives.

Key sources of estimation uncertainty
In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2013.

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

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

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

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

The Group’s approach to the management of risks were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2013.

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

Going concern
The Group has considerable cash resources, ending the half-year with £22.3 million and with a minimum Group cash balance during the period of £12.0 million.

Having reviewed the cash forecasts and the sources of cash funding available to the Group, including detailed discussions with our bankers, Barclays, the Board has concluded that the Group has access to more than sufficient funds to see it through the implementation of the recovery initiatives over the next two years.

Based on this and the forecast performance for the Group, 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.

NOTES TO THE HALF-YEAR STATEMENT

7. Retail locations

		31 July 2013 Locations	31 July 2013 sq ft	31 January 2013 Locations	31 January 2013 sq ft	31 July 2012 Locations	31 July 2012 sq ft
Operated locations							
UK/Europe							
French Connection	Stores	**71**	**212,126**	74	218,115	73	216,571
French Connection/Great Plains	Concessions	**49**	**33,193**	54	36,134	48	34,213
Toast	Stores	**11**	**11,407**	11	11,407	11	11,407
YMC	Stores	**2**	**1,355**	2	1,355	2	1,355
Total UK/Europe		**133**	**258,081**	141	267,011	134	263,546
North America							
French Connection US	Stores	**7**	**22,395**	8	33,900	8	33,900
French Connection Canada	Stores	**9**	**24,325**	9	24,325	11	31,035
Total North America		**16**	**46,720**	17	58,225	19	64,935
Total operated locations		**149**	**304,801**	158	325,236	153	328,481
French Connection licensed and franchised							
UK/Europe		**6**	**8,561**	10	14,821	11	15,171
North America		**1**	**2,000**	1	2,000	1	2,000
Middle East		**9**	**17,892**	13	23,842	13	23,842
Australia		**74**	**77,260**	92	96,329	92	96,329
Hong Kong		**6**	**6,789**	6	7,031	6	7,031
China		**21**	**31,057**	21	31,556	19	27,811
India		**99**	**60,535**	89	56,129	60	45,126
Other		**47**	**40,579**	51	45,240	41	41,771
Total licensed and franchised locations		**263**	**244,673**	283	276,948	243	259,081
Total branded locations		**412**	**549,474**	441	602,184	396	587,562