

FRENCH CONNECTION GROUP PLC

Half-Year Statement for the six months ended 31 July 2010

French Connection Group PLC today announces its interim results for the six months ended 31 July 2010.

Highlights:

- Substantial improvement in operating result
- Positive impact from restructuring which is largely complete
- For the businesses which will be retained*:
 - Turnover increased 4% to £96.2 million (2009: £92.3 million)
 - Gross margin increased 2.4% points to 52.5% (2009: 50.1%)
 - Profit before tax was £0.2 million (2009: loss of £(5.4) million)
- The loss before tax of “continuing businesses”, which includes the US stores planned for closure, was £(1.3) million (2009: (£7.7) million)
- Like-for-like sales in UK/Europe increased 3% driven by growth in menswear and e-commerce
- Cash balance of £30.2 million - well ahead of last year by £6.5 million
- New US licence to generate over £1.5 million annually from next year
- New season wholesale orders ahead of last year
- Interim dividend of 0.5 pence per share. (2009: nil)

Stephen Marks, Chairman, commented on the results:

“I am pleased with the substantial improvement in operating results and confident that French Connection is now back on track. The restructuring arising from our strategic review is nearly complete and we are at the beginning of a new period of growth as evidenced by our new licence agreement with Li & Fung in North America.”

“The steady improvement in trading in our UK/Europe retail business continued during the six month period with an increase of 3% in like-for-like retail sales. This included good growth in French Connection men’s wear with ladies’ wear slightly ahead driven by particularly good growth through e-commerce. Similarly, wholesale deliveries in UK/Europe were 9% ahead. The North America businesses have also generated improved results in the period.”

“Although our outlook for trading in the second half remains cautious, the improvement we have achieved in the first half of the year along with the reduced cost base following the restructuring allows us to be confident that we will show progress for the year as a whole.”

*Business to be retained excludes the result of 15 stores in the US which are planned for closure as part of the restructuring.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased with the substantial improvement in operating results in the first half of the year and I am confident that French Connection is now back on track. The restructuring arising from our strategic review is nearly complete and we are at the beginning of a new period of growth.

It is particularly exciting to announce our new licensing agreement with Li & Fung, the leading consumer goods supply chain management business. Li & Fung's subsidiary, LF USA, have entered into a licence for the use of the "UK Style by French Connection" name. This is an exciting young fashion range at attractive price points and will be sold through Sears, a leading retailer in North America. We are very happy to be working with two world class companies on this venture. The arrangement will deliver additional licence income of at least £1.5 million in the year ending 31 January 2012 with potential for significant growth thereafter. This development underscores the strength of the French Connection brand and the opportunities that exist for us in global markets.

We have now completed the disposal of the Nicole Farhi business and have agreed the terms for the disposal of the majority of the under-performing stores in the US. The businesses which we intend to retain for the longer term have performed well in the first six months of the year.

Across the Group, we have generated increases in turnover in both retail and wholesale, the gross margin has improved significantly and overheads have been reduced further, resulting in a significant improvement in results. The retained businesses achieved revenue of £96.2 million in the six months to 31 July 2010 (2009: £92.3 million) and the profit before tax of these businesses was £0.2 million, some £5.6 million better than last year.

As anticipated, the results of the entire Group are affected by the restructuring implemented during the first half. The loss after tax of the entire Group in the six months to 31 July 2010 including the losses generated in businesses which are classified as discontinued together with the loss on disposal arising from the restructuring amounted to £(12.7) million (2009: £(11.0) million). We expect to finalise the restructuring of our US stores shortly, marking the completion of our strategic changes.

The steady improvement in trading in our UK/Europe retail business continued during the six month period with an increase of 3% in like-for-like retail sales. This included good growth in French Connection men's wear, reversing some of the declines we have seen in recent periods. Ladies' wear was slightly ahead, with particularly good growth through e-commerce. Similarly, wholesale deliveries in UK/Europe were 9% ahead reflecting improving sales within our wholesale customers' businesses. Margin improved significantly in both channels and, combined with lower overheads and increased licence income, the UK/Europe division was strongly ahead.

The continuing businesses in North America also saw improvements, most notably in the margin as a result of our focus on full-price selling and tighter control of inventory. Overall the North America businesses which we intend to retain achieved break-even in the period.

Both our wholly-owned businesses and the joint ventures in the Rest of the World also saw further growth, particularly in Australia, China and Hong Kong.

As a result of the improved trading, the Group held £30.2 million of cash at 31 July 2010, £6.5 million more than the equivalent date last year. Following on from the final dividend declared earlier in the year, we will pay a small interim dividend reflecting our strong cash position and positive outlook.

Looking to the second half of the financial year it seems unlikely that the retail environment will become any easier given the economic backdrop. The like-for-like sales performance in our retail stores in the early weeks of the new season has shown a decline making us more cautious about our outlook for the second half. However our wholesale forward orders are ahead of this time last year and we expect to be able to maintain the stronger gross margins achieved recently. The progress we have achieved in the first half of the year along with the reduced cost base following the restructuring allows us to be confident that the continuing businesses will show progress for the year as a whole.

Stephen Marks
Chairman and Chief Executive
15 September 2010

BUSINESS REVIEW

Introduction

The actions arising from the strategic review discussed in detail in our Annual Report for the year ended 31 January 2010 have, as anticipated, had a significant and very positive effect on the results for the six months ended 31 July 2010.

The businesses in Japan and Northern Europe were closed prior to the start of the period and the results of these businesses in the comparable period have been classified as “discontinued businesses”. The sale of the Nicole Farhi business was completed on 2 July 2010 and therefore the trading of this business has been classified as discontinued for both the current and prior period. The loss on the disposal of the business has also been included in these results.

The implementation of the plan to rationalise the US store portfolio is on-going and therefore the results of these stores is included in “continuing businesses” as required by International Financial Reporting Standards. However, for the purpose of this Business Review the stores planned for closure have been separated from the continuing businesses to show the results of the businesses which the Group intends to retain for the longer term.

The sale of the Nicole Farhi business combined with the recycling of related historical translation differences and the trading of that business prior to disposal has resulted in a loss in the income statement of £11.2 million. The comparable loss in the prior period relates to the trading losses of the Nicole Farhi business, the Japan business and stores in Northern Europe all of which are now discontinued.

Including the elements arising from the restructuring, the total loss after tax of the entire Group for the six months ended 31 July 2010 was £(12.7) million (2009: £(11.0) million). This can be analysed as follows:

	2010	2009
Six months to 31 July	£m	£m
Divisional operating result from businesses which are to be retained	1.5	(3.0)
Central overheads	(2.3)	(2.6)
Share of joint ventures	0.8	-
Net finance income	0.2	0.2
Profit/(loss) before tax of businesses to be retained	0.2	(5.4)
Divisional operating result arising from US businesses planned for closure	(1.5)	(2.3)
Loss before taxation	(1.3)	(7.7)
Taxation	(0.2)	0.7
Loss from discontinued businesses after taxation	(11.2)	(4.0)
Loss for the period	(12.7)	(11.0)

The results of the businesses to be retained is discussed further below.

BUSINESS REVIEW (continued)

Businesses to be retained

Six months to 31 July 2010	UK/Europe			North America			Rest of the World £m	Intra Group £m	Total £m
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m			
	Revenue	52.6	17.0	69.6	10.1	9.3			
Gross profit	32.3	6.2	38.5	5.8	3.5	9.3	1.4	1.3	50.5
<i>Gross margin</i>	<i>61.4%</i>	<i>36.5%</i>	<i>55.3%</i>	<i>57.4%</i>	<i>37.6%</i>	<i>47.9%</i>	<i>19.4%</i>		<i>52.5%</i>
Trading overheads	(34.4)	(4.3)	(38.7)	(6.0)	(1.6)	(7.6)	(0.8)		(47.1)
Operating contribution	(2.1)	1.9	(0.2)	(0.2)	1.9	1.7	0.6	1.3	3.4
Common overhead costs			(2.0)			(1.7)	-		(3.7)
Licensing income			2.3			-	0.8	(1.3)	1.8
Divisional operating profit			0.1			-	1.4	-	1.5
Central overheads									(2.3)
Share of joint ventures									0.8
Finance income									0.2
Profit before tax – businesses to be retained									0.2

Six months to 31 July 2009	UK/Europe			North America			Rest of the World £m	Intra Group £m	Total £m
	Retail £m	Whole- sale £m	Total £m	Retail £m	Whole- sale £m	Total £m			
	Revenue	52.3	15.6	67.9	9.5	8.4			
Gross profit	31.4	4.4	35.8	5.2	2.4	7.6	1.4	1.4	46.2
<i>Gross margin</i>	<i>60.0%</i>	<i>28.2%</i>	<i>52.7%</i>	<i>54.7%</i>	<i>28.6%</i>	<i>42.5%</i>	<i>21.5%</i>		<i>50.1%</i>
Trading overheads	(35.0)	(4.4)	(39.4)	(5.6)	(1.6)	(7.2)	(0.7)		(47.3)
Operating contribution	(3.6)	-	(3.6)	(0.4)	0.8	0.4	0.7	1.4	(1.1)
Common overhead costs			(1.8)			(1.6)	-		(3.4)
Licensing income			2.0			-	0.9	(1.4)	1.5
Divisional operating profit/(loss)			(3.4)			(1.2)	1.6	-	(3.0)
Central overheads									(2.6)
Share of joint ventures									-
Finance income									0.2
Loss before tax – businesses to be retained									(5.4)

Overview of Group results

This review will focus on the results of the businesses which are planned to be retained as set out in the tables above.

In the six months to 31 July 2010, revenue was £96.2 million, a £3.9 million or 4% increase over the equivalent period last year. Increases were generated by like-for-like growth in our retail

divisions of £1.4 million, wholesale growth of £3.0 million and by the beneficial impact of a decline in exchange rates in Canada of £0.8 million. These were offset by the effect of changes in the retail portfolio amounting to £1.3 million.

BUSINESS REVIEW (continued)

The Group gross margin improved significantly from 50.1% to 52.5% as a result of growing demand within the wholesale businesses and tighter control of the supply chain.

Total Group operating expenses were £0.2 million lower in the period at £53.1 million reflecting the savings from a small reduction in the total store count and other operating cost savings across the Group, offset by increased costs within our e-commerce businesses and some additional investment in advertising, crucial for supporting the brand.

Licence income increased from £1.5 million to £1.8 million with continued growth from a number of our licensees. Our share of the profits of our joint ventures benefited from their strong trading to give an income of £0.8 million (2009: £nil). Finance income remained at £0.2 million.

The profit before tax for the period of the businesses to be retained was £0.2 million, a significant improvement over the loss in the comparable period for the same businesses of £(5.4) million.

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 - Retail

Retail revenue in UK/Europe was marginally ahead at £52.6 million (2009: £52.3 million). On a like-for-like basis, sales were 3% higher compared to the same period last year. French Connection men's wear achieved good growth, reversing some of the declines seen in recent periods, ladies' wear was slightly ahead with good growth in e-commerce sales and Toast also continued to grow. Net changes in the store and concessions portfolio resulted in a small reduction in average trading space.

The gross margin achieved in the UK/Europe retail locations was 61.4% compared to 60.0% in the comparable period last year. The increase was generated mostly by improved supply chain management and lower levels of discounting.

Trading overheads were lower, reflecting the reduced store portfolio offset by some additional investment in both Toast and our e-commerce business consequent to increased volumes and our added focus on this channel.

The net operating loss showed a marked improvement to £(2.1) million (2009: loss of £(3.6) million).

There is little evidence that the fashion retail market in UK/Europe will recover in the short term and we will continue to operate cautiously in relation to managing inventory. In the second half we are targeting to generate further growth in our e-commerce channel through investment in resources in this area. Given the general economic backdrop and a slow start to our new season over the last few weeks we consider that overall growth in retail volumes seen in the first half of the year will be difficult to achieve for the full year, however we expect to be able to maintain the improved margins achieved recently.

United Kingdom and Europe - Wholesale

Wholesale turnover increased by £1.4 million to £17.0 million with this increasing demand also generating a stronger margin, up 8.3% points to 36.5%. Overheads remain tightly controlled, resulting in an operating contribution of £1.9 million (2009: £0.0 million).

Forward orders for Winter 2010 and Summer 2011 are both showing growth compared to this time last year reflecting the success our wholesale customers have achieved with our ranges in recent seasons and the strength of the new ranges. Growth in turnover in the second half will also be affected by the level of in-season orders, but we expect to be able to achieve a 5% increase in the value of deliveries.

UK/Europe division

Together, the retail and wholesale businesses in UK/Europe contributed an operating loss of £(0.2) million, a significant improvement over the loss of £(3.6) million in 2009.

Common overhead costs for the division increased by £0.2 million to £2.0 million reflecting an increased investment in advertising and promotion expenditure in the period in support of the brand.

Other income in the UK/Europe division of £2.3 million (2009: £2.0 million) includes both licence receipts from external licensees and royalties charged to Group companies which are purely internal. The licence income from external sources amounted to £1.8 million (2009: £1.5 million) with continued growth from our territory licensees in Australia and Asia and our product licensees for eyewear, shoes, watches, perfume and jewellery.

The operating result for the UK/Europe division was a profit of £0.1 million for the period, a considerable improvement over the prior period loss of £(3.4) million.

BUSINESS REVIEW (continued)

North America - Retail

Retail turnover in stores which we intend to retain in North America increased to £10.1 million (2009: £9.5 million). Like-for-like sales fell by 3.5%, offset by the effect of exchange rate variations and a new store in Canada. Gross margin improved by 2.7% to 57.4% as we resisted the pressure to discount our selling prices and as a result the net operating result improved to a loss of £(0.2) million (2009: loss of £(0.4) million).

Our main aim in the second half of the year is to ensure that the store rationalisation programme is completed as efficiently as possible and to improve the performance of the remaining portfolio.

North America - Wholesale

Sales to our wholesale customers in North America in the period amounted to £9.3 million (2009: £8.4 million). Last year's old-season clearances were not repeated, resulting in a much improved margin at 37.6% (2009: 28.6%) and with overheads held steady, contribution increased by £1.1 million to £1.9 million.

We aim to maintain the growth momentum generated with our wholesale customers into the second half of the year.

North America division

Together, the retail and wholesale operations in North America generated a profit of £1.7 million at the operating level (2009: £0.4 million). Common overhead costs were similar to last year at £1.7 million resulting in a break-even result for the division compared to a loss of £(1.2) million last year.

Rest of the World

Following the closure of the Japan retail business the Rest of the World division reflects only our wholesale and sourcing operation in Hong Kong.

Revenue increased by £0.7 million to £7.2 million representing an 11% increase with our major licensees in Asia, Australia and South Africa all ordering higher quantities of product.

The gross margin generated by this business is affected by the mix of customers and while core margins were unchanged, the blended gross margin decreased to 19.4% (2009: 21.5%). Overheads show a small increase reflecting exchange differences resulting in a small decrease in net operating profit for the period to £0.6 million compared with £0.7 million last year.

The Hong Kong business also earns commission income from Group companies on shipments to the UK and North America. Total income from this channel was £0.8 million (2009: £0.9 million).

The total divisional operating result was a profit of £1.4 million compared to a profit of £1.6 million in the comparable period.

Central overheads and financing income

The overheads associated with the central Group management amounted to £2.3 million in the period, £0.3 million less than last year reflecting continuing efforts to reduce costs.

Net finance income of £0.2 million (2009: £0.2 million) was generated in the period with average net funds over the period of £25.9 million compared with £21.6 million last year.

Joint ventures

Both the joint venture retail operations in Hong Kong and China continue to develop well and both generated a profit during the period on good like-for-like sales growth. The Group's share of those profits amounted to £0.8 million (2009: £nil) in the period.

Profit before tax – businesses to be retained

With overheads held steady, some good improvement in wholesale turnover and a significant improvement in gross margin, the profit before tax for the period from the businesses which we intend to retain was considerably improved from a loss of £(5.4) million in 2009 to a profit of £0.2 million.

BUSINESS REVIEW (continued)

Group profit before tax

	Businesses to be retained	US retail for disposal	Total "continuing businesses"	Total "continuing businesses"
Six months to 31 July	2010 £m	2010 £m	2010 £m	2009 £m
	£m	£m	£m	£m
Revenue	96.2	7.0	103.2	100.2
Gross profit	50.5	4.0	54.5	50.3
<i>Gross margin</i>	52.5%	57.1%	52.8%	50.2%
Trading overheads	(47.1)	(5.4)	(52.5)	(53.5)
Aggregate operating contributions	3.4	(1.4)	2.0	(3.2)
Common overhead costs	(3.7)	(0.1)	(3.8)	(3.6)
Licence income	1.8		1.8	1.5
Trading contribution	1.5	(1.5)	-	(5.3)
Central overheads	(2.3)		(2.3)	(2.6)
Net finance income	0.2		0.2	0.2
Share of joint ventures	0.8		0.8	-
Profit/(loss) before tax	0.2	(1.5)	(1.3)	(7.7)

The total profit before tax of the businesses to be retained described above amounts to £0.2 million (2009: loss of £(5.4) million). As with the accounts for the year ended 31 January 2010, International Financial Reporting Standards require that the results of the US retail business are included within "continuing operations" until closure. The table above consolidates the results of the businesses to be retained with the rest of the US retail business to give the results as shown in the Condensed Consolidated Income Statement.

The divisional analysis of the loss before tax of the regions including both continuing and discontinued operations is set out in the segmental analysis at Note 1 and amounts to £(4.8) million (2009: £(12.9) million).

Taxation

The tax charge for the period of £0.2 million (2009: credit of £(0.7) million) reflects tax charged on profits generated in Hong Kong. No benefit has been recognised for losses incurred in the US or the UK in the period although those losses are available to offset any future taxable profits.

Discontinued operations

The income statement shows a charge, net of tax, of £11.2 million reflecting the net losses of the discontinued businesses along with the costs and losses arising on the disposal of the Nicole Farhi business before accounting for the deferred contingent consideration. Further details are given in Note 2.

Non-controlling interest

The non-controlling interest of £(0.2) million (2009: £0.0 million) represents the net share of profits attributable to the 25% ownerships held by local management in our Canada, Toast and YMC businesses.

Earnings and dividends

Net loss for the period attributable to equity shareholders was £(12.5) million (2009: loss of £(11.0) million). Loss per share was 13.0 pence (2009: loss of 11.5 pence per share).

Focusing only on the businesses which we intend to retain, the Group generated earnings of 0.2 pence per share in the period (2009: loss of 4.9 pence per share).

Reflecting our substantial cash reserves and the performance in the period, an interim dividend of 0.5 pence per share (2009: nil) will be paid on 19 October 2010 to shareholders on the register at 24 September 2010 (ex-dividend date 22 September 2010).

Working capital and net funds

The total cash at 31 July 2010 of £30.2 million was some £6.5 million ahead of last year's £23.7 million reflecting the strong cash generation achieved in the second half of last year. The Group retains its banking facilities allowing for loans, overdrafts and documentary credits up to a net borrowing of £10.3 million.

BUSINESS REVIEW (continued)

Due to both the higher average selling price of winter garments and the effect of Christmas and Thanksgiving sales volumes the business has a marked seasonality in both trading results and cash generation. Historically cash has been utilised in the first half of the financial year and any cash generation has arisen in the second half of the year with the majority arising in the last quarter.

During the six months to July 2010, cash utilisation was significantly lower than the equivalent period last year due to the improved trading and tight control of working capital. The cash utilisation in the six month period was £5.8 million compared to £14.1 million last year.

Related party transactions

There have been no additional related party transactions to those disclosed in the Group's Annual Report & Accounts for the year ended 31 January 2010.

15 September 2010

French Connection Group PLC
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Registered Office: 20-22 Bedford Row, London
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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 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 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Stephen Marks
Chairman and Chief Executive
15 September 2010

Roy Naismith
Finance Director

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	£m	Six months 31 July 2010 £m	£m	Restated* Six months 31 July 2009 £m	£m	Year ended 31 Jan 2010 £m
Continuing operations							
Revenue	3		103.2		100.2		214.3
Cost of sales			(48.7)		(49.9)		(103.7)
Gross profit							
Operating expenses			(58.6)		(59.7)		(117.2)
Other operating income	4		1.8		1.5		4.7
Net loss on sale of property, plant and equipment			-		-		(0.8)
Operating loss before financing and closure costs							
	1		(2.3)		(7.9)		(2.7)
Closure costs			-		-		(6.5)
Finance income		0.2		0.2		0.1	
Finance expenses		-		-		-	
Net finance income			0.2		0.2		0.1
Operating loss							
			(2.1)		(7.7)		(9.1)
Share of profit of joint ventures, net of tax			0.8		-		0.4
Loss before taxation							
			(1.3)		(7.7)		(8.7)
Income tax credit – UK		-		1.0		0.5	
Income tax expense – overseas		(0.2)		(0.3)		(0.7)	
Total income tax (expense)/credit			(0.2)		0.7		(0.2)
Loss for the period from continuing operations							
			(1.5)		(7.0)		(8.9)
Discontinued operations							
Loss from discontinued operations, net of tax	2		(11.2)		(4.0)		(16.0)
Loss for the period							
			(12.7)		(11.0)		(24.9)
Attributable to:							
Equity holders of the Company	5		(12.5)		(11.0)		(24.9)
Non-controlling interests			(0.2)		-		-
Loss for the period							
			(12.7)		(11.0)		(24.9)
Earnings per share							
Basic and diluted losses per share	5		(13.0)p		(11.5)p		(26.0)p
Continuing operations							
Basic and diluted losses per share	5		(1.4)p		(7.3)p		(9.3)p

* See discontinued operations Note 2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	£m	Six months 31 July 2010 £m	£m	Six months 31 July 2009 £m	£m	Year ended 31 Jan 2010 £m
Loss for the period		(12.7)		(11.0)		(24.9)
Other comprehensive income						
Currency translation differences for overseas operations	0.5		0.1		(1.5)	
Currency translation differences on foreign currency loans, net of tax	0.2		(3.1)		(0.6)	
Effective portion of changes in fair value of cash flow hedges	-		(1.9)		(1.1)	
Currency translation differences transferred to profit and loss, net of tax	2.5		-		0.1	
Other comprehensive income for the period, net of tax		3.2		(4.9)		(3.1)
Total comprehensive income for the period		(9.5)		(15.9)		(28.0)
Total comprehensive income attributable to:						
Equity holders of the Company		(9.3)		(15.9)		(28.0)
Non-controlling interests		(0.2)		-		-
Total income and expense recognised for the period		(9.5)		(15.9)		(28.0)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m
Assets				
Non-current assets				
Intangible assets		2.4	2.4	2.4
Property, plant and equipment		9.9	14.1	11.1
Investments in joint ventures		3.1	2.1	2.6
Deferred tax assets		4.1	5.2	4.1
Total non-current assets		19.5	23.8	20.2
Current assets				
Inventories		42.2	54.8	40.8
Trade and other receivables		23.8	32.1	26.9
Current tax receivable		-	0.2	-
Cash and cash equivalents	6	30.2	23.7	35.7
Assets classified as held for sale		-	-	6.4
Total current assets		96.2	110.8	109.8
Total assets		115.7	134.6	130.0
Non-current liabilities				
Finance leases		-	0.3	-
Deferred tax liabilities		0.8	0.8	0.8
Total non-current liabilities		0.8	1.1	0.8
Current liabilities				
Trade and other payables		43.8	48.1	42.9
Current tax payable		0.7	0.1	0.5
Derivative financial instruments		0.1	0.9	0.1
Provisions		8.0	-	8.7
Liabilities classified as held for sale		-	-	4.7
Total current liabilities		52.6	49.1	56.9
Total liabilities		53.4	50.2	57.7
Net assets		62.3	84.4	72.3
Equity				
Called-up share capital		1.0	1.0	1.0
Share premium account		9.4	9.4	9.4
Other reserves		6.0	1.0	2.8
Retained earnings		44.9	71.8	57.9
Total equity attributable to equity holders of the Company		61.3	83.2	71.1
Non-controlling interests		1.0	1.2	1.2
Total equity		62.3	84.4	72.3

CONDENSED 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 2010	1.0	9.4	(0.1)	2.9	57.9	71.1	1.2	72.3
Total comprehensive income for the period								
Loss					(12.5)	(12.5)	(0.2)	(12.7)
Other comprehensive income								
Currency translation differences for overseas operations				0.5		0.5		0.5
Currency translation differences on foreign currency loans, net of tax				0.2		0.2		0.2
Currency translation differences transferred to profit and loss, net of tax				2.5		2.5		2.5
Transactions with owners recorded directly in equity								
Dividends					(0.5)	(0.5)		(0.5)
Balance at 31 July 2010	1.0	9.4	(0.1)	6.1	44.9	61.3	1.0	62.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2010 £m	Six months 31 July 2009 £m	Year ended 31 Jan 2010 £m
Operating activities				
Loss for the period		(12.7)	(11.0)	(24.9)
Adjustments for:				
Depreciation		1.9	2.7	5.5
Restructuring costs		-	-	8.7
Impairment of assets held for sale		-	-	3.8
Loss on disposal of discontinued operation, net of tax		6.2	-	-
Finance income		(0.2)	(0.1)	(0.1)
Share of profit of joint ventures, net of tax		(0.8)	-	(0.4)
Non-operating loss on property, plant and equipment		-	0.3	1.4
Income tax expense/(credit)		0.2	(1.8)	0.7
Currency translation differences		2.5	-	-
Operating loss before changes in working capital and provisions				
(Increase)/decrease in inventories		(2.9)	(9.9)	(5.3)
(Increase)/decrease in trade and other receivables		(1.0)	5.5	14.5
Increase/(decrease) in trade and other payables including provisions		(0.3)	0.6	2.7
		0.4	(7.9)	(9.9)
Net cash flows used in operations				
Income tax paid		(3.8)	(11.7)	2.0
		(0.1)	(0.3)	(0.7)
Net cash flows used in operating activities				
		(3.9)	(12.0)	1.3
Investing activities				
Interest received		0.1	0.1	0.2
Proceeds from investment in joint ventures		0.2	-	-
Acquisition of franchises		-	-	(0.1)
Acquisition of property, plant and equipment		(0.5)	(1.6)	(2.8)
Net proceeds/(cost) from sale of property, plant and equipment		0.2	(0.3)	(0.6)
Disposal of discontinued operations	2	(1.4)	-	-
Capital contributions received from acquisition of property, plant and equipment		-	0.6	0.8
Net cash flows used in investing activities				
		(1.4)	(1.2)	(2.5)
Financing activities				
Payment of finance lease liabilities		-	(0.3)	(1.2)
Dividends paid		(0.5)	(0.6)	(0.6)
Cash flows from financing activities				
		(0.5)	(0.9)	(1.8)
Net decrease in cash and cash equivalents				
Cash and cash equivalents at 1 February	6	(5.8)	(14.1)	(3.0)
Exchange rate fluctuations on cash held		35.7	38.4	38.4
		0.3	(0.6)	0.3
Cash and cash equivalents at period end				
	6	30.2	23.7	35.7

NOTES TO THE HALF-YEAR STATEMENT

1. Operating segments

Six months to 31 July 2010	UK/Europe			North America			Rest of the World			Intra Group	Total
	Retail	Whole-	Total	Retail	Whole-	Total	Retail	Whole-	Total		
	£m	sale £m		£m	£m		sale £m	£m			
Revenue	54.3	21.9	76.2	17.1	9.4	26.5	-	7.2	7.2		109.9
Gross profit	35.4	5.7	41.1	9.6	3.5	13.1	-	1.4	1.4	1.5	57.1
<i>Gross margin</i>	<i>65.2%</i>	<i>26.0%</i>	<i>53.9%</i>	<i>56.1%</i>	<i>37.2%</i>	<i>49.4%</i>	-	<i>19.4%</i>	<i>19.4%</i>		<i>52.0%</i>
Trading overheads	(38.4)	(4.7)	(43.1)	(11.4)	(1.7)	(13.1)	-	(0.8)	(0.8)		(57.0)
Operating contribution	(3.0)	1.0	(2.0)	(1.8)	1.8	-	-	0.6	0.6	1.5	0.1
Common overhead costs			(2.6)			(1.9)					(4.5)
Licensing income			2.6						0.8	(1.5)	1.9
Divisional operating (loss)/profit			(2.0)			(1.9)			1.4	-	(2.5)
Central overheads											(2.3)
Operating loss before financing and closure costs											(4.8)
Represented by:											
Loss from continuing operations											(2.3)
Loss from discontinued operations (Note 2)											(2.5)
											(4.8)

Restated* Six months to 31 July 2009	UK/Europe			North America			Rest of the World			Intra Group	Total
	Retail	Whole-	Total	Retail	Whole-	Total	Retail	Whole-	Total		
	£m	sale £m		£m	£m		sale £m	£m			
Revenue	59.8	18.8	78.6	17.4	8.5	25.9	5.9	6.5	12.4		116.9
Gross profit	35.8	4.7	40.5	9.1	2.5	11.6	4.0	1.4	5.4	1.9	59.4
<i>Gross margin</i>	<i>59.9%</i>	<i>25.0%</i>	<i>51.5%</i>	<i>52.3%</i>	<i>29.4%</i>	<i>44.8%</i>	<i>67.8%</i>	<i>21.5%</i>	<i>43.5%</i>		<i>50.8%</i>
Trading overheads	(41.6)	(5.1)	(46.7)	(11.8)	(1.8)	(13.6)	(5.7)	(0.8)	(6.5)		(66.8)
Operating contribution	(5.8)	(0.4)	(6.2)	(2.7)	0.7	(2.0)	(1.7)	0.6	(1.1)	1.9	(7.4)
Common overhead costs			(2.6)			(1.8)					(4.4)
Licensing income			2.4						1.0	(1.9)	1.5
Divisional operating loss			(6.4)			(3.8)			(0.1)	-	(10.3)
Central overheads											(2.6)
Operating loss before financing and closure costs											(12.9)
Represented by:											
Loss from continuing operations											(7.9)
Loss from discontinued operations (Note 2)											(5.0)
											(12.9)

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 £0.8 million (2009: £nil) relate to the Rest of the World retail operations and are not disclosed in the information above.

* See discontinued operations Note 2.

NOTES TO THE HALF-YEAR STATEMENT

2. Discontinued operations

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

The consideration of up to £5.0 million comprises £0.5 million in cash, paid on completion, followed by further payments of up to £4.5 million in cash, payable from 50% of the net cash generation of the Nicole Farhi business over subsequent years with an upper limit of £1.0 million payable per year (upper limit of £0.5 million in the first year). Any outstanding consideration will be settled insofar as possible from any sales proceeds achieved from any subsequent sale of the business by the Purchaser. The deferred payments are accounted for as contingent assets and accordingly neither the income nor debtor of £4.5 million has been reflected in the half-year statement.

The transaction has generated a total loss on sale of £6.2 million before taking account of the deferred contingent consideration of £4.5 million. Since its inception the Nicole Farhi business in the US has generated currency translation differences amounting to £2.5 million which were charged to translation reserves when they arose. On disposal of the business these are now required to be recycled from reserves to the income statement. The loss on sale and recycled translation differences, together with £2.5 million of losses from the operating activities of the Disposal Group during the period, have resulted in a total loss from discontinued operations within the income statement of £11.2 million.

In the year ended 31 January 2010, the Group announced the closure of all of the retail stores in Japan and also closed the North European retail operation. The results of these businesses and the costs of closure are included within discontinued operations in the comparative periods ended 31 July 2009 and 31 January 2010. There is no impact on the Income Statement in the current period results although the closure of these businesses generated £0.2 million of cash income in the six months ended 31 July 2010. An impairment loss of £3.8 million relating to the Nicole Farhi assets held for sale at the previous year end was recognised in the year ended 31 January 2010.

The divisions which have been sold or closed were not classified as discontinued operations at 31 July 2009 and the comparative statement of comprehensive income has been restated to show the discontinued operations separately from continuing operations.

	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m
Loss from discontinued operations			
Revenue	6.7	16.7	34.9
Expenses	(9.2)	(21.7)	(44.2)
Results from operating activities before financing and exceptional costs	(2.5)	(5.0)	(9.3)
Closure costs	-	-	(2.8)
Finance expenses	-	(0.1)	-
Impairment of assets held for sale	-	-	(3.8)
Currency translation differences	(2.5)	-	0.4
Results from operating activities before taxation	(5.0)	(5.1)	(15.5)
Income tax	-	1.1	(0.5)
Results from operating activities, net of tax	(5.0)	(4.0)	(16.0)
Loss on sale of discontinued operation	(6.2)	-	-
Effect on loss for the period	(11.2)	(4.0)	(16.0)
	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m
Cash flows used in discontinued operations			
Net cash used in operating activities	(3.2)	(3.3)	(4.8)
Net cash used in investing activities	(1.4)	-	-
Net cash used in discontinued operations	(4.6)	(3.3)	(4.8)

NOTES TO THE HALF-YEAR STATEMENT

2. Discontinued operations (continued)

	31 July 2010 £m
Effect of disposal of the Nicole Farhi business on the financial position of the Group	
Inventories	(2.8)
Trade and other receivables	(2.4)
Cash	(1.0)
Trade and other payables	2.8
<hr/>	
Net assets and liabilities	(3.4)
Cash consideration net of costs of disposal	(0.6)
Provisions for cost of transitional services and restructuring costs	(2.2)
<hr/>	
Loss on sale of discontinued operation	(6.2)

3. Revenue

	Continuing operations			Discontinued operations			Consolidated operations		
	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m
Sale of goods	103.2	100.2	214.3	6.7	16.7	34.9	109.9	116.9	249.2

The above numbers include restated comparatives for the period ended 31 July 2009. See discontinued operations Note 2.

4. Other operating income

	31 July 2010 £m	31 July 2009 £m	31 Jan 2010 £m
Licensing income	1.8	1.5	4.7

5. Losses per share

Losses per share of 13.0 pence (2009: 11.5 pence) is based on 95,879,754 shares (2009: 95,879,754) being the weighted average number of ordinary shares in issue throughout the period, and £12.5 million (2009: £11.0 million) being the loss attributable to equity shareholders. Diluted losses per share of 13.0 pence (2009: 11.5 pence) is based on 95,879,754 shares (2009: 95,879,754) being the weighted average number of ordinary shares adjusted to assume the exercise of dilutive options.

The reconciliation to adjusted losses per share which is based on 95,879,754 shares (2009: 95,879,754) is as below. The adjusted losses per share include an adjustment to exclude the losses attributed to the US businesses planned for closure. The Directors consider this to be a more appropriate method by which to measure the performance of the underlying businesses that are to be retained.

	Six months 31 July 2010 £m	Pence per share	Six months 31 July 2009 £m	Pence per share	Year ended 31 Jan 2010 £m	Pence per share
Total						
Loss attributable to equity shareholders	(12.5)	(13.0)p	(11.0)	(11.5)p	(24.9)	(26.0)p
<hr/>						
Continuing						
Loss attributable to equity shareholders	(1.3)	(1.4)p	(7.0)	(7.3)p	(8.9)	(9.3)p
Closure costs	-	-	-	-	6.5	6.8p
Loss attributable to US businesses planned for closure	1.5	1.6p	2.3	2.4	3.2	3.3p
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Adjusted result and earnings/(losses) per share	0.2	0.2p	(4.7)	(4.9)p	0.8	0.8p

NOTES TO THE HALF-YEAR STATEMENT

6. Analysis of net funds

	31 January 2010 £m	Cash flow £m	Non cash changes £m	31 July 2010 £m	31 July 2009 £m
Cash and cash equivalents in the balance sheet and cash flow	35.7	(5.8)	0.3	30.2	23.7
Finance lease obligations	-	-	-	-	(0.8)
Net funds	35.7	(5.8)	0.3	30.2	22.9

7. Statutory accounts and basis of preparation

Reporting entity

French Connection Group PLC is a Company registered in England and Wales and resident in the United Kingdom. These condensed consolidated half-year financial statements of the Company as at and for the six months ended 31 July 2010 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 2010 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.

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 has 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 2010, which are 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 2010 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 15 September 2010.

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 2010.

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 2010.

Principal risks and uncertainties

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. The Group's IT function oversees all the systems and has policies and procedures to protect the software, hardware and data and to prevent unauthorised access to the systems.

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

NOTES TO THE HALF-YEAR STATEMENT

7. Statutory accounts and basis of preparation (continued)

Going concern

The Group has a strong balance sheet with more than sufficient net funds to finance the working capital requirements over the cycle of a year. The Board is focused on preserving the Group's cash and on developing strategies to return the Group to cash generation. The level of funds is sufficient to ensure that no external funding will be required throughout the remainder of this year. Based on this, 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.

8. Retail locations

	31 July 2010		31 January 2010		
	Locations	sq ft	Locations	sq ft	
Operated locations					
UK/Europe					
French Connection	Stores	73	223,358	73	224,376
French Connection	Concessions	42	24,239	41	23,539
"202"	Store	1	2,515	1	2,515
Toast	Stores	8	9,316	6	7,072
YMC	Stores	1	505	1	505
Great Plains	Concessions	2	1,058	2	1,058
		127	260,991	124	259,065
North America (planned for retention)					
French Connection	Stores	20	64,087	20	64,087
		147	325,078	144	323,152
French Connection licensed and franchised					
UK/Europe		13	16,560	13	16,560
North America		1	2,000	1	2,000
Middle East		16	32,531	16	28,695
Australia		53	76,513	53	76,513
Hong Kong		6	9,336	6	9,336
China		20	28,562	19	27,876
Other		63	60,001	57	55,177
		172	225,503	165	216,157
		319	550,581	309	539,309
Stores in process of disposal					
UK/Europe		-	-	22	30,289
North America		15	64,237	18	81,062
Japan		-	-	11	23,630
		15	64,237	51	134,981