12th March 2014

FRENCH CONNECTION GROUP PLC

Preliminary Results for the year ended 31 January 2014

"Business strengthened; performance improved"

French Connection Group PLC ("French Connection", "the Group") today announces results for its latest financial year ended 31 January 2014.

Highlights:

- Revenue of £189.4m, down 4% on a reduced store portfolio
- Improved UK/Europe Retail H2 LFL's of +1.4% (H1 -4.5%) with increased gross margin
- Operating expenses reduced by 6.9%
- Reduced underlying operating loss of £4.4m (2013: loss £7.2m)
- Ecommerce represents 20% of Group Retail sales
- Strong cash position; closing net cash of £28.2m (2013: £28.5m) and no debt
- Initiatives put in place to improve trading continue to gain traction

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

"I am pleased that the initiatives we put in place to drive a turnaround in our trading performance have delivered better than anticipated results and that they continue to gain traction.

"We strengthened management across our business resulting in improvements in performance. Our new design team is working well; changes in our retail buying resulted in much better stock control; stores are operating more efficiently and the investment in our ecommerce business delivered good results.

"We continue to manage costs tightly. The Group remains debt free and ended the year with a strong cash position.

"We have accomplished a lot in the past year and will build on that momentum to deliver further improvements. We have seen a positive reception to our Spring range and whilst there is still much to do, I am confident that we are on the right path and have the right strategy to drive further progress."

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In the Annual Report last year I set out the initiatives we put in place to drive a turnaround in our trading performance. I am pleased that the initiatives have delivered improved results during the year and that they are continuing to gain traction as our business performance further strengthens.

After delivering a reduction in losses in H1, the Group reports an underlying operating profit in H2 of £1.7m (2013: H2 loss of £(0.9)m). As a consequence, the overall Group underlying operating loss before taxation (and excluding store closure costs) for the year was therefore better than expectations at £(4.4)m, an encouraging improvement compared with the loss of £(7.2)m last year.

The majority of the improvement in the Group financial performance was from our Retail division which reduced operating losses by £3.8m over the year. This was driven out of our UK/Europe business, through enhanced margins particularly in the latter part of H2, lower underlying labour costs and the closure of 9 non-contributing stores. In the Wholesale division, better UK/Europe trading was offset by tough trading conditions in North America. Group management and common overheads were reduced by 11.7%.

The UK/Europe retail performance continues to strengthen following the implementation of the retail initiatives. At the operational level focus has been placed on process re-engineering and staff scheduling, which have resulted in both cost savings and better time management. This has been in conjunction with a push to improve full price sales evidenced by positive LFL's in H2.

The improved collections under the control of the new design team have shown a positive impact. Significantly, changes in our retail buying resulted in higher full price sell through, lower levels of discounting during the sale period, much better stock control and consequently reduced working capital consumption. This has further enabled us to continue to improve the brand equity by having shorter sale periods in the UK at the end of the last two seasons.

During the year our ecommerce business has continued to perform well and has grown by 8%, benefiting from the continued investment in our multi-channel offering. It is clear that we will need to maintain this investment in order to ensure we provide high levels of functionality to customers.

We continued to rationalise the UK/Europe store portfolio with a total of 9 non-contributing stores closed during the year. We plan to close a further 3-5 non-contributing stores during the current year.

As the year progressed the UK wholesale business built momentum as the benefits of the changes to the collections fed through, resulting in an improved second half performance. Orders for the Spring 2014 collections are ahead of last year. A good initial reaction to the Winter 2014 collections, linked to an improved sell through of the previous season, has resulted in further progress.

Toast performed well during the year and continues to leverage on its primarily online business model, complemented by a small retail portfolio.

In International markets, in our Joint Ventures in China and Hong Kong, additional stores were opened and with positive LFL's, the share of profit from joint ventures increased. In North America, the apparel market has been weak in 2014 and we have not been immune to the effects of this.

Global Licensing continues to be a very important part of the business highlighting the strength of the brand, with the new licenses for furniture, shoes, and bags performing well.

The Group remains debt free and ended the year with a strong cash position of £28.2m (2013: £28.5m). To conserve working capital the Board has decided that no dividend shall be paid for the year (2013: £Nil). The shareholder distribution policy will be kept under review during the year.

Overall, there has been significant positive change across the business during the year. We have felt the benefit of the new team who have now been in place for over a year and have made considerable impact across many areas. More recently we have been pleased with the reception to our Spring range.

We have accomplished a great deal in the past year and will build on that momentum to deliver further improvements. There is still much to do and I am confident that we are on the right path and have the right strategy to drive further progress.

Finally on behalf of the Board, I would like to thank all our staff around the world for their continuing efforts and hard work which is contributing to the success and delivery of the improved performance we have seen over the past year.

Stephen Marks
Chairman and Chief Executive
12 March 2014

FINANCIAL REVIEW

The improvement in the financial results reported at the half-year has continued into H2, with all key metrics showing improved trends.

Financial results overview
After reporting reduced losses at the half-year, the Group made further improvements in H2, reversing the loss incurred in the previous year. H2 underlying Group operating profit was £1.7m (2013: loss of £(0.9)m).

For the full year ended 31 January 2014 underlying Group operating loss was reduced to £(4.4)m (2013: loss of £(7.2)m). After taking into account the cost of disposal and closure of under-performing stores the total loss before tax was £(6.1)m (2013: loss of £(10.5)m).

Revenue overview
Total revenue in H2 was 1.8% lower than H2 2013, an improvement in trend from H1 which was 6.4% lower than H1 2013.

Total revenue for the year at £189.4m was 4% lower than 2013. The lower revenue was the result of the closure of non-contributing UK/Europe stores, negative H1 UK/Europe Retail LFL's and lower Wholesale revenue in North America in what was a very challenging trading environment. These reductions were offset partly by strong revenue performances in ecommerce, Toast and UK/Europe Wholesale.

Gross margin
Group gross margin was broadly flat at 47.6% (2013: 47.9%). Notable was the improvement in gross margin in both UK/Europe Wholesale and Retail due to lower markdowns. This improvement was offset by the need for increased discounting in North America due to the tough trading environment.

Operating expenses
Total Group operating expenses of £101.4m were 6.9% lower than last year. After adjusting for store closures, operating expenses were 3.7% lower than last year, thanks to a range of cost reduction measures.

Trading segments
In prior years, we have reported segments based on geographies including UK/Europe, North America and Hong Kong and where relevant analysed the performance between Retail and Wholesale. The Board continues to focus on the key metrics for Retail and Wholesale and across the key territories in which the Group operates and has presented below the results for the year across these businesses sectors together with the geographical analysis. There is no change to the metrics that are reviewed by the Board to monitor the overall performance of the Group, but the segmental note has been simplified to highlight the key metrics that the Board focuses on (see Note 2).

Segment revenue and results	2014 £m	2013 £m
Revenue		
Retail	**117.5**	123.4
Wholesale	**71.9**	73.9
Group revenue	**189.4**	197.3
Gross profit	**90.2**	94.6
Retail	**56.9%**	55.8%
Wholesale	**32.5%**	34.9%
Group gross margin	**47.6%**	47.9%
Underlying operating (loss)/profit		
Retail	**(11.6)**	(15.4)
Wholesale	**11.7**	13.9
License income	**6.1**	6.5
Common and Group overheads	**(11.3)**	(12.8)
Finance income	**0.1**	0.2
Share of profit from joint ventures	**0.6**	0.4
Underlying Group operating loss	**(4.4)**	(7.2)
Underlying operating margin		
Retail	**-9.9%**	-12.5%
Wholesale	**16.3%**	18.8%
Underlying Group operating margin	**-2.3%**	-3.6%

Geographical information	2014 £m	2013 £m
Revenue		
UK/Europe	**71%**	70%
North America	**24%**	25%
Rest of the World	**5%**	5%
Divisional operating (loss)/profit		
UK/Europe	**(3.9)**	(9.4)
North America	**2.4**	5.5
Rest of the World	**1.6**	1.8
Group overheads and finance income	**(4.5)**	(5.1)
Underlying Group operating loss	**(4.4)**	(7.2)

Retail
Group retail revenues of £117.5m were 4.8% lower than the prior year. The decline in revenue was primarily due to the closure of a number of UK/Europe non-contributing stores and the reduced summer and Christmas sale periods. North America retail was impacted by the tough trading environment in the market, extreme weather conditions towards the end of the year and the closure of one store.

H2 UK/Europe LFL's retail gross sales were 1.4% (H1: fall of -4.5%). Overall LFL retail gross sales for the full year therefore fell -1.4% (2013: fall of -7%). The better trend was driven by strong store performance in the last 8 weeks of the year and better ecommerce stock availability compared to the prior year.

The retail gross margin of 56.9% (2013: 55.8%) reflected a strong performance in UK/Europe retail where lower discounting and higher full price sales delivered an improvement in margin of 240 basis points offset by higher discounting to clear inventory in North America.

The retail underlying loss of £(11.6)m was an improvement of £3.8m compared to prior year. This improvement was all driven out of UK/Europe through improving LFL's, better margins, lower underlying operating expenses and the closure of non-contributing stores.

Ecommerce sales grew in the year by 8.1% and now represent 20% of total Group retail sales (2013: 18%).

Wholesale
Group wholesale revenues of £71.9m were 2.7% lower than prior year. A 2.9% improvement in UK/Europe revenue was offset by a reduction in North America revenue where trading continued to be difficult in H2. These dynamics also impacted gross margin by £(2.3)m, with a small improvement in UK/Europe offset by the need for additional discounting in North America.

Overall wholesale underlying operating profit was a £11.7m profit, a reduction of £2.2m caused by the tough trading conditions in North America, offset by a stronger UK/Europe, and overall lower operating expenses.

Geographical analysis
The geographical revenue break-down is largely unchanged with UK/Europe representing 71% of Group revenues (2013: 70%). The combination of strong performance in both Retail and Wholesale in UK/Europe led to an improvement of £5.5m in divisional operating contribution whilst the difficult conditions in North America led to a reduction of £3.1m. Rest of the world was slightly down.

Other Income
The net income received from Global licensing was £6.1m in the year. This represented a decline of £0.4m 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 and the buying office fees previously charged to Nicole Farhi. These will no longer be a drag on comparatives in 2015. The new licences brought on-stream in UK and North America during the year (furniture, shoes and bags) demonstrate the continued strength of the brand and are growing well.

Our retail Joint Ventures in Hong Kong and China have delivered an improvement in trading performance both in LFL retail performance and an increased number or stores. The share of profit of these joint ventures was £0.6m (2013: £0.4m).

Balance sheet and cash flow
The Group balance sheet at 31 January 2014 remains strong with £28.2m of cash (2013: £28.5m), no bank borrowings and a minimum cash position during the year of £9.9m (2013: £10.6m).

The trading operations of the Group generated cash of £1.8m (2013: cash consumed £(3.7)m) as a result of a release of cash utilised within working capital, notably a further decrease in inventory of £2.3m reflecting the continued improvements in the efficiency of merchandising and buying.

Capital expenditure of £0.8m (2013: £1.7m) was reduced as the prior year included the fit-out of two new outlet stores, two other store re-sites, as well as investment in infrastructure within our IT estate. In the year the restructuring costs of closing under-performing stores was £1.7m. We plan to spend a similar amount in the current year as we continue to target the closure of non-contributing stores when economically viable.

Taxation
The tax credit for the year of £0.1m (2013: £Nil) represents a reduction in the tax potentially payable on deferred capital gains less the tax payable on current profits generated in Hong Kong and the US (as reduced by past losses).

Dividends
The Board of Directors remains of the view that the business is best served by retaining current cash reserves to support the turnaround of the business, and therefore do not recommend the payment of a dividend. The Board intend to keep the shareholder distribution policy under close review during the year.

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

Adam Castleton
Group Finance Director
12 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2014

	Note	2014 £m	2013 £m
Revenue	2	**189.4**	197.3
Cost of sales		**(99.2)**	(102.7)
Gross profit	2	**90.2**	94.6
Operating expenses		**(101.4)**	(108.9)
Other operating income	3	**6.1**	6.5
Finance income		**0.1**	0.2
Share of profit of joint ventures, net of tax		**0.6**	0.4
Underlying operating loss		**(4.4)**	(7.2)
Net loss on store disposals and closures		**(1.7)**	(1.3)
Impairment of goodwill		-	(2.0)
Loss before taxation		**(6.1)**	(10.5)
Income tax credit – UK		**0.4**	-
Income tax expense – overseas		**(0.3)**	-
Total income tax credit		**0.1**	-
Loss for the year		**(6.0)**	(10.5)

The Group's results were entirely from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 £m	2013 £m
Loss for the year		**(6.0)**	(10.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		**0.3**	(0.2)
Currency translation differences on foreign currency loans, net of tax		**(1.0)**	0.1
Effective portion of changes in fair value of cash flow hedges		**(0.3)**	-
Other comprehensive income for the year, net of tax		**(1.0)**	(0.1)
Total comprehensive income for the year		**(7.0)**	(10.6)
Loss attributable to:			
Equity holders of the Company		**(6.1)**	(10.3)
Non-controlling interests		**0.1**	(0.2)
Loss for the year		**(6.0)**	(10.5)
Total comprehensive income attributable to:			
Equity holders of the Company		**(7.1)**	(10.4)
Non-controlling interests		**0.1**	(0.2)
Total income and expense recognised for the year		**(7.0)**	(10.6)
Losses per share			
Basic and diluted losses per share	5	**(6.4)p**	(10.7)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2014

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets		**0.4**	0.4
Property, plant and equipment		**4.5**	5.7
Investments in joint ventures		**3.1**	3.0
Deferred tax assets		**4.8**	4.4
Total non-current assets		**12.8**	13.5
Current assets			
Inventories		**38.5**	41.5
Trade and other receivables		**22.7**	23.7
Cash and cash equivalents		**28.2**	28.5
Derivative financial instruments		**-**	0.1
Total current assets		**89.4**	93.8
Total assets		**102.2**	107.3
Non-current liabilities			
Deferred tax liabilities		**0.5**	0.9
Total non-current liabilities		**0.5**	0.9
Current liabilities			
Trade and other payables		**43.1**	41.2
Current tax payable		**0.2**	-
Provisions		**1.7**	1.7
Derivative financial instruments		**0.2**	-
Total current liabilities		**45.2**	42.9
Total liabilities		**45.7**	43.8
Net assets		**56.5**	63.5
Equity			
Called-up share capital		**1.0**	1.0
Share premium account		**9.4**	9.4
Other reserves		**4.3**	5.3
Retained earnings		**40.9**	47.0
Total equity attributable to equity holders of the Company		**55.6**	62.7
Non-controlling interests		**0.9**	0.8
Total equity		**56.5**	63.5

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 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**
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**
Loss for the year ended 31 January 2014					**(6.1)**	**(6.1)**	**0.1**	**(6.0)**
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				(1.0)		**(1.0)**		**(1.0)**
Effective portion of changes in fair value of cash flow hedges			(0.3)			**(0.3)**		**(0.3)**
Balance at 31 January 2014	**1.0**	**9.4**	**(0.2)**	**4.5**	**40.9**	**55.6**	**0.9**	**56.5**

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 2014

	Note	2014 £m	2013 £m
Operating activities			
Loss for the period		**(6.0)**	(10.5)
Adjustments for:			
Depreciation and impairment		**1.9**	3.1
Impairment of goodwill		**-**	2.0
Finance income		**(0.1)**	(0.1)
Currency translation differences		**-**	(0.1)
Share of profit of joint ventures		**(0.6)**	(0.4)
Non-operating loss on store disposals and closures		**1.7**	1.3
Income tax credit		**(0.1)**	-
Operating loss before changes in working capital and provisions		**(3.2)**	(4.7)
Decrease in inventories		**2.3**	5.4
Decrease in trade and other receivables		**0.8**	2.4
Increase/(decrease) in trade and other payables		**1.9**	(6.8)
Cash flows from operations		**1.8**	(3.7)
Income tax paid		**(0.2)**	(0.5)
Cash flows from operating activities		**1.6**	(4.2)
Investing activities			
Interest received		**0.1**	0.1
Proceeds from investments in joint ventures		**0.4**	0.9
Acquisition of property, plant and equipment		**(0.8)**	(1.7)
Net costs from store closures		**(1.7)**	(0.2)
Disposal of discontinued operations		**-**	0.4
Cash flows from investing activities		**(2.0)**	(0.5)
Financing activities			
Dividends paid	4	**-**	(1.0)
Cash flows from financing activities		**-**	(1.0)
Net decrease in cash and cash equivalents		**(0.4)**	(5.7)
Cash and cash equivalents at 1 February		**28.5**	34.2
Exchange rate fluctuations on cash held		**0.1**	-
Cash and cash equivalents at 31 January		**28.2**	28.5

NOTES

1 Basis of preparation

Consolidated financial statements and accounting policies
The preliminary announcement for the year ended 31 January 2014 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (EU) at 31 January 2014. The annual financial information presented in the preliminary announcement for the year ended 31 January 2014 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 January 2014, 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 2013 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 2014 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 2014.

2 Operating Segments

Income Statement	2014 £m	2013 £m
Revenue		
Retail	**117.5**	123.4
Wholesale	**71.9**	73.9
Group revenue	**189.4**	197.3
Gross profit	**90.2**	94.6
Retail	**56.9%**	55.8%
Wholesale	**32.5%**	34.9%
Group gross margin	**47.6%**	47.9%
Underlying operating (loss)/profit		
Retail	**(11.6)**	(15.4)
Wholesale	**11.7**	13.9
License income	**6.1**	6.5
Common and Group overheads	**(11.3)**	(12.8)
Finance income	**0.1**	0.2
Share of profit from joint ventures	**0.6**	0.4
Underlying Group operating loss	**(4.4)**	(7.2)
Underlying operating margin		
Retail	**-9.9%**	-12.5%
Wholesale	**16.3%**	18.8%
Underlying Group operating margin	**-2.3%**	-3.6%

Geographical information	2014 £m	2013 £m
Revenue		
UK/Europe	**71%**	70%
North America	**24%**	25%
Rest of the World	**5%**	5%
Divisional operating (loss)/profit		
UK/Europe	**(3.9)**	(9.4)
North America	**2.4**	5.5
Rest of the World	**1.6**	1.8
Group overheads and finance income	**(4.5)**	(5.1)
Underlying Group operating loss	**(4.4)**	(7.2)

3 Other operating income

	2014 £m	2013 £m
Licensing income	**6.1**	6.5

4 Dividends - equity

	2014 £m	**Pence per share**	2013 £m	Pence per share
Final paid for prior financial year	**-**	**-**	1.0	1.0p
Total dividends paid during the year	**-**	**-**	1.0	1.0p

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 (2013: £Nil).

5 Losses per share

Basic losses per share are calculated on 95,899,754 (2013: 95,899,754) shares being the weighted average number of ordinary shares during the year.

Diluted losses per share are calculated on 95,989,627 shares being the weighted average number of ordinary shares adjusted to assume the exercise of dilutive options (2013: 95,983,319).

Basic and diluted losses per share of (6.4) pence per share (2013: losses of (10.7) pence) is based on losses of £(6.1)m (2013: losses of £(10.3)m) attributable to equity shareholders.

The reconciliation to adjusted earnings per share is as follows:

	2014 £m	**2014 pence per share**	2013 £m	2013 pence per share
Loss attributable to equity shareholders	**(6.1)**	**(6.4)p**	(10.3)	(10.7)p
Net loss on store disposals and closures	**1.7**	**1.8p**	1.3	1.3p
Impairment of goodwill	**-**	**-**	2.0	2.1p
Adjusted loss	**(4.4)**	**(4.6)p**	(7.0)	(7.3)p

The adjusted losses per share relates to the underlying 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 2014 Locations	sq ft	31 January 2013 Locations	sq ft
Operated locations					
UK/Europe					
French Connection	Stores	**66**	**202,770**	74	218,115
French Connection/Great Plains	Concessions	**51**	**33,560**	54	36,134
Toast	Stores	**12**	**15,384**	11	11,407
YMC	Stores	**2**	**1,355**	2	1,355
		131	**253,069**	141	267,011
North America					
French Connection US	Stores	**7**	**22,841**	8	33,900
French Connection Canada	Stores	**9**	**24,325**	9	24,325
		16	**47,166**	17	58,225
Total operated locations		**147**	**300,235**	158	325,236
French Connection licensed and franchised					
UK/Europe		**7**	**7,994**	10	14,821
North America		**1**	**2,000**	1	2,000
Middle East		**6**	**9,805**	13	23,842
Australia		**72**	**72,112**	92	96,329
Hong Kong		**5**	**6,062**	6	7,031
China		**23**	**34,960**	21	31,556
India		**110**	**60,782**	89	56,129
Other		**48**	**44,516**	51	45,240
Total licensed and franchised locations		**272**	**238,231**	283	276,948
Total branded locations		**419**	**538,466**	441	602,184