PRESS RELEASE

16 March 2011

FRENCH CONNECTION GROUP PLC

Preliminary Results for the year ended 31 January 2011

French Connection Group PLC ("French Connection", "the Group") today announces a significant growth in profit for its latest financial year ended 31 January 2011.

Results of the core continuing operations* are as follows:

- Revenue up 2% to £205.0 million (2010: £200.8 million)
- Gross margin at 52.0%, up 50 bps
- Profit before tax was £7.3 million (2010: £0.7 million)
- Adjusted Earnings Per Share+ of 7.5 pence (2010: 0.5 pence)
- Positive cash flow of £6.5 million contributing to closing net cash of £34.1 million (2010: £35.7 million)
- Dividend proposed of 1.5p for the year (2010: total dividend 0.5p)

Commenting on this announcement, Stephen Marks, Chairman and Chief Executive of French Connection said:

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

"The proposed increase in final dividend reflects the Group's profitability and cash generation and the Board's confidence in the future. It is the Board's intention to increase the dividend in the future in line with increases in profit."

"The French Connection brand is recognised all around the world and generates over £400 million of sales at retail for us and our partners. With our business back on track we are focused on creating great products that stand apart from the rest and reflect the enormous fashion heritage inherent within the French Connection brand."

"The current economic environment is clearly difficult and it appears likely that it will remain so in the coming year. However, I am confident that we have the people, infrastructure, drive and brand strength to build further on the growth we have achieved."

Group results:

- Restructuring complete with costs well below initial assessment. This is reflected in the reported Group loss after tax, (including costs of closure or disposal and the losses generated in discontinued and closed businesses) decreasing to £(2.4) million (2010: £(24.9) million)
- Reported Basic Loss Per Share (2.4) pence per share (2010: (26.0) pence per share)

Notes
* The core continuing operations of the Group exclude the trading results of discontinued operations (including the Nicole Farhi business which was sold in the year and, in FY10, the Japan business which was closed in that year) and the results of certain US retail stores which were closed by the year end. The core continuing operations reflect the entire business currently in operation.

+ The Adjusted Earnings Per Share has been amended to reflect the core continuing operations by excluding the trading of the discontinued and closed operations and excluding the costs of closure and loss on disposal.

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Notes to Editors:

French Connection:
Following the changes as a result of a strategic review in 2009, the French Connection Group comprises retail and wholesale businesses in the UK, Europe, the US, Canada, Hong Kong and China along with licensed partners operating in a number of other countries most notably Australia, India, Singapore, Vietnam and South Africa. In addition the Group operates successful brand licences under which partners produce fragrances, jewellery, toiletries, shoes and eyewear. Along with the French Connection brand, the Group operates Great Plains, a wholesale-only ladies' wear range, Toast, an e-commerce fashion and homeware brand, and YMC, a small men's and women's wear brand.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

Stephen Marks
Chairman and Chief Executive

15 March 2011

BUSINESS REVIEW

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

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

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

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

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

The UK/Europe retail division comprises the portfolio of French Connection branded retail stores and department store concessions across the UK and Ireland and a number of concessions within department stores across the UK and in Spain and Portugal. This division also includes two YMC stores, the e-commerce business and Toast, which operates both mail-order and retail stores.

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

In North America the retail division comprises two businesses, a portfolio of seven stores (and e-commerce) in the US and 14 stores in Canada. In addition a wholesale division supplies department stores and independents across North America.

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

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

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

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

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

Divisional analysis, core continuing operations

Year ended 31 January 2011

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

Year ended 31 January 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Implemented in the year ended 31 January 2010:
  - termination of our retail operation in Japan;
  - closure of the stores in North Europe; and
  - focused reductions in overhead costs.

- Implemented in the year ended 31 January 2011:
  - disposal of the Nicole Farhi business; and
  - closure of the majority of our retail stores in the US.

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

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

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

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

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

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

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

The Board has recommended payment of a final dividend of 1.0 pence per share (2010: 0.5 pence per share) which, combined with the interim dividend of 0.5 pence per share, gives a dividend of 1.5 pence per share for the full year (2010: 0.5 pence per share). The increase in the dividend is a reflection of the Board's confidence in the continuing profitability and cash generation capabilities of the restructured Group. The Board's intention is to increase the dividend in the future in line with the increase in profits.

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2011

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

*See discontinued operations Note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011 £m	2010 £m
Loss for the year		**(2.4)**	**(24.9)**
Other comprehensive income			
Currency translation differences for overseas operations		**-**	**(1.5)**
Currency translation differences on foreign currency loans, net of tax		**0.3**	**(0.6)**
Effective portion of changes in fair value of cash flow hedges		**0.1**	**(1.1)**
Currency translation differences transferred to profit and loss, net of tax		**2.5**	**0.1**
Other comprehensive income for the year, net of tax		**2.9**	**(3.1)**
Total comprehensive income for the year		**0.5**	**(28.0)**
Loss attributable to:			
Equity holders of the Company		**(2.3)**	**(24.9)**
Non-controlling interests		**(0.1)**	**-**
Loss for the year		**(2.4)**	**(24.9)**
Total comprehensive income attributable to:			
Equity holders of the Company		**0.6**	**(28.0)**
Non-controlling interests		**(0.1)**	**-**
Total income and expense recognised for the year		**0.5**	**(28.0)**
Earnings per share			
Basic and diluted losses per share	7	**(2.4)p**	**(26.0)p**
Continuing operations			
Basic and diluted earnings/(losses) per share	7	**9.2p**	**(9.6)p**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2011

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 January 2011

	Note	2011 £m	2010 £m
Operating activities			
Loss for the period		**(2.4)**	(24.9)
Adjustments for:			
Depreciation and impairment		**3.7**	5.5
Restructuring costs		**(3.5)**	8.7
Impairment of assets held for sale		**-**	3.8
Loss on disposal of discontinued operation, net of tax		**5.7**	-
Finance income		**(0.2)**	(0.1)
Share of profit of joint ventures		**(1.5)**	(0.4)
Non-operating (profit)/loss on property, plant and equipment		**(0.2)**	1.4
Income tax expense		**0.2**	0.7
Currency translation differences		**2.6**	-
Operating profit/(loss) before changes in working capital and provisions		**4.4**	(5.3)
Decrease in inventories		**0.8**	14.5
(Increase)/decrease in trade and other receivables		**(1.8)**	2.7
Decrease in trade and other payables		**(0.6)**	(9.9)
Cash flows from operations		**2.8**	2.0
Income tax received/(paid)		**0.3**	(0.7)
Cash flows from operating activities		**3.1**	1.3
Investing activities			
Interest received		**0.2**	0.2
Proceeds from investment in joint ventures		**0.7**	-
Acquisition of franchise		**-**	(0.1)
Acquisition of property, plant and equipment		**(1.0)**	(2.8)
Net proceeds/(costs) from sale of property, plant and equipment		**0.3**	(0.6)
Disposal of discontinued and closed operations		**(4.2)**	-
Capital contributions received from acquisition of property, plant and equipment		**-**	0.8
Cash flows from investing activities		**(4.0)**	(2.5)
Financing activities			
Payment of finance lease liabilities		**-**	(1.2)
Dividends paid	6	**(1.0)**	(0.6)
Cash flows from financing activities		**(1.0)**	(1.8)
Net decrease in cash and cash equivalents		**(1.9)**	(3.0)
Cash and cash equivalents at 1 February		**35.7**	38.4
Exchange rate fluctuations on cash held		**0.3**	0.3
Cash and cash equivalents at 31 January		**34.1**	35.7

NOTES

1 Basis of preparation

Consolidated financial statements and accounting policies
The preliminary announcement for the year ended 31 January 2011 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (EU) at 31 January 2011. The annual financial information presented in the preliminary announcement for the year ended 31 January 2011 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 January 2011, and those Financial Statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report on those Financial Statements is unqualified and does not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

These consolidated financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies.

Statutory accounts
Information in this preliminary announcement does not constitute statutory accounts of French Connection Group and its subsidiaries ("the Group") within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 January 2010 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The Group's Annual Report for the year ended 31 January 2011 will be made available in due course and will be available for viewing and download from the Group's website at www.frenchconnection.com. The Annual Report will be circulated in printed form to shareholders in the second week of April 2011.

2 Operating segments

2011	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	Total £m	£m	£m
Revenue (Note 4)	117.7	37.6	**155.3**	33.5	19.6	**53.1**	15.4	**15.4**		**223.8**
Gross profit (Note 4)	70.2	13.2	**83.4**	18.5	7.5	**26.0**	2.8	**2.8**	3.6	**115.8**
Gross margin	*59.6%*	*35.1%*	***53.7%***	*55.2%*	*38.3%*	***49.0%***	*18.2%*	***18.2%***		***51.7%***
Trading overheads	(73.4)	(7.9)	**(81.3)**	(21.4)	(3.4)	**(24.8)**	(1.5)	**(1.5)**		**(107.6)**
Operating contribution	(3.2)	5.3	**2.1**	(2.9)	4.1	**1.2**	1.3	**1.3**	3.6	**8.2**
Common overhead costs			**(4.8)**			**(3.6)**				**(8.4)**
Other income			**7.2**					**2.3**	(3.6)	**5.9**
Divisional operating profit/(loss)			**4.5**			**(2.4)**		**3.6**	-	**5.7**
Group management overheads										**(4.8)**
Operating profit before financing and closure costs										**0.9**
Represented by:										
Profit from continuing operations										**3.7**
Loss from discontinued operations (Note 3)										**(2.8)**
										0.9

	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	Total £m	£m	£m
Total assets	39.2	55.0	**94.2**	8.7	8.6	**17.3**	6.9	**6.9**	-	**118.4**
Total liabilities	18.9	13.7	**32.6**	2.5	4.9	**7.4**	6.6	**6.6**	-	**46.6**
Non-current asset additions	0.9	0.1	**1.0**	-	-	**-**	-	**-**		**1.0**
Depreciation	1.6	0.8	**2.4**	1.1	0.1	**1.2**	-	**-**		**3.6**
Impairment losses	-	-	**-**	0.1	-	**0.1**	-	**-**		**0.1**

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

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

2 Operating segments continued

Restated* 2010	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	Retail £m	Whole-sale £m	Total £m	£m	£m
Revenue (Note 4)	131.2	39.2	**170.4**	36.2	18.0	**54.2**	11.8	12.8	**24.6**		**249.2**
Gross profit (Note 4)	77.6	10.6	**88.2**	19.6	6.1	**25.7**	7.2	2.5	**9.7**	3.9	**127.5**
Gross margin	*59.1%*	*27.0%*	***51.8%***	*54.1%*	*33.9%*	***47.4%***	*61.0%*	*19.5%*	***39.4%***		***51.2%***
Trading overheads	(80.7)	(10.1)	**(90.8)**	(23.9)	(3.4)	**(27.3)**	(10.7)	(1.5)	**(12.2)**		**(130.3)**
Operating contribution	(3.1)	0.5	**(2.6)**	(4.3)	2.7	**(1.6)**	(3.5)	1.0	**(2.5)**	3.9	**(2.8)**
Common overhead costs			**(5.4)**			**(3.4)**					**(8.8)**
Licensing income			**6.7**						**2.1**	(3.9)	**4.9**
Disposal of lease interests			**(0.8)**								**(0.8)**
Divisional operating loss			**(2.1)**			**(5.0)**			**(0.4)**	-	**(7.5)**
Group management overheads											**(4.5)**
Operating loss before financing, impairments and closure costs											**(12.0)**
Represented by:											
Loss from continuing operations											**(3.0)**
Loss from discontinued operations (Note 3)											**(9.0)**
											(12.0)

	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Intra Group £m	Total £m
Total assets	37.4	63.8	**101.2**	12.2	6.5	**18.7**	3.4	6.7	**10.1**		**130.0**
Total liabilities	19.6	17.9	**37.5**	9.4	2.7	**12.1**	2.6	5.5	**8.1**		**57.7**
Non-current asset additions	1.7	0.7	**2.4**	0.3	-	**0.3**	0.1	-	**0.1**		**2.8**
Depreciation	2.4	0.9	**3.3**	0.7	0.1	**0.8**	0.7	-	**0.7**		**4.8**
Impairment losses	0.3	-	**0.3**	0.4	-	**0.4**	-	-	**-**		**0.7**

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

3 Discontinued operations

On 2 July 2010, the Group completed the sale of the trading, assets and liabilities of the Nicole Farhi business ("the Disposal Group") to OpenGate Capital ("the Purchaser") for a consideration of up to £5.0 million. At 2 July 2010, the Nicole Farhi Disposal Group comprised assets of £5.2 million and liabilities of £2.8 million along with cash of £1.0 million. Further, French Connection will support the transition of the Nicole Farhi business into new ownership by providing support office functions and other transitional services for up to two years at no cost to the Purchaser and will also provide financial support for restructuring costs during the first year. A total of £2.2 million 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 consideration. The Directors have assessed the amount to recognise based on the "virtually certain" criteria set out in IFRS and accordingly a total of £0.5 million of the total deferred consideration has been reflected in the loss on sale on the basis that this is expected to be received in the early part of the next financial year.

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

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

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

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

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

3 Discontinued operations continued

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

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

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

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

3 Discontinued operations continued

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

4 Revenue and gross margin

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

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

* See discontinued operations Note 3.

5 Other operating income

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

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

*See discontinued operations Note 3.

6 Dividends - equity

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

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

7 Earnings/(losses) per share

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

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

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

The reconciliation to adjusted earnings per share is as follows:

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

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

*See discontinued operations Note 3.

RETAIL LOCATIONS

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