20 September 2016

FRENCH CONNECTION GROUP PLC

Interim Results for the six month period ending 31 July 2016

French Connection Group PLC ("French Connection" or "the Group") today announces results for the six month period ending 31 July 2016.

Highlights:

- Group revenue of £69.2m (2015: £75.8m) on a reduced retail store portfolio, with five non-contributing stores closed during the period
- Loss before taxation of £7.9m, flat on last year with an improved retail performance offset by tougher trading in wholesale and licensing
- Retail improvement driven by strong LFL performance with UK/Europe stores up 6.5%. Overall revenue down 2.3% on a square footage reduction of 15.8%
- Composite gross margin of 46.0% (2015: 45.5%) reflecting the higher proportion of retail sales within Group revenue
- Closing net cash of £7.7m (2015: £15.0m) and no debt
- Continued strong performance in the first six weeks of the second half

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

"Although the overall performance for the first half has been disappointing, the retail result has been particularly pleasing when compared to last year in what has been a difficult retail environment. Performance in wholesale and licensing has been more challenging but we have started to see an improvement recently and expect to see a recovery in the second half.

There is still much work to do in the rest of the year to move the business forward significantly but we believe the team we have in place and momentum we are seeing will help us to achieve this. As ever, the overall result will be dependent on the Christmas trading period but the second half of the year has started well."

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Following on from the improved performance seen in the second half of last year, we have continued to see a good improvement in our retail business in the first half of this financial year, though again this has been offset by a contraction in the wholesale business.

The strong sales of the Spring 16 collection in UK/Europe retail resulted in a 6.5% increase in like for like (LFL) sales despite the tough retail environment during the period, which combined with the benefits of the ongoing store rationalisation programme, helped move performance forward considerably.

In line with the normal cycle that we would expect, the wholesale side of the business has been much more challenging in both UK/Europe and especially in North America. This reflects the legacy of the poor sales achieved last year and the difficult retail market conditions in both locations throughout the period, reducing stockists' buying of additional product during the Spring 16 season. In addition we have seen a change in delivery phasing which has pushed orders into the second half of the year.

The strong response in retail from customers to the Spring 16 collection, the positive initial reaction to Winter 16, coupled with an anticipated return to growth in the wholesale business and continued tight control of costs are positive signs for the continued recovery of the business in the second half of the year and beyond.

We have accelerated our store closure programme, closing five stores during the period, with around five more expected in the second half.

Financial performance
The loss before taxation for the half of £7.9m (2015: £7.9m) reflects the improvements made in the retail business being offset by the reduction in wholesale, combined with a contraction of licensing income due to changes in our licensees.

Adjusting for currency and store closures, underlying operating expenses were 1.3% lower compared to prior year. We continue to focus on cost control against the pressure of ongoing rent and rates rises and the impact of the living wage increases.

The Group remains debt free and ended the half with a cash position of £7.7m (2015: £15.0m), with undrawn working capital facilities available amounting to circa £5.5m.

Retail
The strong performance of the Spring 16 collection throughout the season resulted in positive first half LFL retail sales in UK/Europe of 6.5%. This performance was delivered against the backdrop of what has been a difficult period for the High Street generally, but against a weak comparative LFL (2015: -10.7%).

Retail gross margins of 56.3% (2015: 56.3%) were flat on the year. Spring 16 margin rate was up on the year as we reduced our in-season discounting and started the sale three days later. This was offset by higher levels of old season stock liquidation in the outlets.

Ecommerce revenue increased to represent 26.5% of Group retail revenue (2015: 22.3%) with mobile and tablet sales making up 50% of ecommerce revenue (2015: 47%).

The initial performance of the Winter 16 collection has been encouraging and has continued the strong positive retail LFLs we experienced in the first half, despite the continuing challenging market conditions. Gross margin was also stronger than the prior year during this period.

We closed five non-contributing stores in the period (four UK/Europe, one North America) and anticipate a further five closures in the second half, although we continue to search for appropriate new locations for store openings.

Wholesale
Wholesale trading was disappointing with revenue below last year reflecting the subsequent poor performance of the wholesale customers through the Spring 15 season, poor trading during the period in the US department stores who represent a large proportion of our business and the difficult UK high street retail environment. The level of in-season orders was considerably lower than last year, so overall reported revenue was down by 16.9%. This has also been impacted by a change in the phasing of revenue with some transferred into the second half of the year. Historically we have seen the wholesale business lag behind the performance of retail given the buying cycle, and this is reflected in an improvement now being seen in our wholesale performance in recent weeks.

As reorders were lower than planned in the period, additional discounting was required to clear excess stock, with gross margins impacted slightly at 30.4% (2015: 31.6%).

Licensing

Licence income of £2.4m was generated during the period, a reduction of 20.0% on the year. Newer licensees again performed strongly, particularly the furniture licence with DFS. We have moved our global fragrance licence to Inter Parfums in the period and while this is a significant move for the future it has caused a short term reduction in income. Also in the period our US based shoe licensee filed for bankruptcy, which required us to be conservative in our income recognition.

Outlook

The performance of the Spring 16 collections is clear evidence that our design led approach, the impact of which will continue to build, is moving the business in the right direction. This has been achieved against the backdrop of tough trading conditions on the UK High Street.

We have continued to see this trend in retail in the early part of the second half of the year, but more importantly the wholesale business has returned to a positive trend with sell through and orders both improving.

There is still much work to do in the rest of the year to move the business forward significantly but we believe the team we have in place and momentum we are seeing will help us to achieve this. As ever, the overall result will be dependent on the Christmas trading period but the second half of the year has started well.

Stephen Marks
Chairman and Chief Executive
20 September 2016

FINANCIAL REVIEW

Financial results overview
Overall results for the first half are in line with last year, with an improved performance in retail offset by tougher wholesale and licensing trading. The Group operating loss for the half-year ended 31 July 2016 was £7.9m (2015: loss of £7.9m).

We closed five non-contributing stores in the first half of the year (four in UK/Europe and one in North America) and have seen positive results in retail with UK/Europe LFL of 6.5%.

Revenue overview
Total revenue for the first half of the year was 8.7% lower than last year. This was on a reduced store portfolio, but with a strong UK/Europe retail LFL performance of 6.5%. In line with the normal cycle that we would expect, the wholesale side of the business has been much more challenging in both UK/Europe and especially in North America, reflecting the legacy of the poor sales achieved last year and the difficult retail market conditions in both locations throughout the period, reducing the stockists' need to buy additional product during the Spring 16 season. In addition we have seen some change in delivery phasing which has pushed turnover into the second half of the year. Licensing income has fallen by 20.0% in the half due to changes with two of the licences.

Gross margin
Composite gross margin of 46.0% was up by 50bps (2015: 45.5%) reflecting the higher proportion of retail sales within Group revenue with retail margin rate at 56.3% in line with the previous year (2015: 56.3%). This was materially offset by lower wholesale margins with increased discounting required to clear excess stock.

Retail
Group retail revenue of £41.6m was 2.3% lower than the prior year due to a reduced store portfolio being offset by strong LFL growth in UK/Europe of 6.5%. The reduced store portfolio was following the closure of a further five non-contributing stores, being a 15.8% reduction in square footage compared to last year.

The strong performance of the Spring 16 collection throughout the season delivered positive first half LFL sales in UK/Europe of 6.5%. A particularly strong performance was seen in concessions where we saw a growth of 13.9%. This performance was delivered against the backdrop of what has been a difficult period for the High Street generally, but against weak comparative LFLs (2015: -10.7%).

Retail gross margins of 56.3% (2015: 56.3%) were flat on the year. Spring 16 margin rate was up on the year as we reduced in-season discounting and started the sale three days later but were impacted by higher levels of old season stock liquidation in the outlets.

The loss of £8.2m in retail was an improvement of £2.9m compared to prior year. This was made up of positive LFL sales of £1.9m, store closures of £1.1m and offset by a £0.1m currency impact.

Ecommerce revenue increased to represent 26.5% of Group retail revenue (2015: 22.3%) with mobile and tablet sales making up 50% of ecommerce revenue (2015: 47%) as we continue to focus on CRM and targeted social media advertising.

Wholesale
Wholesale trading was disappointing with revenue below last year reflecting the poor performance of the wholesale customers through the Spring 15 season, the poor trading period for the US department stores, who represent a large proportion of our business, and the difficult UK high street retail environment. The level of in-season orders was considerably lower than last year, so overall reported revenue was down by 16.9%. This was impacted by a change in the phasing of revenue with some transferred into the second half of the year. Historically we have seen the wholesale business lag behind the performance of retail given the buying cycle, and this is reflected in an improvement now being seen in our wholesale performance in recent weeks.

With reorders lower than planned, additional discounting was required to clear excess stock, with gross margins impacted slightly at 30.4% (2015: 31.6%). Overall wholesale operating profit was £3.0m (2015: £5.5m).

Geographical analysis
The geographical revenue break-down is now more weighted towards UK/Europe which in the first half represents 78% of Group revenue (2015: 74%). The positive LFL in UK/Europe retail and closure of a further four unprofitable stores in this region have led to a reduction in divisional operating loss of £1.3m to £4.6m. This has been offset by a £0.7m loss in North America (£0.8m down on prior year) and a £0.4m loss in Rest of World down on prior year. Group Overheads of £2.2m reduced by £0.1m on prior year in the first half.

Other income
Licence income of £2.4m was generated during the period, a reduction of 20.0%. Newer licensees again performed strongly, particularly the furniture licence with DFS. We have moved our global fragrance licence to Inter Parfums in the period and while this is a significant move for the future it has caused a short term shortfall in income. Also in the period our US based shoe licensee filed for bankruptcy, which required us to be conservative in our income recognition.

Operating expenses
Total Group operating expenses of £41.8m were 7.7% lower than last year. After adjusting for currency and store closures, underlying operating expenses were 1.3% lower compared to prior year. We continue to focus on cost control against the pressure of ongoing rent and rates rises and the impact of the living wage increases.

Balance sheet and cash flow
The Group balance sheet at 31 July 2016 remains strong with £7.7m of cash (2015: £15.0m), no bank borrowings and a minimum cash position during the period of £4.7m (2015: £10.4m).

The Group has undrawn working capital facilities available amounting to circa £5.5m.

The trading operations of the Group consumed cash of £7.6m (2015: £7.9m) due to similar trading losses year on year. Working capital outflow, comprising the net movement in inventories, trade receivables and trade payables, increased by £0.6m (2015: £0.9m) reflecting an increase in closing inventory levels due to timing as North America winter product arrived earlier.

Capital expenditure of £0.3m (2015: £0.4m) mainly covers expenditure on IT. In the year the restructuring costs of closing under-performing stores was £0.7m. We continue to target the closure of non-contributing stores and expect five more to close in the current year. We also received £2.4m of income from the closure of the Regent Street store as highlighted in the 2016 Annual Report.

Taxation
The tax charge for the half was £Nil (2015: £Nil).

Dividends
The Board of Directors remain 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.

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

Principal risks and uncertainties
The principal risks and uncertainties were outlined in the Director's Report within the 2016 Annual Report and remain unchanged. These are described in Note 6 to these financial statements.

Related party transactions
There have been no additional related party transactions to those disclosed in the Group's Annual Report and Accounts since the year ended 31 January 2016.

By order of the Board

Lee Williams
Group Finance Director
20 September 2016

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

We confirm that to the best of our knowledge:

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

By order of the Board

Stephen Marks
Chairman and Chief Executive
20 September 2016

Lee Williams
Group Finance Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Revenue	1	**69.2**	75.8	164.2
Cost of sales		**(37.4)**	(41.3)	(88.2)
Gross profit	1	**31.8**	34.5	76.0
Operating expenses		**(41.8)**	(45.3)	(87.6)
Other operating income	2	**2.4**	3.0	7.3
Finance income		**-**	-	-
Share of loss of joint ventures, net of tax		**(0.3)**	(0.1)	(0.4)
Underlying operating loss	1	**(7.9)**	(7.9)	(4.7)
Net gain on store disposals and closures		**-**	-	1.2
Loss before taxation		**(7.9)**	(7.9)	(3.5)
Taxation		**-**	-	-
Loss for the period		**(7.9)**	(7.9)	(3.5)

The Groups results were entirely from continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Loss for the period		**(7.9)**	(7.9)	(3.5)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences for overseas operations		**(0.8)**	(0.1)	1.7
Currency translation differences on foreign currency loans, net of tax		**2.0**	(0.8)	(0.4)
Effective portion of changes in fair value of cash flow hedges		**0.1**	(0.3)	-
Other comprehensive income for the period, net of tax		**1.3**	(1.2)	1.3
Total comprehensive income for the period		**(6.6)**	(9.1)	(2.2)
Loss attributable to:				
Equity holders of the Company	3	**(7.9)**	(7.6)	(3.3)
Non-controlling interests		**-**	(0.3)	(0.2)
Loss for the period		**(7.9)**	(7.9)	(3.5)
Total comprehensive income attributable to:				
Equity holders of the Company		**(6.6)**	(8.8)	(2.0)
Non-controlling interests		**-**	(0.3)	(0.2)
Total income and expense recognised for the period		**(6.6)**	(9.1)	(2.2)
Losses per share				
Basic and diluted losses per share	3	**(8.2)p**	(7.9)p	(3.4)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2016 £m	31 July 2015 £m	31 Jan 2016 £m
Assets				
Non-current assets				
Intangible assets		**0.4**	0.4	0.4
Property, plant and equipment		**2.8**	3.1	3.0
Investments in joint ventures		**3.4**	3.0	3.5
Deferred tax assets		**4.9**	4.8	4.9
Total non-current assets		**11.5**	11.3	11.8
Current assets				
Inventories		**37.7**	37.1	36.2
Trade and other receivables		**25.3**	23.9	28.4
Cash and cash equivalents	4	**7.7**	15.0	14.0
Derivative financial instruments		**0.4**	-	0.3
Total current assets		**71.1**	76.0	78.9
Total assets		**82.6**	87.3	90.7
Non-current liabilities				
Deferred tax liabilities		**-**	0.2	-
Total non-current liabilities		**-**	0.2	-
Current liabilities				
Trade and other payables		**34.1**	38.4	35.0
Current tax payable		**-**	0.1	-
Provisions	5	**0.5**	0.9	1.1
Total current liabilities		**34.6**	39.4	36.1
Total liabilities		**34.6**	39.6	36.1
Net assets		**48.0**	47.7	54.6
Equity				
Called-up share capital		**1.0**	1.0	1.0
Share premium account		**9.6**	9.6	9.6
Other reserves		**8.6**	4.8	7.3
Retained earnings		**28.2**	31.8	36.1
Total equity attributable to equity holders of the Company		**47.4**	47.2	54.0
Non-controlling interests		**0.6**	0.5	0.6
Total equity		**48.0**	47.7	54.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months 31 July 2016	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 2016	**1.0**	**9.6**	**0.3**	**7.0**	**36.1**	**54.0**	**0.6**	**54.6**
Loss for the period ended 31 July 2016					**(7.9)**	**(7.9)**	**-**	**(7.9)**
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				2.0		**2.0**		**2.0**
Effective portion of changes in fair value of cash flow hedges			0.1			**0.1**		**0.1**
Balance at 31 July 2016	**1.0**	**9.6**	**0.4**	**8.2**	**28.2**	**47.4**	**0.6**	**48.0**

Six months 31 July 2015	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 2015	**1.0**	**9.6**	**0.3**	**5.7**	**39.4**	**56.0**	**0.8**	**56.8**
Loss for the period ended 31 July 2015					**(7.6)**	**(7.6)**	**(0.3)**	**(7.9)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.1)		**(0.1)**		**(0.1)**
Currency translation differences on foreign currency loans, net of tax				(0.8)		**(0.8)**		**(0.8)**
Effective portion of changes in fair value of cash flow hedges			(0.3)			**(0.3)**		**(0.3)**
Balance at 31 July 2015	**1.0**	**9.6**	**-**	**4.8**	**31.8**	**47.2**	**0.5**	**47.7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Operating activities				
Loss for the period		**(7.9)**	(7.9)	(3.5)
Adjustments for:				
Depreciation and impairment		**0.6**	0.8	1.6
Share of loss of joint ventures		**0.3**	0.1	0.4
Non-operating profit on store disposals and closures		**-**	-	(1.4)
Operating cash flows before changes in working capital and provisions		**(7.0)**	(7.0)	(2.9)
Increase in inventories		**(1.0)**	(2.0)	(0.5)
Decrease/(increase) in trade and other receivables		**1.1**	(0.6)	(2.1)
(Decrease)/increase in trade and other payables		**(0.7)**	1.7	(1.4)
Cash flows from operations		**(7.6)**	(7.9)	(6.9)
Income tax paid		**(0.1)**	(0.1)	(0.5)
Cash flows from operating activities		**(7.7)**	(8.0)	(7.4)
Investing activities				
Investment in joint ventures		**-**	-	(0.5)
Acquisition of property, plant and equipment		**(0.3)**	(0.4)	(0.8)
Net proceeds/(costs) from store closures		**1.7**	0.2	(0.5)
Cash flows from investing activities		**1.4**	(0.2)	(1.8)
Net decrease in cash and cash equivalents	4	**(6.3)**	(8.2)	(9.2)
Cash and cash equivalents at 1 February	4	**14.0**	23.2	23.2
Exchange rate fluctuations on cash held	4	**-**	-	-
Cash and cash equivalents at period end	4	**7.7**	15.0	14.0

NOTES TO THE HALF-YEAR STATEMENT

1. Segment revenue and results

Income Statement	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Revenue			
Retail	**41.6**	42.6	92.4
Wholesale	**27.6**	33.2	71.8
Group revenue	**69.2**	75.8	164.2
Gross profit	**31.8**	34.5	76.0
Retail	**56.3%**	56.3%	57.3%
Wholesale	**30.4%**	31.6%	32.2%
Group gross margin	**46.0%**	45.5%	46.3%
Underlying operating (loss)/profit			
Retail	**(8.2)**	(11.1)	(15.6)
Wholesale	**3.0**	5.5	13.3
Licence income	**2.4**	3.0	7.3
Common and Group overheads	**(4.8)**	(5.2)	(9.3)
Finance income	**-**	-	-
Share of profit from joint ventures	**(0.3)**	(0.1)	(0.4)
Underlying Group operating loss*	**(7.9)**	(7.9)	(4.7)
Underlying operating margin			
Retail	**(19.7)%**	(26.1)%	(16.9)%
Wholesale	**10.9%**	16.6%	18.5%
Underlying Group operating margin	**(11.4)%**	(10.4)%	(2.9)%

Geographical information			
Revenue			
UK/Europe	**78%**	74%	74%
North America	**17%**	21%	21%
Rest of the World	**5%**	5%	5%
Divisional operating (loss)/profit			
UK/Europe	**(4.6)**	(5.9)	(2.8)
North America	**(0.7)**	0.1	1.8
Rest of the World	**(0.4)**	0.2	0.1
Group overheads and finance income	**(2.2)**	(2.3)	(3.8)
Underlying Group operating loss*	**(7.9)**	(7.9)	(4.7)

***** Excludes net gain on store disposals and closures

NOTES TO THE HALF-YEAR STATEMENT

2. Other operating income

	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Licensing income	**2.4**	3.0	7.3

3. Losses per share

Basic and diluted losses per share are calculated on the following weighted average number of ordinary shares during the period.

	Six months 31 July 2016	Six months 31 July 2015	Year ended 31 Jan 2016
Weighted average number of ordinary shares	**96,253,134**	96,179,791	96,216,764

Basic and diluted losses per share of 8.2 pence per share (2015: losses of 7.9 pence) is based on losses of £7.9m (2015: losses of £7.6m) attributable to equity shareholders.

The reconciliation from basic and diluted losses per share to adjusted losses per share is as follows:

	Six months 31 July 2016		Six months 31 July 2015		Year ended 31 Jan 2016	
	£m	pence per share	£m	pence per share	£m	pence per share
Loss attributable to equity shareholders	(7.9)	(8.2)p	(7.6)	(7.9)p	(3.3)	(3.4)p
Net gain on store disposals and closures	-	-	-	-	(1.2)	(1.3)p
Adjusted loss	**(7.9)**	**(8.2)p**	**(7.6)**	**(7.9)p**	**(4.5)**	**(4.7)p**

4. Cash and cash equivalents

	31 January 2016 £m	Cash flow £m	Non cash changes £m	31 July 2016 £m	31 July 2015 £m
Cash and cash equivalents in the balance sheet and cash flow	14.0	(6.3)	-	**7.7**	15.0

NOTES TO THE HALF-YEAR STATEMENT

5. Provisions

Store disposals and closures	Six months 31 July 2016 £m	Six months 31 July 2015 £m	Year ended 31 Jan 2016 £m
Balance at 1 February	**1.1**	1.0	1.0
Utilised during the period	**(0.6)**	(0.3)	(1.1)
Increase during the period	**-**	0.2	1.2
Balance at period end	**0.5**	0.9	1.1

Provisions are recorded to reflect the estimated committed closure costs of identified underperforming retail stores and other restructuring. 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 2016 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 2016 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 Financial Conduct Authority, 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 2016, 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 2016 are not the Company's statutory accounts for that period. Those accounts have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

NOTES TO THE HALF-YEAR STATEMENT

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

The Board of Directors approved the condensed consolidated half-year financial statements on 20 September 2016.

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 2016.

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 2016.

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 Group's approach to the management of risks was the same as that which applied to the consolidated financial statements of the Group for the year ended 31 January 2016. The Board confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group. There has been no change since the year end to the major risks faced by the Group.

Related party transactions
In the six months to 31 July 2016, there were no material changes in related parties nor any related party transactions. The Group's related party transactions and relationships were disclosed in the Notes to the Annual Report for the year ended 31 January 2016. All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

Going concern
The Group has considerable cash resources, ending the half-year with £7.7m and with a minimum Group cash balance during the period of £4.7m. The Group has no debt.

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

NOTES TO THE HALF-YEAR STATEMENT

7. Retail locations

		31 July 2016		31 January 2016		31 July 2015	
		Locations	sq ft	Locations	sq ft	Locations	sq ft
Operated locations							
UK/Europe							
French Connection	Stores	**56**	**155,606**	60	169,370	61	179,896
French Connection/Great Plains	Concessions	**52**	**34,308**	54	35,491	56	36,308
Toast	Stores	**11**	**12,953**	11	13,105	11	13,425
YMC	Stores	**2**	**1,355**	2	1,355	2	1,355
Total UK/Europe		**121**	**204,222**	127	219,321	130	230,984
North America							
French Connection US	Stores	**3**	**10,597**	4	14,021	5	17,047
French Connection Canada	Stores	**2**	**4,650**	2	4,650	5	12,625
Total North America		**5**	**15,247**	6	18,671	10	29,672
Total operated locations		**126**	**219,469**	133	237,992	140	260,656
French Connection licensed and franchised							
UK/Europe		**6**	**6,520**	6	6,544	6	7,527
North America		**1**	**2,346**	1	2,000	1	2,000
Middle East		**9**	**16,438**	10	19,402	10	19,402
Australasia		**166**	**114,419**	143	106,775	102	87,656
Hong Kong		**7**	**10,429**	8	11,859	7	11,732
China		**19**	**29,516**	19	29,191	28	34,722
India		**71**	**40,375**	80	44,233	80	44,856
Other		**25**	**19,346**	21	16,863	20	16,812
Total licensed and franchised locations		**304**	**239,389**	288	236,867	254	224,707
Total branded locations		**430**	**458,858**	421	474,859	394	485,363