13 March 2013

FRENCH CONNECTION GROUP PLC

Preliminary Results for the year ended 31 January 2013

French Connection Group PLC ("French Connection", "the Group") today announces results for its latest financial year ended 31 January 2013 that are in line with market expectations. The Group is currently implementing significant changes that are designed to restore the business to profitability.

Results are as follows:

- Revenue down 8% to £197.3 million (2012: £215.4 million)
- Underlying* loss before tax of £(7.2) million (2012: profit of £4.6 million)
- Closing net cash of £28.5 million (2012: £34.2 million) and no debt
- Strong progress in implementing improvement initiatives

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

After a difficult trading year, I am pleased that many of the initiatives we have taken in order to provide a new impetus to sales growth are beginning to show interesting results. While it is still early days, we see some good progress, and I am pleased there is some momentum in the business.

The significant changes we have already and will continue to make will help us to improve our financial performance in this most difficult and competitive of markets. Although it is very early days in the new year, we have seen a better performance in UK retail, and we expect this to build as the year progresses.

We are managing the business tightly in order to increase full-price sales volumes, limit discounting, manage inventory levels, control cash and build confidence with our customers.

We have demonstrated our ability to produce fashionable, wearable products over the last 40 years and will continue to do so with a new and talented design team. With the help of the broad range of improvements in our business, a strong balance sheet and our global brand strength, we will return the business to profitability.

* Underlying loss is adjusted to exclude the costs of disposal and closure of retail stores (£1.3 million) and the impairment of goodwill (£2.0 million).

Enquiries:

Stephen Marks/Neil Williams/Roy Naismith	French Connection	+44(0)20 7036 7063
Tom Buchanan/Charlie Simon	Maitland	+44(0)20 7379 5151

Notes to Editors:

French Connection:

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, furniture 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 home wares brand, and YMC, a men's and women's wear brand.

CHAIRMAN'S STATEMENT

Dear Shareholders,

After a difficult trading year, I am pleased to be able to tell you about the changes we have made in our business. Many of the initiatives we have taken are beginning to show interesting results and while it is still early days, we see some good progress and feel that we are moving in the right direction.

As you will be aware, we implemented a review of our retail business in March of last year. We announced a set of detailed initiatives with the Interim Results in September and I commented then that we expect that the changes will have a growing positive impact on our trading performance over the next two financial years but would have a limited impact on trading in the remaining part of the year to 31 January 2013. Today we are announcing our financial results for that year.

In the year to 31 January 2013, Group revenue fell 8% to £197.3 million as a result of declines in sales volumes in both our retail and wholesale businesses in UK/Europe. Gross margin was little changed at 47.9% and overheads continue to be tightly controlled. Group loss before taxation, goodwill impairment and store disposal costs was £(7.2) million, compared with a profit of £4.6 million last year. However we ended the year with a strong balance sheet with £28.5 million of cash and no bank debt.

The initiatives we have taken have resulted in some major changes and are progressing well. The changes will help provide a new impetus to sales growth in both the retail and wholesale businesses. The programme includes:

Store operations

- we have re-engineered a number of in-store processes resulting in a saving in labour hours;
- a revised approach to labour rostering has been developed and is being applied with an emphasis on ensuring the most effective staff coverage in-store; and
- our training programmes have been developed to focus specifically on selling skills along with improved customer service and this is being rolled out across our store portfolio.

Customer focused product

- our product ranges are now being developed within a revised framework designed to meet the aspirations and value perceptions of our core customers more accurately;
- our new design team, including five new members, has created a Winter collection which is more customer focused and will provide great value;
- the new collection has been well received by our Wholesale customers and our new retail team are confident that we are going forward with the right product;
- the pricing architecture of these new ranges is now more focused; and
- with our new head of accessory design, we are beginning to see improvements and exciting new products.

Merchandise management

- we have implemented a total change in our buying patterns to give more flexibility and this has resulted in a 30% reduction in new season inventory levels;
- the reaction speed to our best selling lines has been improved by changing the structure and processes of the relevant departments; and
- we have worked hard on our gross margin and will be changing our sale periods. By reducing our buying we expect to generate a better level of gross margin.

Portfolio management

- in a very difficult property market we have successfully negotiated the disposal of two stores in UK/Europe and three stores in North America. We are in the process of closing one further store and six concessions and we are likely to close two further stores during the new year. We continue to search for potential tenants for other targeted under-performing stores; and
- we are in on-going discussions with landlords to vacate other stores or to make realistic agreements on future rents.

Strengthened management team

- all the new senior management appointments have been made including the Head of Design who joined in May, Head of Retail who joined in September, Head of Production and Director of Multi-channel Marketing who both joined in October. There have also been important changes at other levels.

The initial impact on trading of these changes has been positive, although it is still early days. The changes to in-store operations are beginning to demonstrate benefit and the Spring/Summer 2013 ranges, which have been supplemented and amended to reflect our revised positioning, have performed better. This has been achieved on significantly lower inventory levels, therefore giving us the ability to respond and move more quickly.

It is clear from our market research that the French Connection brand continues to have significant strength and with the improvements in ranges, selling skills and inventory management outlined above I am confident we will achieve steady and significant improvement in our trading performance and Group profitability over the next two financial years.

During the year our e-commerce business has continued to perform well and has grown significantly, benefiting from our continued investment in this area. The introduction of “click-and-collect” and allowing web sales to be returned to stores have been taken up enthusiastically by our customers and over 10% of our French Connection retail sales in UK/Europe are now through our web store.

Licensing continues to be a very important part of the business highlighting the strength of the brand. Our licensees continue to be very successful and generate a strong revenue stream for the Group. During the later part of the year we introduced new licensees in the UK for shoes, children’s wear and furniture and in the US for coats, bags and hosiery. As reported last year, a change in strategy at Sears resulted in the termination of our licence to supply fashion clothing to their stores, but despite this, net royalty income in the year was significant at £6.5 million (2012: £8.5 million). Looking forward, we expect our new licensees to make a significant contribution to income.

We are continuing to build our international distribution network with additional stores opening in Asia, India and Eastern Europe in the new year. The new shop fit concept, which we have recently been developing, has successfully launched in China and Hong Kong and will be used for this new expansion.

The Group remains debt-free and ended the year with a cash position of £28.5 million after payment of last year’s dividend during the year. We monitor and manage our working capital very closely and we have more than sufficient resources to see us through our recovery programme. However, in order to conserve working capital, the Board has decided that no dividend should be paid for the year (2012: 1.6 pence per share).

The changes we have made and continue to make will improve our financial performance in this most difficult and competitive of markets. We are managing the business cautiously in order to increase full-price sales volumes, limit discounting, manage inventory levels, control cash and build confidence with our customers.

I would like to thank all our staff around the world for their continuing efforts and hard work.

Stephen Marks
Chairman and Chief Executive

12 March 2013

BUSINESS REVIEW

Overview of Group Results
In the year ended 31 January 2013 the financial performance of the Group reflected a continuation of the poor trading experienced in the UK/Europe retail channel from the autumn of 2011 along with a decline in volumes through the UK/Europe wholesale channel. Conversely, the North America region achieved good growth in wholesale volumes and a robust performance in retail, but the decline in volumes and consequent decline in gross profit margins in UK/Europe had a significant effect on the Group result. The Group incurred a loss before taxation, goodwill impairment and the cost of store closures of £(7.2) million. This compared to a profit before tax of £4.6 million in the previous year. After taking into account an impairment of goodwill and the cost of disposal of under-performing stores, the total loss before tax was £(10.5) million (2012: profit of £5.0 million).

Total revenue was 8% lower than last year reflecting continued good growth in wholesale volumes in North America but declines in all other channels. Like-for-like sales in Retail in UK/Europe declined by 7.4% and in North America by 4.1% over the year.

Group gross margin was broadly flat at 47.9% with increases in the total value of discounting offset by an increased proportion of sales in the higher-margin retail channel.

Total Group operating expenses were slightly lower than last year, but included charges arising from the retail review and asset impairments relating to under-performing stores. The underlying costs declined by 1.3% despite additional investment in the e-commerce channel.

The net income received from our licensees was £6.5 million in the year. This represented a decline of £2.0 million compared to last year, largely as a result of the termination of the licence to supply product to the Sears department stores in the US. For the new year we have agreed a number of new licences which will provide growth.

The resulting loss from operating activities was £(9.1) million (2012: operating profit of £3.3 million).

As a consequence of the poor retail trading experienced in recent seasons, an impairment charge of £2.0 million has been made in relation to goodwill previously carried on the balance sheet.

Net finance income in the prior year benefited from a one-off £0.8 million credit arising from exchange gains on the repayment of intra-group financing. The net income in the year to 31 January 2013 of £0.2 million represents interest income on cash deposits held and foreign currency exchange gains.

Our retail joint ventures in Hong Kong and China have seen a tightening in their respective markets and while total revenue increased in these joint ventures by 3%, the effect of the increased costs from additional trading space resulted in a small decline in the contribution from these businesses.

Divisional analysis

These tables set out the segmental analysis of the continuing operations for the two years ended 31 January 2013.

Year ended 31 January 2013

	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Revenue	103.4	34.2	**137.6**	20.0	29.0	**49.0**	**10.7**		**197.3**
Gross profit	56.7	10.6	**67.3**	11.2	11.5	**22.7**	**2.0**	2.6	**94.6**
Gross margin	*54.8%*	*31.0%*	***48.9%***	*56.0%*	*39.7%*	***46.3%***	***18.7%***		***47.9%***
Trading overheads	(71.6)	(6.7)	**(78.3)**	(12.6)	(3.7)	**(16.3)**	**(1.5)**		**(96.1)**
Store disposals and closures	(1.1)		**(1.1)**	(0.2)		**(0.2)**			**(1.3)**
Operating contribution	(16.0)	3.9	**(12.1)**	(1.6)	7.8	**6.2**	**0.5**	2.6	**(2.8)**
Common overhead costs			**(4.3)**			**(3.2)**			**(7.5)**
Other income			**6.8**			**0.7**	**1.6**	(2.6)	**6.5**
Divisional operating (loss)/profit			**(9.6)**			**3.7**	**2.1**	-	**(3.8)**
Group management overheads									**(5.3)**
Operating loss before financing and goodwill impairment									**(9.1)**

Year ended 31 January 2012

	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Revenue	111.0	42.1	**153.1**	22.2	24.3	**46.5**	**15.8**		**215.4**
Gross profit	62.4	13.8	**76.2**	13.2	9.3	**22.5**	**2.1**	2.8	**103.6**
Gross margin	*56.2%*	*32.8%*	***49.8%***	*59.5%*	*38.3%*	***48.4%***	***13.3%***		***48.1%***
Trading overheads	(70.6)	(7.2)	**(77.8)**	(13.7)	(3.6)	**(17.3)**	**(1.5)**		**(96.6)**
Store disposals and closures	0.7		**0.7**	(0.3)		**(0.3)**			**0.4**
Operating contribution	(7.5)	6.6	**(0.9)**	(0.8)	5.7	**4.9**	**0.6**	2.8	**7.4**
Common overhead costs			**(4.7)**			**(3.1)**			**(7.8)**
Other income			**7.4**			**2.0**	**1.9**	(2.8)	**8.5**
Divisional operating profit			**1.8**			**3.8**	**2.5**	-	**8.1**
Group management overheads									**(4.8)**
Operating profit before financing									**3.3**

United Kingdom and Europe
Retail
Total retail revenue in the UK/Europe division declined by 7% in the year, both in total and on a like-for-like basis; average retail space barely changed.

As previously reported, this performance is a continuation of the marked decline first noted in Autumn 2011. This prompted an extensive review of the UK retail business with the help of external consultants and gave rise to a series of initiatives discussed further in the Chairman's Statement.

The decline in revenue in recent seasons has resulted in higher levels of discounting and greater volumes of product sold during our end-of-season sales. An important strand of our improvement initiatives is to protect the gross margin rate by reducing the scale of the sale periods. To this end, the winter sale was delayed by one week compared to last year. The effect of this and other changes to levels of discounting was to reduce revenue but increase the gross margin rate in the end of season sale. However, total gross margin in the UK/Europe retail business across the year was a little lower at 54.8% compared to 56.2% last year. The decrease was caused by a combination of slightly lower core margins and the effect of a higher proportion of sales during the spring sale, earlier in the year.

Retail operating overheads increased by £1.0 million in the year including an impairment charge of £0.5 million (2012: £nil) in relation to underperforming stores. Overheads have been managed prudently and the underlying increase in the cost base has arisen from continued investment in our e-commerce businesses and new stores. In addition, the store portfolio management process generated a charge of £1.1 million comprising premiums paid in relation to the assignment or provisions for the cost of closure of underperforming stores. In contrast, in the previous year, store disposals generated net income of £0.7 million.

Toast's total revenue during the year was little changed on last year, which was disappointing given the previous rate of growth. The new Spring season has started very well, however.

Overall the UK/Europe retail business generated a loss of £(16.0) million in the year (2012: £(7.5) million).

United Kingdom and Europe
Wholesale
Revenue in the wholesale business in UK/Europe declined by 19% during the year. A large portion of the decline arose from the closure of three high-volume stores operated by our former franchisee in Russia. The remaining decline reflected decreases in orders as a result of disappointing sales performances in the previous seasons. We expect that the initiatives implemented in relation to the product ranges as part of the retail review will have a beneficial impact on the wholesale channel in due course.

With much of the decline in volumes arising from full-price customers, the gross margin declined to 31.0% (2012: 32.8%).

Our forward orders for Spring/Summer 2013, a proportion of which was delivered in January 2013, were lower than the equivalent orders for last year. Orders for Autumn/Winter 2013 are still being taken and the reaction to the range has been positive. However the value of orders is affected by the previous seasons' sales performance in our customers' outlets and to date the buyers are being cautious. The forward orders so far are broadly flat on the level achieved at the same time last year.

Overhead costs within the division have been tightly controlled during the year, resulting in a 7% reduction.

This combination of factors lead to a decrease in profit generated by the division to £3.9 million (2012: £6.6 million).

United Kingdom and Europe region
Together, the retail and wholesale businesses in UK/Europe incurred an operating loss of £(12.1) million in the year (2012: £(0.9) million). Common overhead costs for the region include shared accounting services and brand advertising and marketing. The advertising budget for the year was cut back from the previous year resulting in over 8% savings.

Other income in the UK/Europe region of £6.8 million (2012: £7.4 million) includes both royalty receipts from external licensees and intra-group royalties which are eliminated from the Group result. The licence income from external sources in the UK was broadly steady at £5.3 million with continued good contributions from Boots in relation to their toiletries licence, Specsavers in relation to their eyewear licence, and our suiting, jewellery and watch licensees amongst others.

The operating result for the entire UK/Europe division was a loss of £(9.6) million compared to a profit of £1.8 million in the previous year. Clearly we are entirely focused on improving the performance of this division of our business and in particular the retail channel. We are confident that the combination of the broad-ranging changes, strong cash position and highly regarded brand will return this business to growth for the long-term.

North America
Retail
Revenue in our retail stores in North America fell to £20.0 million from £22.2 million, mainly due to the impact of the closure of three stores during the year but also reflecting a decline in like-for-like sales of 4.1%. Higher levels of discounting caused the gross margin to be lower at 56.0% compared to 59.5% last year. Retail trading overheads were £1.1 million, 8% lower, partly due to the closure of stores. The store closures were implemented at a cost of £0.2 million and will have a positive impact on profit in the new financial year. The retail operating loss for the year was £(1.6) million compared to £(0.8) million in the previous year.

Sales through our North America e-commerce sites now represent 10% of our retail revenue in the region with continuing good growth in the period.

As with the UK we are working to increase the revenue in our stores in North America and this will focus on ensuring that the products we offer are attractive to our customers and ensuring that operationally we maximise our opportunities. We also continue to review the store portfolio in order to deal with underperforming locations where possible.

North America
Wholesale
The operating contribution from our North America wholesale division made a further good step forward to £7.8 million for the year compared to £5.7 million in the previous year on revenue 19% ahead at £29.0 million. Increases came from both existing and new customers. Forward orders for the new seasons, however, are weaker, and current indications suggest that some of the growth achieved last year will be reversed. We anticipate that this will be corrected with revised ranges for later in 2013 and beyond.

North America division
Together the two North America divisions generated a contribution of £6.2 million (2012: £4.9 million) in the year. Common overhead costs were similar to last year resulting in a trading profit of £3.0 million, compared to £1.8 million last year.

Last year we reported £2.0 million of licensing income generated from the North America division. This included a royalty contribution arising from our licence with Li & Fung to supply the "UK Style" range of clothing to Sears department stores across the US. As previously reported this licence has since been terminated, resulting in a significant decrease in licence income in the year to 31 January 2013.

Despite the reduction in royalty income, the North America division generated an operating profit of £3.7 million compared to £3.8 million last year.

Rest of World
Wholesale
Revenue from our wholesale business based in Hong Kong fell to £10.7 million in the year (2012: £15.8 million) as a result of reductions in deliveries to our licensee in Australia in a difficult retail market. 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 increased to 18.7% from 13.3%. With overhead costs unchanged the operating contribution was £0.5 million (2012: £0.6 million).

Other income in Hong Kong includes both buying office commission paid by Group companies in relation to shipments from Hong Kong to other divisions and buying office commissions and royalties receivable from third parties. Of the £1.6 million income, £1.1 million is generated from intra-group business and is eliminated within the Group results. The remainder reflects royalty and buying office commission from third parties.

Overall the Hong Kong business generated an operating profit of £2.1 million (2012: £2.5 million).

Group management overheads
The overheads arising from Group management functions were £5.3 million (2012: £4.8 million) including the costs associated with the review of the retail business conducted by specialist consultants. Underlying costs were reduced.

Operating result
The Group's trading divisions generated an operating loss of £(9.1) million in the year (2012: profit of £3.3 million). The significant decline reflects the sharp down-turn in both retail and wholesale revenues in the year and the magnifying effect of structural operating leverage within the business: the majority of our cost base, being store costs and the costs of creating our product ranges, are largely fixed.

Impairment, net finance income and joint ventures
A charge of £2.0 million has been recorded in the year in relation to the impairment of goodwill. The goodwill originally arose as a result of the acquisition of three of our UK franchises over a number of years up to 2009. As a result of the depressed store trading results the goodwill arising from these acquisitions has been impaired to nil. There is no cash impact of this charge.

Net finance income in the year was £0.2 million (2012: £0.9 million including a one-off exchange gain of £0.8 million). The core finance income represents the continued low interest rates earned on our cash balances.

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 the receipt of brand royalties.

The Group's share of net profits generated by the joint ventures during the year was £0.4 million, net of local taxes (2012: £0.8 million) and cash dividends received amounted to £0.9 million. Profitability has softened as a result of both changes in the portfolio of stores and a softening of retail sales performance in Hong Kong.

Group result
The Group incurred a loss before tax for the year of £(10.5) million (2012: profit of £5.0 million). Excluding the impairment charge and the cost of disposal of underperforming stores the loss before tax was £(7.2) million (2012: profit of £4.6 million).

Taxation
The tax charge in the year of £0.0 million (2012: £0.5 million) reflects tax charged on profits generated in Hong Kong and minimum taxes payable in the US offset by prior year credits. No benefit has been recorded for tax losses incurred in the UK in the year. Historical tax losses generated in the US (which were not previously recognised in the accounts) are being utilised to offset most of the tax charge arising on profits in the US.

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 should be available to offset profits earned in the UK and US.

Discontinued operations
The Group disposed of the Nicole Farhi business in July 2010. The "discontinued operations" reported in the income statement for the year ended 31 January 2012 reflect the residual impact of this transaction.

Non-controlling interests
The non-controlling interest of £(0.2) million (2012: £0.0 million) 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 amounted to a loss of £(10.3) million (2012: profit of £4.5 million from the core continuing operations) and a loss per share of (10.7) pence (2012: earnings of 4.7 pence).

The Board has concluded that no dividend should be paid for the year (2012: dividend of 1.6 pence per share).

Balance sheet and cash flow
The Group balance sheet at 31 January 2013 remains strong with £28.5 million of cash (2012: £34.2 million), no bank borrowings and a minimum cash position during the year of £10.6 million. The trading operations of the Group utilised cash of only £3.7 million as a result of a release of cash utilised within working capital, in particular a decrease in inventory of £5.4 million.

Additional investment in fixed assets has been low in recent periods and this year the Group invested £1.7 million (2012: £1.6 million), being mainly in respect of stores and IT equipment, particularly in relation to the e-commerce business. The restricted capital expenditure over recent years has resulted in a relatively low depreciation charge of £2.6 million (2012: £2.8 million). In addition, store fixed assets have been impaired in the year creating an additional charge of £0.5 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 current financial year will be in the region of £2.0 million, subject to any plans arising from the Business Review.

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. The initiatives taken in order to return the Group to profitability will take some time to implement and then will have a growing impact over a number of periods. The Board's aim is to achieve at least break-even in the year ending 31 January 2015 and then to grow in profitability thereafter. The initiatives are not capital intensive, but trading losses in the intervening period will result in a reduction in cash resources until such time as the Group returns to profitability. Having reviewed the cash forecasts and the sources of cash funding available to the Group, including detailed discussions with our bankers, Barclays, the Board has concluded that the Group has access to more than sufficient funds to see it through the implementation of the recovery initiatives over the next two years.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2013

	Note	2013 £m	2012 £m
Continuing operations			
Revenue		**197.3**	215.4
Cost of sales		**(102.7)**	(111.8)
Gross profit		**94.6**	103.6
Operating expenses		**(108.9)**	(109.2)
Other operating income	3	**6.5**	8.5
Net (loss)/gain on store disposals and closures		**(1.3)**	0.4
Operating (loss)/profit before financing and impairments		**(9.1)**	3.3
Impairment of goodwill		**(2.0)**	-
Finance income		**0.2**	0.9
Finance expenses		**-**	-
Operating (loss)/profit		**(10.9)**	4.2
Share of profit of joint ventures, net of tax		**0.4**	0.8
(Loss)/profit before taxation, store disposals, closures and impairment of goodwill		**(7.2)**	4.6
Net (loss)/gain on store disposals and closures		**(1.3)**	0.4
Impairment of goodwill		**(2.0)**	-
(Loss)/profit before taxation		**(10.5)**	5.0
Income tax credit – UK		**-**	-
Income tax expense – overseas		**-**	(0.5)
Total income tax expense		**-**	(0.5)
(Loss)/profit for the year from continuing operations		**(10.5)**	4.5
Discontinued operations			
Profit from discontinued operations, net of tax		**-**	0.8
(Loss)/profit for the year		**(10.5)**	5.3

	Note	2013 £m	2012 £m
(Loss)/profit for the year		**(10.5)**	5.3
Other comprehensive income			
Currency translation differences for overseas operations		**(0.2)**	0.3
Currency translation differences on foreign currency loans, net of tax		**0.1**	(0.2)
Currency translation differences transferred to profit and loss, net of tax		**-**	(0.5)
Effective portion of changes in fair value of cash flow hedges		**-**	0.1
Other comprehensive income for the year, net of tax		**(0.1)**	(0.3)
Total comprehensive income for the year		**(10.6)**	5.0
(Loss)/profit attributable to:			
Equity holders of the Company		**(10.3)**	5.3
Non-controlling interests		**(0.2)**	-
(Loss)/profit for the year		**(10.5)**	5.3
Total comprehensive income attributable to:			
Equity holders of the Company		**(10.4)**	5.0
Non-controlling interests		**(0.2)**	-
Total income and expense recognised for the year		**(10.6)**	5.0
Earnings per share			
Basic and diluted (losses)/earnings per share	5	**(10.7)p**	5.5p
Continuing operations			
Basic and diluted (losses)/earnings per share	5	**(10.7)p**	4.7p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 January 2013

	Note	2013 £m	2012 £m
Assets			
Non-current assets			
Intangible assets		**0.4**	2.4
Property, plant and equipment		**5.7**	7.1
Investments in joint ventures		**3.0**	3.5
Deferred tax assets		**4.4**	4.4
Total non-current assets		**13.5**	17.4
Current assets			
Inventories		**41.5**	46.9
Trade and other receivables		**23.7**	26.5
Cash and cash equivalents		**28.5**	34.2
Derivative financial instruments		**0.1**	0.1
Total current assets		**93.8**	107.7
Total assets		**107.3**	125.1
Non-current liabilities			
Deferred tax liabilities		**0.9**	0.9
Total non-current liabilities		**0.9**	0.9
Current liabilities			
Trade and other payables		**41.2**	48.0
Current tax payable		**-**	0.5
Provisions		**1.7**	0.6
Total current liabilities		**42.9**	49.1
Total liabilities		**43.8**	50.0
Net assets		**63.5**	75.1
Equity			
Called-up share capital		**1.0**	1.0
Share premium account		**9.4**	9.4
Other reserves		**5.3**	5.4
Retained earnings		**47.0**	58.3
Total equity attributable to equity holders of the Company		**62.7**	74.1
Non-controlling interests		**0.8**	1.0
Total equity		**63.5**	75.1

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 2011	**1.0**	**9.4**	**-**	**5.7**	**54.6**	**70.7**	**1.1**	**71.8**
Profit for the year ended 31 January 2012					**5.3**	**5.3**	**-**	**5.3**
Other comprehensive income								
Currency translation differences for overseas operations				0.3		**0.3**		**0.3**
Currency translation differences on foreign currency loans, net of tax				(0.2)		**(0.2)**		**(0.2)**
Currency translation differences transferred to profit and loss, net of tax				(0.5)		**(0.5)**		**(0.5)**
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					(1.6)	**(1.6)**		**(1.6)**
Transactions with non-controlling interests, recorded directly in equity								
Dividends							(0.1)	**(0.1)**
Balance at 31 January 2012	**1.0**	**9.4**	**0.1**	**5.3**	**58.3**	**74.1**	**1.0**	**75.1**
Loss for the year ended 31 January 2013					**(10.3)**	**(10.3)**	**(0.2)**	**(10.5)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.2)		**(0.2)**		**(0.2)**
Currency translation differences on foreign currency loans, net of tax				0.1		**0.1**		**0.1**
Effective portion of changes in fair value of cash flow hedges			-			**-**		**-**
Transactions with owners recorded directly in equity								
Dividends					(1.0)	**(1.0)**		**(1.0)**
Balance at 31 January 2013	**1.0**	**9.4**	**0.1**	**5.2**	**47.0**	**62.7**	**0.8**	**63.5**

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 2013

	Note	2013 £m	2012 £m
Operating activities			
(Loss)/profit for the period		**(10.5)**	5.3
Adjustments for:			
Depreciation and impairment		**3.1**	2.8
Impairment of goodwill		**2.0**	-
Gain on disposal of discontinued operation, net of tax		**-**	(0.9)
Finance income		**(0.1)**	(0.3)
Currency translation differences		**(0.1)**	(0.6)
Share of profit of joint ventures		**(0.4)**	(0.8)
Non-operating loss/(profit) on store disposals and closures		**1.3**	(0.4)
Income tax expense		**-**	0.5
Operating (loss)/profit before changes in working capital and provisions		**(4.7)**	5.6
Decrease/(increase) in inventories		**5.4**	(6.9)
Decrease/(increase) in trade and other receivables		**2.4**	(1.0)
(Decrease)/increase in trade and other payables		**(6.8)**	3.4
Cash flows from operations		**(3.7)**	1.1
Income tax paid		**(0.5)**	(0.7)
Cash flows from operating activities		**(4.2)**	0.4
Investing activities			
Interest received		**0.1**	0.3
Proceeds from investment in joint ventures		**0.9**	0.8
Acquisition of property, plant and equipment		**(1.7)**	(1.6)
Net (costs)/proceeds from sale of property, plant and equipment		**(0.2)**	0.7
Disposal of discontinued operations		**0.4**	1.3
Cash flows from investing activities		**(0.5)**	1.5
Financing activities			
Dividends paid	4	**(1.0)**	(1.7)
Cash flows from financing activities		**(1.0)**	(1.7)
Net (decrease)/increase in cash and cash equivalents		**(5.7)**	0.2
Cash and cash equivalents at 1 February		**34.2**	34.1
Exchange rate fluctuations on cash held		**-**	(0.1)
Cash and cash equivalents at 31 January		**28.5**	34.2

NOTES

1 Basis of preparation

Consolidated financial statements and accounting policies
The preliminary announcement for the year ended 31 January 2013 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (EU) at 31 January 2013. The annual financial information presented in the preliminary announcement for the year ended 31 January 2013 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 January 2013, 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 2012 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 2013 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 2013.

2 Operating segments

Year ended 31 January 2013

	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	**Whole-sale £m**	**Total £m**	**Retail £m**	**Whole-sale £m**	**Total £m**	**Whole-sale £m**	**£m**	**£m**
Revenue	103.4	34.2	**137.6**	20.0	29.0	**49.0**	**10.7**		**197.3**
Gross profit	56.7	10.6	**67.3**	11.2	11.5	**22.7**	**2.0**	2.6	**94.6**
Gross margin	*54.8%*	*31.0%*	***48.9%***	*56.0%*	*39.7%*	***46.3%***	***18.7%***		***47.9%***
Trading overheads	(71.6)	(6.7)	**(78.3)**	(12.6)	(3.7)	**(16.3)**	**(1.5)**		**(96.1)**
Store disposals and closures	(1.1)		**(1.1)**	(0.2)		**(0.2)**			**(1.3)**
Operating contribution	(16.0)	3.9	**(12.1)**	(1.6)	7.8	**6.2**	**0.5**	2.6	**(2.8)**
Common overhead costs			**(4.3)**			**(3.2)**			**(7.5)**
Other income			**6.8**			**0.7**	**1.6**	(2.6)	**6.5**
Divisional operating (loss)/profit			**(9.6)**			**3.7**	**2.1**	-	**(3.8)**
Group management overheads									**(5.3)**
Operating loss before financing and goodwill impairment									**(9.1)**
Represented by:									
Loss from continuing operations									**(9.1)**
Loss from discontinued operations									**-**
									(9.1)

Total assets	31.2	48.8	**80.0**	7.7	12.8	**20.5**	**6.8**	-	**107.3**
Total liabilities	16.9	15.9	**32.8**	3.0	3.4	**6.4**	**4.6**	-	**43.8**
Non-current asset additions	1.1	0.2	**1.3**	0.4	-	**0.4**	**-**		**1.7**
Depreciation	1.3	0.8	**2.1**	0.5	-	**0.5**	**-**		**2.6**
Impairment losses	0.5	-	**0.5**	-	-	**-**	**-**		**0.5**

The share of the results of the joint venture operations of £0.4 million (2012: £0.8 million) relate to retail operations in the rest of the world and are not disclosed in the information above.

2 Operating segments continued

Year ended 31 January 2012

	UK/Europe			North America			Rest of the World	Intra Group	Total
	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Revenue	111.5	42.1	**153.6**	22.3	24.3	**46.6**	**15.8**		**216.0**
Gross profit	62.5	13.8	**76.3**	13.3	9.3	**22.6**	**2.1**	2.8	**103.8**
Gross margin	*56.1%*	*32.8%*	***49.7%***	*59.6%*	*38.3%*	***48.5%***	***13.3%***		***48.1%***
Trading overheads	(70.9)	(7.2)	**(78.1)**	(13.7)	(3.6)	**(17.3)**	**(1.5)**		**(96.9)**
Store disposals and closures	0.7		**0.7**	(0.3)		**(0.3)**			**0.4**
Operating contribution	(7.7)	6.6	**(1.1)**	(0.7)	5.7	**5.0**	**0.6**	2.8	**7.3**
Common overhead costs			**(4.7)**			**(3.1)**			**(7.8)**
Other income			**7.4**			**2.0**	**1.9**	(2.8)	**8.5**
Divisional operating profit			**1.6**			**3.9**	**2.5**	-	**8.0**
Group management overheads									**(4.8)**
Operating profit before financing									**3.2**
Represented by:									
Profit from continuing operations									**3.3**
Profit from discontinued operations									**(0.1)**
									3.2

	Retail £m	Whole-sale £m	Total £m	Retail £m	Whole-sale £m	Total £m	Whole-sale £m	£m	£m
Total assets	41.8	56.0	**97.8**	8.6	9.7	**18.3**	**9.0**	-	**125.1**
Total liabilities	18.1	17.9	**36.0**	2.0	2.9	**4.9**	**9.1**	-	**50.0**
Non-current asset additions	1.0	0.4	**1.4**	0.1	-	**0.1**	**0.1**		**1.6**
Depreciation	1.4	0.8	**2.2**	0.6	-	**0.6**	**-**		**2.8**

The divisional table for the year ended 31 January 2012 has been amended for changes to the intercompany charges, none of which impact upon the Group's pre-tax results.

3 Other operating income

	2013 £m	2012 £m
Licensing income and buying office commission	**6.5**	8.5

4 Dividends - equity

	2013 £m	Pence per share	2012 £m	Pence per share
Final paid for prior financial year	**1.0**	**1.0p**	1.0	1.0p
Interim paid for current financial year	**-**	**-**	0.6	0.6p
Total dividends paid during the year	**1.0**	**1.0p**	1.6	1.6p

The Board is proposing that no dividend should be paid for the year. No dividends were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2012: £0.1 million).

5 (Losses)/earnings per share

Basic (losses)/earnings per share are calculated on 95,899,754 (2012: 95,884,740) shares being the weighted average number of ordinary shares during the year.

Diluted (losses)/earnings per share are calculated on 95,983,319 shares being the weighted average number of ordinary shares adjusted to assume the exercise of dilutive options (2012: 96,632,850).

Basic and diluted (losses)/earnings per share of (10.7) pence per share (2012: earnings of 5.5 pence) is based on losses of £(10.3) million (2012: profits of £5.3 million) attributable to equity shareholders.

On continuing operations the basic (losses)/earnings per share of (10.7) pence per share (2012: earnings of 4.7 pence) is based on £(10.3) million (2012: £4.5 million) being the (loss)/profit relating to continuing operations.

On discontinuing operations the basic earnings per share of nil pence per share (2012: 0.8 pence) is based on £nil (2012: £0.8 million) being the profit relating to discontinued operations.

The reconciliation to adjusted earnings per share is as follows:

	2013 £m	2013 pence per share	2012 Continuing £m	2012 Continuing pence per share
(Loss)/profit attributable to equity shareholders	**(10.3)**	**(10.7)p**	4.5	4.7p
Net loss/(gain) on store disposals and closures	**1.3**	**1.3p**	(0.4)	(0.4)p
Impairment of goodwill	**2.0**	**2.1p**	-	-
Adjusted (loss)/profit	**(7.0)**	**(7.3)p**	4.1	4.3p

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

RETAIL LOCATIONS

		31 January 2013 Locations	31 January 2013 sq ft	31 January 2012 Locations	31 January 2012 sq ft
Operated locations					
UK/Europe					
French Connection	Stores	**74**	**218,115**	71	214,468
French Connection/Great Plains	Concessions	**54**	**36,134**	46	32,550
Toast	Stores	**11**	**11,407**	9	10,578
YMC	Stores	**2**	**1,355**	2	1,355
		141	**267,011**	128	258,951
North America					
French Connection US	Stores	**8**	**33,900**	8	37,227
French Connection Canada	Stores	**9**	**24,325**	12	33,935
		17	**58,225**	20	71,162
Total operated locations		**158**	**325,236**	148	330,113
French Connection licensed and franchised					
UK/Europe		**10**	**14,821**	11	15,791
North America		**1**	**2,000**	1	2,000
Middle East		**13**	**23,842**	12	21,797
Australia		**92**	**96,329**	85	91,919
Hong Kong		**6**	**7,031**	7	9,521
China		**21**	**31,556**	18	25,383
India		**89**	**56,129**	32	27,645
Other		**51**	**45,240**	41	41,416
Total licensed and franchised locations		**283**	**276,948**	207	235,472
Total branded locations		**441**	**602,184**	355	565,585