ANNUAL REPORT 2019

French Connection Group PLC

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FRENCH CONNECTION • GREAT PLAINS • YMC

The French Connection Group designs, produces and distributes branded fashion clothing for men and women to more than 50 countries around the world

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to report that we have achieved our target of returning the Group to underlying[1] profitability this financial year which represents a significant achievement given the results over recent years. This has been achieved despite the ongoing difficult retail trading environment in the UK and is the result of the changes we have made in all areas of the business to adapt to the ever evolving markets in which we operate. While we still have a way to go to return the business to an appropriate level of profitability, I believe that we have made and continue to make significant progress.

Growth in the wholesale business accelerated during the second half of the year building on the progress made earlier in the year, in both UK/Europe and the USA, however this was offset by the continued difficult retail trading environment in the UK. Overall we achieved an underlying operating profit of £0.1m, an improvement of £2.2m over last year. Including adjusted items we reported an operating loss of £9.3m (2018: £3.8m). We have continued to see good growth in the wholesale business particularly in the USA, with the department stores performing very strongly throughout the year driven by strong consumer demand. Improvements in UK/Europe came in pure-play ecommerce and multi-channel customers.

Whilst the retail business continues to benefit from the ongoing store rationalisation programme, which has resulted in over half the portfolio being exited over the last five years as planned, it has again been impacted by the difficult trading conditions on the UK high street. We saw a 6.8% reduction in like-for-like sales in the remaining portfolio for the year. We have continued with store closures during the second half of the year. Given the current environment the renegotiation of leases is now becoming more favourable to tenants and better deals are available certainly in the short term. This has resulted in a number of stores that were expected to be closed continuing to trade for the time being. As disclosed in our half year results, given the worsening market conditions, we reviewed the underlying lease contracts of a number of loss-making stores that we are actively looking to exit but are currently unable to and have made a one-off provision for the onerous nature of those contracts.

Licensee income reduced slightly on last year reflecting a strong performance once again from DFS, however impacted by reduced income from our Australian licensee, the cessation of ladies Christmas toiletries gifting with Boots and a one-off benefit from our previous shoe licensee last year.

As previously announced in April last year, we sold our 75% holding in Toast to the Bestseller Group for £11.7m net of costs.

Wholesale

Revenue increased by 10.3% in the year (13.2% CCY[3]). The strong growth that we saw last year in both UK/Europe and North America has continued throughout the year and actually accelerated in the second half. The major customers in the UK continued to grow - particularly in the online space - both pure play and multi-channel. In North America, good progress was made with all the department stores, particularly Bloomingdales and Nordstrom, who saw a significantly improved sell through and increased volumes. We are currently rationalising our structure in North America by consolidating everything through our New York operation and removing our office in Toronto, thereby reducing the cost base going forward but maintaining the majority of the revenue.

Gross margins at 32.5% were 0.4% up on last year driven by the increased proportion of full price sales. Despite the increase in revenue, costs were again tightly controlled particularly in UK/Europe and were reduced by 4.9% (0.3% CCY). Overall this has resulted in a 25.6% increase in contribution to £15.2m.

Reaction to both the Summer and Winter 19 collections has been good and orders in North America have continued to be very strong again this year, however the UK in the short term is being impacted to some extent by the current economic climate with customers being conservative in their buying.

Retail

Overall revenue decreased by 10.6% (10.2% CCY) due to a combination of the continued store closure programme with a further 10 locations closed during the year (5 stores and 5 concessions), together with the reduction in like-for-like sales of 6.8% for the year. We had initially anticipated additional stores being closed in the second half of the year, however it is becoming apparent that at the end of leases certain landlords are now becoming more flexible on terms and this has meant that 4 stores expected to close are continuing to trade in the short term but are likely to close during the current financial year. Our target of 30 full-price stores will be passed in the current year with another 8 stores expected to close but again this will depend on the individual negotiations on each site. The uncertainty that existed in relation to House of Fraser in the middle of the year given the change in ownership has now gone away, with the majority of stores remaining open. This has led to an increased opportunity for us particularly with Menswear and Great Plains, although the House of Fraser online channel has been particularly difficult after an extended closure of the site early in the second half of the year. The average lease length of the remaining UK/Europe stores is 2.3 years (2018: 2.4 years).

Gross margins increased by 1.0% to 55.1%. This was achieved by improved base margins and slightly lower markdowns despite the increase in the proportion of sales through the outlet stores. Underlying overheads, excluding the impact of the reduced store portfolio, rose by 0.9% reflecting the new stores/concessions, inflationary pressures particularly on staff costs and continued business rates increase in the South East, offset by ongoing tight cost management. Overall contribution for the year reduced by £0.6m.

Within retail, revenue for ecommerce was slightly down on last year, reflecting the general trading environment but also impacted by a high turnover of staff within this area, particularly at the senior level. We have recently recruited a new senior team including management, trading, digital and technical, in order to place greater emphasis and focus on this key area of growth. We have started to see the benefits of this feed through in the early part of the new financial year. Based on this we will increase the level of investment as we go forward both on the customer experience elements and into higher levels of digital marketing, to drive improved levels of engagement and conversion. The move towards higher levels of mobile traffic continues at 56.8% compared to 50.9% last year.

CHAIRMAN'S STATEMENT
Continued

Licensing

Licensing income for the year was £5.8m compared to £6.3m last year. There are a number of different elements contributing to this movement. We saw continued excellent performance from our partnership with DFS and the launch of our homewear licence in North America which performed very well during the second half of the year. These were offset by a shortfall in income from our Australian licensee, the cessation of a ladies toiletries Christmas gifting programme in the UK and the benefit from the final income from our previous shoe licensee last year. Looking forward we have a North America luggage licensee starting this year and expect to see continued growth from homeware in the USA.

Operating expenses, adjusted for store closures and currency movements, were flat on the year with inflationary pressures especially from staff costs and the impact of increased business rates, offset by rent renegotiations and group-wide cost saving initiatives.

We have recognised a provision for onerous lease costs in the period of £5.2m. In addition to this we have taken an IFRS 9 impairment provision of £2.0m in relation to a debt from our Indian licensee, a £0.8m bad debt provision against amounts due from House of Fraser, £0.9m in respect of store closure costs and £0.5m restructuring costs in relation to our Canadian business. The profit to the Group on the sale of our stake in the Toast brand amounted to £9.7m and generated sale proceeds of £11.7m.

The Group ended the year with a strong cash position of £16.2m (2018: £9.5m), reflecting the proceeds on the sale of our stake in Toast, payments to exit stores during the year and capital expenditure mainly on stores and IT infrastructure. Overall working capital increased by £4.6m with the continued growth in the wholesale business. The Board have decided that there will be no dividend payable for the year.

In October last year, following press speculation regarding the potential sale of the Group, we announced that we were in the process of reviewing all strategic options in order to deliver maximum value for shareholders. Alongside several potential strategic options, the review includes the consideration of all types of corporate and brand transactions, including seeking offers for the Group. As disclosed at the time, we had commenced preliminary discussions with several interested parties and have had conversations with several other interested parties regarding the Group's plans. The discussions are ongoing with a number of parties. We continue to expect this strategic review (including the formal sale process) to conclude during the first half of 2019 and will make further announcements when appropriate.

Our initial goal has been to return the Group to profitability which we have now achieved, however we now must intensify our efforts to ensure that we build on the momentum that we have within the business and move to an appropriate level of profitability. It is clear though that the retail market in which we are operating in the UK is unlikely to improve in the near future especially given the uncertainty surrounding our exit from the European Union and the knock on effect that is having on consumer confidence. Our performance in wholesale remains strong especially in the USA with reaction to the new collections being very positive. In addition we have new and growing license partners working with us. Although we are only early into the new financial year, I believe we are in a very good place and will make further significant progress. One of the continued strengths of the Group is the hard work and dedication of all the people who work here. I would like to thank you all for your continued contribution, especially for the determination and commitment you have shown during another particularly tough year on the high street but you should take pride in the progress we have made.

Stephen Marks
Chairman and Chief Executive
3 April 2019

Notes:

1. Underlying Operating Profit excludes adjusting items and discontinued operations.
2. LFL or "Like-for-Like" sales growth is defined as the year-on-year sales growth for owned stores and concessions open more than one year, including ecommerce revenues, removing the impact of closed stores and reported in constant currency.
3. Constant Currency (CCY) is calculated by translating the year ending January 2019 at 2018 rates to remove the impact of exchange rate fluctuations. Refer to Note 28 in the 2019 Annual Report for exchange rates.
4. Underlying overheads consist of LFL store overheads.
5. Adjusting items include provisions for bad debts, onerous leases and store closures and other professional fees.
6. Continuing operations exclude the discontinued results from the disposed Toast subsidiary.

The Directors believe these measures are best reflective of how the business is managed and are informative to shareholders in understanding the performance of the business.

OUR BUSINESS

Business objectives, strategy, and business model

At the heart of our business is a passion for the clothes. In 1972, when *French Connection* was conceived, we set out to create well-designed, stylish clothing that appealed to a broad market. We have since worked hard to build on that vision and as a result, *French Connection* is synonymous with fashion and style.

It remains our prime goal to create distinctiveness in a crowded market place through focus on design. The brand's strength lies in balancing new, exciting ideas with consistent quality and affordability and in a world of "fast fashion" we are proud of our commitment to the creative process.

With a passionate focus on fashion underpinning the business our aim is to generate increased shareholder value through the sale of fashion products and the extension of our brands into other lucrative markets through licensing. We continually assess markets and relationships for new opportunities to broaden our customer reach.

Founded by Chairman and Chief Executive Stephen Marks, French Connection's long history of trading has been based on design quality and innovative fashion, supported by a strong market presence resulting in one of the most highly recognised and respected clothing brands in the UK and across the world. We seek to ensure that products are presented for sale in contemporary surroundings by knowledgeable and friendly staff who are in-tune with our customers. We recognise that our products are the core element of our business and that our ability to produce fashionable clothing to match our customers' expectations has been, and continues to be, the key to our continued success.

We seek to ensure that our resources are deployed effectively and efficiently to support our business. Design and production of the ranges and maintenance of our operating standards are paramount for all our business managers who have broad responsibility for their area of operations.

Brands

Our principal brand is *French Connection* which accounts for 93% of the Group's revenues.

The French Connection brand operates in the fashion-orientated market place offering a fashion-forward range of quality products at affordable prices. Our customers, typically aged 18-35, appreciate that the brand is at the leading edge of high street fashion and offers quality and style in its products. French Connection designs, produces and distributes branded fashion clothing, accessories and homeware for men, women, and children to more than 50 countries around the world through its main distribution channels: retail stores, ecommerce, wholesale and licensing.

Our other brands include:

Great Plains: a fashion basics range for women designed in-house. Available on-line and supplied through wholesale to multi-brand retailers; and

You Must Create (YMC): an, edgy, contemporary fashion brand for men and women available on-line, in three London stores and a growing wholesale base.

Each brand targets a different audience and has achieved high levels of recognition for style and design reflecting the creative passion and skill poured into the design and manufacture of their products.

OUR BUSINESS
Continued

Our operations
We design, produce and distribute branded fashion clothing and homeware from our business premises in London, New York, Düsseldorf, Hong Kong and Toronto. We operate retail stores and concessions in the UK, Europe, US and Canada and also operate ecommerce businesses in each of those territories. Further, we wholesale our products to retailers operating in over 50 countries around the world and have licensed partners operating French Connection stores across Asia, Australia and the Middle East.

Our design teams are based in London and we arrange for the products to be manufactured in specialist third party factories in Europe and Asia supervised by local buying offices. The main countries where manufacturing takes place are China, India and Turkey.

The Group retails garments through a network of stores on high streets and in shopping malls across the UK, Europe and North America and through concessions within department stores such as House of Fraser. We also operate ecommerce channels in the UK, Europe and North America. The product ranges are also offered for sale at wholesale through our showrooms in London, New York, Paris, Düsseldorf and Hong Kong to selected customers operating department stores, multi-brand fashion stores and ecommerce sites around the world.

To further extend retail distribution we have granted franchises and licences to quality retailers allowing them to operate *French Connection* branded retail stores in Europe, the Middle East, Asia and Australia. These customers are supplied through our wholesale channels in the UK and Hong Kong. Our licensees operating stores in Hong Kong and China are 50% Joint Venture businesses operated by our local partners in those territories.

Brand extensions
Our globally recognised *French Connection* brand has been extended successfully into complementary licensed products including men's and women's toiletries and fragrances, shoes, watches, jewellery, eyewear and furniture. Our Design and Licensing teams work closely with branded partners to develop and enhance product for sale.

Current trends
The continued growth of multi-channel retailing is a clear focus for French Connection. We will continue to invest in the people and systems to support this growth opportunity to ensure our customers can shop with us however they wish and get the very best multi-channel experience. The success of our CRM system is an example of this investment.

OUR BUSINESS
Continued

Worldwide operations

Region	Location	Territories	Retail operations	Wholesale customers	Licensing	Brands
UK/Europe	London Düsseldorf	UK, Europe, Middle East	Retail stores and concessions, ecommerce	Department stores, multi-brand stores, franchise operators	Product and country licensing	French Connection, Great Plains, YMC
North America	New York	USA	Retail stores, ecommerce	Department stores, multi-brand stores	Product licensing	French Connection, YMC
	Toronto	Canada	Retail store, ecommerce	Department stores, multi-brand stores		French Connection
Rest of World	Hong Kong	Hong Kong, China	Retail stores and concessions through joint ventures, ecommerce		Product licensing	French Connection
		Australia, Asia		Brand licensees, concessions, department stores	Product licensing	French Connection

Retail locations

		31 January 2019 Locations	31 January 2019 sq ft	31 January 2018 Locations	31 January 2018 sq ft
Operated locations					
UK/Europe					
French Connection	Stores	**43**	**120,469**	47	128,835
French Connection/Great Plains	Concessions	**47**	**43,214**	51	35,556
Toast	Stores	**–**	**–**	12	13,546
YMC	Stores	**3**	**1,805**	2	1,355
		93	**165,488**	112	179,292
North America					
French Connection US	Stores	**2**	**9,102**	2	9,102
French Connection Canada	Stores	**1**	**2,350**	2	4,650
		3	**11,452**	4	13,752
Total operated locations		**96**	**176,940**	116	193,044
French Connection licensed and franchised					
UK/Europe		**4**	**4,142**	5	5,642
North America		**1**	**2,346**	1	2,346
Middle East		**10**	**15,686**	10	15,686
Australia		**140**	**72,553**	139	73,980
Hong Kong		**3**	**3,378**	4	7,000
China		**11**	**16,614**	11	16,018
India		**7**	**3,710**	20	11,249
Other		**19**	**14,242**	22	15,863
Total licensed and franchised locations		**195**	**132,671**	212	147,784
Total branded locations		**291**	**309,611**	328	340,828

OUR BUSINESS
Continued

Principal risks and uncertainties

The Board recognises there are a number of risks and uncertainties that face the Group. The following highlights some of the principal risks:

Risk	Impact	Mitigation
Fashion and design	Our success depends on our ability to produce ranges of garments which are attractive to potential customers.	We seek to achieve this through retention of experienced and skilled designers and merchandisers and by remaining as operationally flexible as possible particularly in relation to our supply chain and up front commitments. Each year the brands produce two main seasonal fashion ranges and the success of each of these is largely dependent on the ability of our designers to reflect attractively the emerging trends in fashion. We utilise a mix of experience and fresh thinking in our design studios under the consistent guidance of the senior management to ensure continuity of the brand attitudes.
Brand and reputational risk	Our brands and the way they are perceived in their respective markets is very important to us.	We are very protective of the brands and work to ensure that they are presented in appropriate ways and that they are not misused. A main driver for brand perception is the products themselves and therefore our reputational risk is closely linked to our sales success.
Macroeconomic factors	The nature of fashion retail means that it is not always possible to predict customers' reactions to each season's new ranges. Our customers' propensity to spend on clothing is also affected by their personal financial situation and other macroeconomic factors which impact the total size of the retail markets in which we operate.	We consider that as a small operator at the upper end of the middle market the impact on our business of macroeconomic elements is considerably smaller than the impact of the success of our designers in producing attractive products. The full economic impacts of Brexit negotiations are currently unknown, although the Group recognises that the impact of trading restrictions and tariffs with EU trade could have an adverse impact on the Group. This is mitigated though the Group's suppliers predominantly being located outside of the EU, as is trade. Further Brexit mitigation details are provided within the Financial Review. The Board will continue to monitor Brexit developments and assess any potential impact on the business when there is greater certainty and clarity over potential outcomes.
Supply chain	The Group is exposed to supply chain operational risk if product is not delivered in a timely fashion, to specification or in appropriate quantities.	The Group's supply chain is diversified across a number of suppliers in different countries. Our buying offices and production teams work closely with suppliers to mitigate these risks.
Infrastructure	The design process and our retail businesses in particular have a significant proportion of fixed costs giving rise to operational gearing and this is exacerbated by upward-only rent reviews.	To mitigate cost pressures we are constantly focused on store operating cost efficiencies, and have already achieved considerable savings by optimising our rostering timetables in store and actively managing our store estate, and exiting stores where the opportunity is economically available to us.

OUR BUSINESS
Continued

Principal risks and uncertainties continued

Risk	Impact	Mitigation
Financial risks	The Group is exposed to financial risks including currency, interest and liquidity.	The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash position on a regular basis through the use of regularly updated cash flow forecasts, and believes that it has sufficient and appropriate net funds and facilities available. As a wholesaler we also face the risk of default from our customers and manage this through active relationship management by our dedicated customer accounts team. Our experience of bad debts has been very low over many years due to this close management. We also insure certain overseas debt risk. The principal treasury risks to the Group arise from exchange rate fluctuations. The Board has approved policies for managing these risks, which are reviewed on a regular basis, including the use of financial instruments, principally forward foreign exchange contracts. However, the Group is naturally hedged for a significant part of its business and has limited exposure to foreign exchange rate fluctuations.
IT	The Group is dependent on reliable IT systems for managing and controlling its business and for providing efficiency and speed in the supply chain.	Our IT function oversees all the systems and has policies and procedures to protect the software, hardware and data and to prevent unauthorised access to the systems.

The Group's approach to the management of risks is further discussed in the Corporate Governance Statement.

Key Performance Indicators

The Board considers that the key performance indicators for the businesses are:

- UK retail LFL sales growth;
- Sales achieved in the wholesale channels;
- Sales by geography;
- Gross margin %;
- Underlying operating profit/loss; and
- Inventory levels.

Each of the above is discussed in more detail in the Financial Review.

CORPORATE SOCIAL RESPONSIBILITY

The Board recognises that the long term profitability of the business depends, amongst other things, on appropriate protection of the Group's assets, reputation and brand names and is subject to the long-term sustainability of the supply chain.

Impact on the environment

The use of resources to manufacture and supply our products utilise finite global resources. The source of the raw materials and the manufacture of the finished products is spread globally and provides employment, income and personal security at many different points in the process. We recognise, however, that our products utilise global resources some of which are limited in their nature.

Some of the initiatives we have implemented include:

- In the UK, the business meets its responsibilities under the packaging waste regulations through membership of Valpak;
- Wooden hangers are sourced from sustainable sources and we do not give them away with the products;
- Reduction in packaging materials for finished goods i.e. no plastic banding, no inner cartons;
- Plastic returnable tote bins for shipping to our own UK stores to reduce cardboard;
- Plastic and cardboard waste is collected from our UK stores and head offices for recycling;
- In our US operations, corrugated cartons are re-used whenever possible and ultimately recycled using a band machine so they are crushed into bails for collection;
- In Canada we are participants in 'Stewardship Ontario' paying a fee for all point of sale materials to be recycled, and all lighting has been replaced with LEDs; and
- Donation of end of life stock to local and national charitable organisations.

Carbon emissions	Tonnes of CO_2e 2019	Tonnes of CO_2e 2018
Emissions from		
Scope 1 (vehicles, fugitive emissions, gas)	**174**	190
Scope 2 (electricity)	**2,869**	3,143
Total footprint	**3,043**	3,333
Group chosen intensity measurement	**£m**	£m
Turnover	**138.6**	154.0
Emissions reported above per £m of turnover	**22**	22

The greenhouse gas (GHG) emissions report is in line with UK mandatory reporting requirements, set out by the Department for Environment, Food and Rural Affairs (DEFRA).

The mandatory requirement is for the disclosure of scope 1 and 2 emissions only. We have captured all material qualifying emissions from around the Group. Some extrapolation and estimation techniques have been used to calculate the Group CO_2e in respect of less than 5% of our stores and the final month of our data.

The reported sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. We have computed our emissions using the DEFRA Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance issued in June 2013.

Our total GHG footprint in line with these guidelines is 3,043 tonnes CO_2e (2018: 3,333 tonnes).

Supply chain

The Group has used third party manufacturing facilities around the world for over thirty years but has specifically avoided suppliers or regions where the employment or environmental practices are known to be below acceptable standards. The Group requires all of its product suppliers to abide by its guidelines contained in the Supplier Guide. Our staff visit the factories we use for garment production on a regular basis and consider the environment and work practices during those visits, however currently our ability to formally audit the facilities is limited. Our Supplier Guide and the employment standards required of our suppliers accord with industry standards including *inter alia* that employees should: be given a safe and healthy environment to work in; be given the right to free association; be paid a fair wage; not be forced or bonded labour; be of an appropriate age; and work only reasonable hours.

The Board recognises that it is not possible to provide absolute assurance that standards expected of our suppliers are adhered to. Where transgressions are identified we would work with the supplier to develop an appropriate remediation programme. However we will not hesitate to stop using any supplier who we identify is persistently operating in contravention of our standards or failing to implement agreed remediation programmes.

The Group supports the non-use of animals in testing and challenge our suppliers on this matter – our glycerine soaps as an example, do not contain any animal derived ingredients and are suitable for use by vegetarian and vegans.

In 2018, the Group published its supplier payment practices in line with UK government 'Duty to Report on Payment Practices and Performances' legislation.

Modern Slavery

The Board has considered the Modern Slavery Act 2015 and has accordingly published a 'Modern Slavery Statement' on its website. The statement sets out the actions taken by the Group and the steps going forward to aim to prevent modern slavery from its business and supply chains. French Connection is committed to ensuring it maintains high ethical standards and due diligence processes in place which aim to prevent modern slavery and human trafficking in its supply chain.

Tax

The Board is committed to ensuring full compliance with the law and making all tax payments on a timely basis.

The Board is committed to ensuring that openness, honesty and transparency will be paramount in all dealings with the tax authorities and other relevant bodies.

We run cycle to work and childcare voucher schemes in the UK for our employees.

People

We are committed to providing equal opportunities for all of our employees.

We ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities. The Group published its UK 'Gender Pay Gap' reporting on its website in 2018 in line with UK government requirements.

The breakdown of the gender of Directors and employees at the end of the financial year is as follows:

	Men Number 2019	Women Number 2019
Company Directors	4	1
Other senior managers	5	3
All other employees	283	975
Total	**292**	**979**

Notes:

Company Directors consist of the Company's Board.

Other senior managers is as defined in The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and includes: i) persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors; and ii) any other Directors of undertakings included in the consolidated accounts.

The business complies with locally applicable health and safety regulations in the countries in which it operates. This includes the provision and maintenance of safe environments for our employees, appropriate design of our stores, health and safety training for appropriate personnel, electrical installation reviews, risk assessments and risk monitoring in our offices, stores and warehouses.

FINANCIAL REVIEW

Overall Financial Performance

Underlying results for the full year show a profit of £0.1m before taxation[1], adjusting items and discontinued operations, a significant improvement on the previous year (2018: loss of £2.1m), and the first underlying profit for the business in 7 years. Including adjusting items the Group reported an operating loss of £9.3m (2018: £3.8m). The overall performance for the year inclusive of adjusting items and discontinued operations was breakeven at £0.0m (2018: loss of £(2.3)m). This comes despite the profitable Toast business being sold to the Bestseller Group during the year. Within adjusting items we have recognised a provision for onerous lease costs in the period of £5.2m. In addition to this we have taken an IFRS 9 impairment provision of £2.0m in relation to a debt from our Indian licensee, £0.8m bad debt provision against amounts due from House of Fraser following their administration, £0.9m in respect of store closure costs and £0.5m restructuring costs in relation to our Canadian business. The profit to the Group on the sale of our stake in the Toast brand amounted to £9.7m.

As previously announced and also discussed at the interims, we sold our 75% holding in Toast (Mail Order) Limited to the Bestseller Group in April 2018 for £11.7m net of costs, recognising a total profit on sale of £9.7m.

Segment revenue and results	2019 £m	Restated* 2018 £m
Revenue		
Retail	**58.4**	65.3
Wholesale	**76.9**	69.7
Group revenue	**135.3**	135.0
Gross profit	**57.2**	57.7
Retail	**55.1%**	54.1%
Wholesale	**32.5%**	32.1%
Group gross margin	**42.3%**	42.7%
Underlying operating (loss)/profit		
Retail	**(10.3)**	(9.7)
Wholesale	**15.2**	12.1
Licence income	**5.8**	6.3
Common and Group overheads	**(9.9)**	(10.1)
Finance expense	**–**	(0.1)
Share of loss from joint ventures	**(0.7)**	(0.6)
Underlying Group operating profit/(loss)**	**0.1**	(2.1)
Underlying operating margin		
Retail	**(17.6)%**	(14.9)%
Wholesale	**19.8%**	17.4%
Underlying Group operating margin	**0.1%**	(1.6)%

Geographical information	2019 £m	Restated* 2018 £m
Revenue		
UK/Europe	**70.7%**	74.2%
North America	**27.2%**	23.3%
Rest of the World	**2.1%**	2.5%
Divisional operating profit/(loss)		
UK/Europe	**2.1**	1.1
North America	**3.7**	2.4
Rest of the World	**(1.3)**	(1.0)
Group overheads and finance income	**(4.4)**	(4.6)
Underlying Group operating profit/(loss)**	**0.1**	(2.1)

*see discontinued operations Note 3

**excludes adjusting items (see Note 9) and discontinued operations

FINANCIAL REVIEW
Continued

Revenue
Group revenue from continuing operations increased by £0.3m, +0.2% (+1.9% at constant currency[2]) to £135.3m. This increase was due to strong wholesale performance up 10.3% (+13.2% CCY[2]) which offset a negative retail like-for-like (-6.8%[3]) performance (2018:+0.8%) combined with store closures.

Wholesale
Group wholesale revenues from continuing operations of £76.9m were 10.3% higher than prior period (13.2% CCY) (2018: £69.7m). Growth was seen across UK/Europe and North America during the year, though this was partly offset by a continuing decline in the lower margin Rest of World segment. Growth in UK/Europe was mainly driven through a broad range of pure play and multi-channel partners while in North America the core department store business grew strongly across the majority of accounts, particularly Bloomingdales and Nordstrom, who saw a significantly improved sell through and increased volumes. This continues the momentum experienced in the previous year.

This strong performance saw wholesale's profitability increase 25.6% in the year to £15.2m (2018: £12.1m).

Retail
Retail revenue from continuing operations for the year was down £6.9m to £58.4m, -10.6% on the comparable 52 weeks (-10.2% CCY). During the year we closed ten non-contributing locations consisting of 5 stores and 5 concessions. We also opened a new You Must Create (YMC) store and one French Connection concession. We ended the year with 96 operating locations. Average store selling space was reduced by 5.7% over the period.

On a LFL[3] basis, sales in UK/Europe contracted by 6.8%. Disappointingly, total ecommerce revenue also contracted by 3.7% across our websites. However, ecommerce still increased penetration of total Group retail sales, which now represents 21.2%, up from 19.8% in 2018. Mobile phone traffic also increased with transactions on mobile increasing to 56.8% of all online transactions, from 50.9% in 2018.

The overall performance in the year unfortunately saw the retail division increase its loss to £10.3m (2018: £9.7m), a 6.2% change on the prior period with cost reductions unable to offset the reducing LFL sales.

Discontinued Operations
On 30 April 2018, we, together with the 25% minority interest shareholders, sold the entire issued share capital of Toast (Mail Order) Limited to Bestseller United A/S for gross proceeds of £23.3m, comprising £21.3m and a pre-completion dividend of £2.0m. After the payment of management exit awards and transaction costs, the Group received net proceeds of £13.2m comprising cash of £11.7m and £1.5m dividend (75% share) utilised to pay down intercompany debt. The transaction has generated a total profit on sale of £9.7m.

Geographical Analysis
Following the sale of Toast and to aid transparency, the geographical breakdown for 2018 has been restated. This naturally reduces slightly the focus of the Group towards the UK/Europe and increases the proportional impact of North America. The geographical revenue break-down for 2019 continues to be weighted towards UK/Europe representing 70.7% of Group revenues (2018: 74.2%) but due to the stronger growth in North America than in the UK/Europe this is down on the previous year. Of the overall £2.2m improvement in Underlying Operating Profit, £1.0m came from UK/Europe, while North America contributed an extra £1.3m over the previous year. This more than offset the increased loss of the Rest of World segment which saw the loss increase to £1.3m (2018: £1.0m). Group overheads reduced by £0.2m to £4.4m.

Other Income
The net income received from global licensing was down £0.5m (7.9%) at £5.8m in the year (2018: £6.3m). Although our furniture licensee DFS continues to perform extremely well for us and we launched a new homeware licence in North America in the second half of the year, other more historic licences have not performed so well. We saw a reduction in income from our Australian licensee, the cessation of the ladies toiletries Christmas gifting programme with Boots and the benefit from the final income from our previous shoe licensee last year not being repeated.

Gross Margin
Gross margin at 42.3% was 40bps lower than the prior period (2018: 42.7%), due to the impact on the sales mix with wholesale growing faster than retail in the year. All parts of the business saw margin growth with retail gross margins at 55.1%, up 100bps on 2018 with improved margins with FX benefits coming through during the year. Wholesale margins at 32.5% were also 40bps higher than 2018 with the mix of full price sales increasing, together with a reduction in margin support in the growing US market. By removing Toast stock from the prior year we can see that inventory has fallen by £0.3m to £28.4m. Although overall inventory has fallen on the year, the profile of stock remaining has aged slightly, so the stock provision has slightly increased proportionately, though not in overall terms.

Operating Expenses
Total Group operating expenses excluding adjusting items of £62.2m were 4.9% lower than the prior period. After adjusting for store closure operating costs and currency, operating expenses were 1.2% higher with upward pressure from rates, rent reviews and payroll impacting on the cost base. We have continued to close stores and reorganise where we see opportunities to reduce costs. Total operating expenses including adjusting items were £71.6m (2018: £67.1m).

Balance Sheet
The Group balance sheet at 31 January 2019 reflects the sale of the Toast business. We closed the year with £16.2m of cash (2018: £9.5m) and no bank borrowings. The inventory was £3.4m (10.7%) lower than the previous year at £28.4m (2018: £31.8m).

The Group will implement IFRS 16 'Leases' for the reporting period ending 31 January 2020 and will adopt the 'modified retrospective' method. The comparative 2019 results under this methodology will not be restated on transition when the standard is applied. The adoption of the standard will have no impact on the daily operations or cash flows of the Group. However, there will be a material impact on the presentation of the financial statements including the income statement, balance sheet and cash flow.

In summary, IFRS 16 aligns the presentation of leased assets more closely to owned assets resulting in current operating leases being brought onto the balance sheet and part of what is currently reported as operating lease costs being recorded as finance interest expense. Current operating rental lease expense will be replaced by depreciation and interest. The depreciation of the right of use asset will be charged on a straight line basis whilst the interest charged on the outstanding lease liability will be front-loaded and higher in the earlier years decreasing over the life of the lease.

A right of use asset and lease liability will be represented on the balance sheet with the lease liability recognised at the present value of future lease payments. The right of use asset will be matched in value to the lease liability at inception subject to any rent-free or lease inducements. However, the respective assets and liabilities will be charged/(credited) independently over the life of the lease.

The Group has assessed the potential impact and we anticipate that the new standard will result in the carrying value of leased assets being increased by approximately £26m, with leased liabilities being increased by approximately £40m on the date of transition.

Cash Flow

The trading operations of the Group generated cash of £6.8m (2018: £(3.9)m outflow) with the improvement on the previous year being driven by the sale of Toast raising £11.2m net proceeds. Lower levels of trading losses and a working capital increase of £(4.6)m (2018: £(0.2)m) supporting the improvement in the wholesale business. This was driven by timing differences between inventory, debtors and creditors.

Capital expenditure of £0.8m (2018: £1.8m) included the investment in the new You Must Create store in Bloomsbury, London, but at a lower cost to the Manchester French Connection store, opened at the end of 2017 and included in the previous year's expenditure. Other capital expenditure this year has mainly been in stores and on IT infrastructure. We continue to target the closure of non-contributing stores and following the challenging retail environment during 2018 expect to close more in the current year as we come towards end of lease and undertake negotiations.

Taxation

The total Group tax charge for the year of £Nil (2018: £Nil inclusive of Toast discontinued operation) represents tax payable on current profits generated in Hong Kong and the US offset by historic losses. The Group has unused tax trading losses with a potential value of £12.5m, of which £10.5m has not been recognised in these financial statements. As the Group returns to profit, these tax losses can be utilised.

Dividends

The Board of Directors remain of the view that the business is best served by retaining current cash reserves to support the turnaround of the business, and therefore do not recommend the payment of a dividend. 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. Furthermore, the Group has additional levers available to manage cash including reducing discretionary spend such as Capex, accelerating the liquidation of older season stock and bringing forward wholesale customer payments where deemed appropriate.

Brexit

As the original date for withdrawal from the EU of March 29th has now passed, it remains uncertain when the UK will leave the EU and whether that will be with or without a withdrawal agreement. The long term implications and full economic impact also remain unclear. The Group considers the principal risk factors to be macro-economic uncertainty leading to a downturn in the UK economy, trading restrictions leading to friction at the borders, the imposition of tariffs, further exchange rate volatility and other recruitment concerns. Tariff increases or trading restrictions are mitigated through the Group's suppliers predominantly being located outside of the EU. In addition, EU imports have been prioritised to arrive before the 29 March to minimise any immediate potential impact. The potential fall in the value of Sterling and further exchange rate volatility following Brexit is partly mitigated within the Group due to the proportion of our business which is transacted in US$ and Euros. This leads to a relatively large natural hedge. For the remainder we hedge in advance. The likely contraction in the labour market is considered a minor risk to the Group, with no senior positions currently held by non-UK EU citizens. The Group has communicated across the organisation the steps and procedures required to assist any EU citizens to take advantage of the EU Settlement Scheme to remain in the UK following any transition period. The Board will continue to monitor Brexit developments and assess the potential impact on the business when there is greater certainty and clarity over potential outcomes.

The strategic report, from pages 2 to 13, has been reviewed and approved by the Board on 3 April 2019.

By order of the Board

Lee Williams
Chief Financial Officer

3 April 2019

Notes:

1. Underlying Operating Profit excludes adjusting items and discontinued operations.

2. Constant Currency (CCY) is calculated by translating the year ending January 2019 and January 2018 at a consistent rate to remove the impact of exchange rate fluctuations. Refer Note 28 in the 2019 Annual Report.

3. LFL or "Like-for-Like" sales growth is defined as the year-on-year sales growth for owned stores and concessions open more than one year, including ecommerce revenues, removing the impact of closed stores and reported in constant currency.

4. Adjusting items include provisions for bad debts, onerous leases and store closures and other professional fees.

5. Continuing operations exclude the discontinued results from the disposed Toast subsidiary

The Directors believe they are best reflective of how the business is managed and are informative to shareholders in understanding the performance of the business.

BOARD OF DIRECTORS

Stephen Marks **Chairman and Chief Executive**	Stephen founded the Company in 1969 and has managed the Group's development since then in the position of Chairman and Chief Executive.
Neil Williams ACA **Chief Operating Officer**	Neil joined the Group from KPMG in 1992 and was appointed to the Board in May 1994. He is a qualified Chartered Accountant and has filled a number of operational roles within the Group primarily focused on the wholesale, international and licensing businesses.
Lee Williams ACMA, CGMA **Chief Financial Officer**	Lee joined French Connection in April 2016 from ASOS, the global online fashion destination, where he was Director of Finance. Prior to that he was CFO of the WorldStores and Kiddicare businesses and Head of Financial Planning and Analysis at BrightHouse Group Plc. He spent the majority of the earlier part of his career at Wm. Morrison Supermarkets Plc and Kingfisher Plc in various senior finance roles. He also spent 4 years working for PwC Consulting with Retail assignments in the UK, US and Central Europe. Lee has amassed a wealth of commercial and financial retail experience, in both traditional multisite operations but also, importantly, online. He is a member of the Chartered Institute of Management Accountants.
Robin Piggott FCCA, ACIS **Non-Executive Director**	Robin was appointed to the Board on 19 September 2017. He was Finance Director and Company Secretary of Moss Bros PLC until 2016. He joined Alexon Group plc in 1987, holding a variety of financial and commercial roles and becoming Finance Director and Company Director in 1995. Prior to this he held senior financial roles at Granada Group plc and Geest Industries plc. Robin is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Chartered Institute of Secretaries.
Sarah Curran MBE **Non-Executive Director**	Sarah was appointed to the Board on 19 September 2017. She was Managing Director of VeryExclusive.co.uk. until 2017. Sarah started her career as a newspaper sub-editor and then went on to open Powder, a designer fashion boutique in North London. In 2006 Sarah set up the luxury online retailer My-Wardrobe.com making it one of the worlds most respected online fashion sites. Sarah was awarded an MBE for her services to British Fashion in 2013. In 2014 she began working with Shop Direct on a project to make luxury fashion accessible to more people, resulting in the launch of VeryExclusive.co.uk in February 2015. Sarah actively supports new talent and women in business and sits on a number of judging panels as well as mentoring aspiring entrepreneurs through the Mentor MatchHER initiative. Sarah is also a valued Patron of the British Fashion Council and is a judge of the 2017 British Fashion Awards.

DIRECTORS' REPORT

The Directors of French Connection Group PLC ("the Company") present their Annual Report for the year ended 31 January 2019.

Principal activity

The Group designs and supplies branded fashion clothing, homeware and accessories as more fully described in the section entitled Our Business.

Business review

The principal operating subsidiaries of the Group for the period under review were French Connection Limited, French Connection UK Limited, French Connection (London) Limited, French Connection Ecommerce International Limited, YMC Limited, Contracts Limited, French Connection Group, Inc., French Connection (Hong Kong) Limited and French Connection (Canada) Limited.

The Companies Act requires that the Directors' Report contains a fair review of the business and a description of the principal risks and uncertainties facing the Group. A review of the business strategy and a commentary on the performance of the business is set out in the Strategic Report. The principal risks facing the business are detailed in the section entitled Our Business and the corporate and social responsibilities of the Group are outlined in the Corporate Social Responsibility Statement. The Corporate Governance Statement may be found on page 18. The disclosures contained in those reports form part of this Directors' Report.

Fair, balanced and understandable

The Board has considered the regulatory changes impacting corporate reporting and Executive remuneration and believes this Annual report and Accounts complies with these changes taking into account emerging best practice. Notably the Board has determined that the 2019 Annual Report and Accounts, taken as a whole is fair, balanced and understandable. In making this assessment the Board considered the following:

- whether the Annual Report and Accounts provide a balanced view of the Group's performance and prospects, appropriately weighting set-backs and key risks;
- whether the report accurately and clearly describes the Group's business model, strategy and accounting policies;
- whether narrative reporting in the front of the report is consistent with the financial reporting;
- whether important messages, policies transactions and changes are clearly highlighted and explained within the report, and not obscured by unnecessary detail;
- whether the governance section clearly explains the way the board operates and makes decisions; and,
- whether the language and the presentation of the report is clear and user-friendly.

Following their review, the Board is satisfied that, taken as a whole the report provides the information necessary for shareholders to assess the position, performance, strategy and operating model of the Group and Company in accordance with the Code requirements.

Dividend

The Directors are recommending that no dividend should be paid for the year.

Directors

The Directors of the Company are set out in the Board of Directors on page 14.

All of the Directors will retire by rotation in accordance with the Articles of Association and offer themselves for re-election at the AGM. The Board considers that the Directors continue to make a major contribution to the strategy and operations of the Group and therefore recommends their re-election. Details of the Directors' remuneration and contracts are set out in the Directors' Remuneration Report.

The Board has considered all the factors which might compromise the independent judgement of the Non-Executive Directors at the year end and concluded there were none. The Board therefore considers both Mr Piggott and Ms Curran to be independent of the Company.

At 31 January 2019, none of the Directors or their families held any beneficial interests in the issued capital of the Company other than Stephen Marks whose shareholding is disclosed below in the Directors' Remuneration Report.

The details of share options held by Directors are set out in the Directors' Remuneration Report. There have been no changes in the Directors' interests in the shares of the Company since the end of the financial year.

Significant shareholdings

As at 3 April 2019 the Company is aware of the following substantial interests in its ordinary shares:

	Shares	Percentage of Issued Share Capital
Stephen Marks	40,094,190	41.5%
of which:		
– held in family trusts	1,506,500	
– held by family members	775,000	
Sports Direct International plc	25,209,102	26.1%
WA Capital Limited	7,101,911	7.4%
Fidelity International	2,999,629	3.1%

Contractual arrangements

The Company has no contractual or other arrangements which are essential to the business of the Company nor any key customers or major suppliers on which it is dependent.

DIRECTORS' REPORT
Continued

Supplier payment
The majority of the Group's creditors are suppliers with whom payment terms and conditions are agreed in advance. Where the supply of goods and services is satisfactory, it is the policy of the Group to pay creditors when they fall due for payment.

For the year ended 31 January 2019, the Group's average trade creditors represented 42 days purchases (2018: 44 days). The Company has minimal third party creditors.

Employees
It is the Group's established practice that all employees have access to their immediate superiors and ultimately to the Chief Executive to discuss matters of concern to them as employees and that the views of employees are sought and taken into account in making decisions which are likely to affect their interests.

Furthermore the Group seeks to encourage both the involvement of employees in its performance and a common awareness on the part of all employees of factors affecting its performance. The Group provides equal opportunities to all employees and prospective employees including those who are disabled.

Carbon emissions
The Group has disclosed carbon emissions data within the Corporate Social Responsibility Report.

Property, plant and equipment
The changes in intangible and tangible fixed assets during the year are set out in Notes 13 and 14 to the Group accounts.

Financial instruments
The financial instrument policies are set out in Note 28 to the Group accounts.

Joint Ventures
The Group is a member of two 50:50 Joint Ventures operating retail stores in China and Hong Kong. Both joint ventures are managed by committees with equal representation from the members. The Group's share of the results of these businesses are included in these financial statements.

Charitable and political donations
Charitable donations of £15,505 (2018: £6,231) were made during the year. No political donations were made in either current or prior years.

Share capital and control
The share capital of the Company comprises ordinary shares of 1p each; each share carries the right to one vote at general meetings of the Company. The issued share capital of the Company, together with movements in the Company's issued share capital during the year, are shown in Note 23.

The rights and obligations attached to the Company's shares, in addition to those conferred on their holders by law, are set out in the Articles of Association. The holders of ordinary shares are entitled to receive all shareholder documents, attend and speak at general meetings of the Company, exercise all voting rights and to receive dividends and participate in other distributions of assets.

The Company is not aware of any agreements between shareholders restricting the voting rights or the right to transfer shares in the Company.

The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time. The powers of the Directors are determined by legislation and the Articles of Association of the Company in force from time to time. Powers relating to the issuing and buying back of shares are included in the Company's Articles of Association and shareholder approval of such authorities may be sought, if considered appropriate by Directors, at the Annual General Meeting.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, save that the Company's share schemes contain provisions which may cause options and awards granted to employees to vest on a takeover.

Takeovers directive
Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, requires the Company to disclose certain information. Most of these requirements are dealt with elsewhere in the Annual Report, however the following additional disclosures are required:

The Company's Articles of Association may be amended by special resolution of the shareholders.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes, the Company's Memorandum and Articles of Association. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders each year at the AGM.

There are a small number of agreements that take effect, alter or terminate upon a change of control of the Group following a takeover, such as shareholder agreements with the minority shareholders in certain subsidiaries and the Company share option schemes. None of these is deemed to be significant in terms of their potential impact on the business of the Group as a whole.

DIRECTORS' REPORT
Continued

Going concern
The Group has considerable cash resources, ending the year with £16.2m (2018: £9.5m) and with a low Group cash balance during the year of £2.1m (2018: £(0.5)m overdrawn). The Group has no debt.

Having reviewed the cash forecasts and the sources of cash funding available to the Group, the Board has concluded that the Group has a reasonable expectation to continue in operational existence for a period of one year from the date of this report. Furthermore, the Group has additional levers available to manage cash including reducing discretionary spend such as Capex, accelerating the liquidation of older season stock and bringing forward wholesale customer payments where deemed appropriate. For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

Viability statement
In accordance with provision C2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years which is deemed to be an appropriate period over which to provide the Group's viability statement. The period is consistent with the Group's forecasting process which considers annually and on a rolling basis a three year strategic plan. In making this statement, the Directors have carried out a robust assessment of the Group's current position and prospects, the principal risks facing the business, the impact of sensitivity analysis and stress-testing and the effectiveness of any mitigating actions. The principal risks are identified in the 'Principal risks and uncertainties' section within 'Our Business' of the Annual Report. The assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due for the term of the assessment period.

Controlling shareholder
In order to comply with changes to the Listing Rules relating to controlling shareholders, a relationship agreement has been executed between French Connection Group PLC and Stephen Marks. The Company has complied with all of the independence provisions of the Listing Rules.

Disclosure of information to auditors
The Directors who were members of the Board on the date the Directors' Report was approved have confirmed the following:

- to the best of each Director's knowledge and belief there is no information relevant to their report of which the auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to take to be aware of relevant audit information and to establish that it has been communicated to the auditor.

Auditors
KPMG LLP were appointed at the last AGM to be the Group's auditors for the year ended 31 January 2019. In line with auditor rotation rules, the Group carried out a formal tendering exercise for the appointment of new auditors with respect to the financial year ending 31 January 2020. The interview panel comprised the Chair of the Audit Committee, Chief Financial Officer and the Group Financial Controller. The panel has identified Mazars LLP as new auditors of French Connection Group PLC and a resolution to appoint them will be proposed at the 2019 AGM.

In adition, resolutions to authorise the Directors to determine their remuneration will be proposed at the 2019 AGM.

AGM
The AGM of the Company will be held at 10.00 am on 22 May 2019 and a Notice of Meeting has been sent to shareholders setting out details of the business to be conducted.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 79 to 80 of this document.

By order of the Board

Lee Williams
Company Secretary

3 April 2019

CORPORATE GOVERNANCE STATEMENT

Chairman's Governance Overview

French Connection Group is committed to ensuring high standards of corporate governance to enhance performance and protect the interests of our shareholders. The Board recognises the importance of corporate governance in ensuring the long term success of the business.

This part of the Annual Report outlines French Connection Group's corporate governance arrangements, the principal activities of the Board and its Committees throughout the year, how the Board has complied with the principles and provisions of the UK Corporate Governance Code which was released in June 2016 (the "Code"). The Board acknowledges that its corporate governance arrangements must be kept under constant review so as to reflect best practice and the changing nature of the business. In light of the new UK Corporate Governance Code that was published by the FRC in July 2018, the Board has begun the process of conducting a full review of its governance arrangements the results of which will be published in the 2020 Annual Report.

Compliance with the UK Corporate Governance Code

The Board is responsible for ensuring compliance with the Code and fully supports the principles of good governance as set out in the Code, which is publicly available on the FRC's website (www.frc.org.uk).

Except as identified and explained below, the Board considers that it has complied with all relevant provisions of the Code throughout the year ended 31 January 2019 and from that date up to the date of publication of this Annual Report.

Leadership

The Board is currently composed of the Chairman and Chief Executive Officer, two Executive Directors and two independent Non-Executive Directors. Each of the Non-Executive Directors chair one of the two Committees of the Board and therefore have specific responsibilities. A short biography for each Director is set out on page 14. There were no changes to the composition of the Board during the financial year to 31 January 2019.

Effectiveness

A formal Board evaluation by the Directors was coordinated by the Company Secretary during the year addressing key areas of Board composition, effectiveness and operation. The review concluded that meetings run well and are effective, with good relationships between members and open debate.

Accountability

The Board acknowledges its responsibility to provide a fair, balanced and understandable review of the business' financial position and prospects. The Board has reviewed the principal risks and has ensured that robust internal controls and effective risk management systems are in place to mitigate identified risks. The Board also provides a statement affirming the long-term viability of the Group which can be found on page 17.

Remuneration

We were pleased to have received 94.36% of votes in favour of the Directors' Remuneration Report for the financial year ended 31 January 2018. The Remuneration Report can be found on pages 26 to 32.

Relations with Shareholders

The Board remains committed to explaining our strategy, business model and performance to shareholders. Our Executive Directors meet regularly with investors and analysts and are supported, where appropriate by our Non-Executive Directors.

Stephen Marks
Chairman

CORPORATE GOVERNANCE STATEMENT
Continued

Requirement	Board Statement
Compliance with the Code	The principal corporate governance rules which applied to the Company in the year under review were those set out in the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in April 2016 (the "Code"), the UK Financial Conduct Authority ("FCA") Listing Rules and the FCA's Disclosure Guidance and Transparency Rules. The Board fully supports the principles of good governance as set out in the Code, which is publicly available on the FRC's website (www.frc.org.uk), and its application of the Main Principles are set out on pages 19 to 21. Save as identified and explained in this report, the Board considers that throughout 2018 it complied with the provisions of the Code.
Going Concern Basis	The Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.
Viability Statement	The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.
Robust assessment of the principal risks facing the Group	The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
Annual review of systems of risk management and internal control	The Board confirms that it has reviewed the effectiveness of the Company's risk management systems and internal controls and found them to be appropriate for the Group.
Fair, balanced and understandable	The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Modern Slavery Statement	The Board has implemented a Modern Slavery Policy which we have communicated to staff. The Board is confident that as a result of the Group's management and reporting structure, there are no such practices taking place.
Health and Safety	The Board recognises that the control of all health and safety matters arising from our activities is an essential feature of our operations and ensures it meets its civil and statutory obligations.

Role of the Board
The Board's composition and responsibilities are outlined in a formal schedule of matters specifically reserved for its decision. Matters reserved include approving the strategic plans and annual capital and revenue budgets; reviewing significant investment proposals and the performance of past investments and maintaining an overview and control of the Group's operating and financial performance; and monitoring the Group's overall system of internal controls, governance and compliance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives. The Board is assisted by the Audit, Remuneration and Disclosure Committees, the terms of reference for these Committees are available on our website.

The Board is collectively responsible for promoting the long-term success of the Group by providing effective leadership and strategic direction to the Group as a whole. The Board pays due regard to the views of shareholders and other stakeholders in establishing strategic priorities and oversees the delivery of these priorities in a way that enables sustainable, long-term growth, whilst also balancing risks through a framework of effective controls. The Board is also responsible for corporate governance and overall financial performance of the Group. All Directors are required to devote sufficient time and commitment to their role.

Division of responsibilities
The Code recommends that the Chairman of a listed company should not hold executive powers, and should be 'independent upon appointment'. Stephen Marks is both Chairman and Chief Executive Officer, he also founded the Company and is a major shareholder (provisions A2.1 and A3.1). The Board continues to believe that it is appropriate for Stephen to be both Chairman and Chief Executive Officer due to his in-depth knowledge of the business. Nevertheless, the Board is attentive to the implications of combining the roles and therefore has ensured that safeguards are in place to protect independence and ensure that proper process and controls are followed, these include: the independent judgement of the Non-Executive Directors, effective functioning committees, a schedule of matters reserved for the Board and robust internal controls.

Conflicts of interest
There are effective procedures in place to monitor and deal with conflicts of interest. Any changes to the time commitments and interests of its Directors are reported to and, where appropriate, agreed with the rest of the Board.

Insurance
The Company has arranged insurance cover for its Directors and Officers.

CORPORATE GOVERNANCE STATEMENT
Continued

Role	Name	Responsibility
Chairman	Stephen Marks	The Chairman's primary role is to lead the Board and ensure its effective operation. The Chairman sets the Board's agenda, ensuring adequate discussion takes place for each agenda item and that decisions are made. The Chairman also takes a key role in ensuring open and effective contributions from each of the Directors.
Chief Executive Officer	Stephen Marks	The Chief Executive's role is the day-to-day running of the Group's business which includes the development and implementation of its agreed strategy, decisions made by the Board and operational management of the Group.
Executive Directors	Neil Williams Lee Williams	The Executive Director's role involves supporting the Chief Executive Officer in the day-to-day running of the Group's business.
Non-Executive Directors	Sarah Curran Robin Piggott	The Non-Executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making through their constructive challenge of the Executive Directors. The Non-Executive Directors are also required to monitor Group strategy in light of its agreed risk management framework, review the relationship between the Company's external auditors and review remuneration of and succession planning for the Board.

Board meetings
During the year, the Board met eleven times; all meetings were fully attended by the Board members with the exception of two meetings at which Sarah Curran was absent. Key strategic and operational matters considered and decisions taken by the Board during the year included the following:

- Approval of the 2019/20 annual budget and forecasts
- Approval of the 2018 Annual Report and associated responsibility statements
- Approval of the viability and going concern statements
- Review and approval of the Group's strategy, including the potential sale of the Group
- Review of the internal controls and risk management
- Approval of the Group's 2018 interim results
- Approval of the disposal of Toast (Mail Order) Limited

The Board also intend to meet nine times over the next year with ad hoc meetings called as and when circumstances require it to meet at short notice. An annual calendar of agenda items has been drawn up to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycles.

Board Committees
The Board is supported by Board Committees: the Audit, Remuneration and Disclosure Committee, each of which has access to the resources, information and advice that it deems necessary to enable it to discharge its duties. Those duties are set out in the terms of reference of each Committee, which are available on our website. Membership of each Committee is determined by the Board. The Company Secretary acts as secretary to each Committee. The minutes of Committee meetings are circulated to each Committee member and are presented to the Board.

Independence
The Board is satisfied that its Directors have an effective and appropriate balance of skills and experience, and there is a suitable balance between independence of character and judgement and knowledge of the Company, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to constructively challenge all matters, whether strategic or operational.

The Board has two independent Non-Executive Directors, Robin Piggott and Sarah Curran, who were appointed on 19 September 2017. Each of the Non-Executive Directors chair one of the two Committees of the Board. The Board has concluded that there would be no benefit in nominating a senior independent Non-Executive Director at this time (provision A4.1). Both Non-Executive Directors are utilised as sounding boards for the Chairman and both are available to other Executive Directors or shareholders as necessary.

The Board considers that both Robin Piggott and Sarah Curran continue to display all of the qualities of independence as set out within provision B1.1.

The Board has considered whether there are any factors that might compromise the judgement of the Non-Executive Directors at the year end and concluded there were none. The Board therefore considers that all of the Non-Executive Directors are independent of the Company and thus fulfil the requirements of provision B1.2 of the Code.

Information, support and development
The Company Secretary's responsibilities include ensuring relevant and timely information flows to the Board and between senior management and the Non-Executive Directors. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is responsible, through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development.

Board members are sent board packs in advance of each Board and Committee meeting, and senior executives attend Board meetings when necessary to present and discuss their areas of speciality. Directors are able to obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary.

The training needs of Directors are formally considered on an annual basis and are also monitored throughout the year with training being provided if required. All Directors are given appropriate training and assistance on appointment to the Board and are offered opportunities to update their skills if required.

CORPORATE GOVERNANCE STATEMENT
Continued

Monitoring and improving performance
The Board recognises the need to continually monitor and improve its performance. During the year the Board undertook its annual performance evaluation survey which was co-ordinated by the Company Secretary. The evaluation was based on a questionnaire which addressed the following key areas: Composition, processes, behaviours and activities. The questionnaire asked the Directors to score performance in each of these areas and also provided an opportunity to raise other issues. The responses were compiled and provided to the Chairman. That Board evaluation concluded that the Board was working well, considering the right topics on a timely basis and with an appropriate level of challenge.

Diversity
The Board is committed to encouraging diversity and inclusion at Board level and amongst its workforce as a whole. This includes diversity of skills and experience, age, gender, disability, sexual orientation, gender identity and cultural background and belief. The Board seeks, through its Diversity Policy, to encourage the recruitment, development and retention of talented staff at all levels.

Re-election of Directors
In accordance with provision 18 of the new UK Corporate Governance Code which was published by the FRC in July 2018, this year all of the Directors will be seeking re-election at the forthcoming AGM. Furthermore, the Board is proposing that the Shareholders vote in favour of amending the Articles of Association of the Company (the "New Articles"). Should they be adopted, the New Articles provide that all Directors will retire and may offer themselves for reappointment at each AGM.

The Board unanimously believes that each of the Directors continue to make effective contributions and therefore encourage shareholders to support their re-election.

Nomination Committee
No Nomination Committee was formed during the year (B2.1 – B2.4) due to the size and composition of the Board.

Accountability
The Board is required to present a fair, balanced and understandable assessment of the Company's position and prospects, which are explained in this Annual Report.

Audit Committee
As recommended by the Code, the Board has established an Audit Committee. The Audit Committee comprises the two Non-Executive Directors: Robin Piggott, who is Chair of the Committee, and Sarah Curran. The Company's auditors and the Chief Financial Officer attend by invitation. The Committee met three times during the year and each meeting was fully attended. The role of the Audit Committee is to review the integrity, adequacy and effectiveness of French Connection Group's system of internal control and risks management, and the integrity of French Connection Group's financial reporting, risk management and anti-bribery and corruption obligations.

Further details on the work of the Audit Committee is included in the Audit Committee Report on pages 23 to 25.

Internal control and risk management
The Board, supported by the Audit Committee, confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group and that these have been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The procedures have been reviewed on an ongoing basis throughout the year by the Audit Committee and in accordance with the requirements of the UK Corporate Governance Code.

The Board conducts an annual review of the major risks affecting the business and the effectiveness of the system of internal control. These principal risks and uncertainties are highlighted within 'Our Business' section of the Annual Report on pages 4 to 8. The Board is also closely monitoring the potential impact of Brexit and preparing for possible eventualities.

The culture of the business results in the Executive Directors being closely involved in managing the business at a detailed level. This provides a high degree of direct monitoring of risks and control processes, conducted against the background of a culture of integrity, quality and high levels of communication. This is supported by reviews of daily, weekly and monthly detailed analyses of the performance of the business, the key performance indicators associated with the trading risks facing the Company and the detailed operational results.

The Group does not have a separate internal audit function although during the year the Board considered whether there is a need for such a function, and concluded there are sufficient controls in place such that the benefits, when compared to the potential benefits of deploying additional resources in other areas, are not sufficiently clear. Certain elements of internal audit work are conducted or coordinated by the existing finance and accounting functions. These include reviews of financial controls internationally, externally facilitated reviews of procurement transactions and support for system developments between the separate accounting functions.

Culture
The culture of the business, led by the Chief Executive, is one of detailed involvement and a need for speedy reaction times. Stephen Marks has led this culture and defined the character of the business throughout its existence. The Board believes that, in partnership with the executive team and senior management, they are focused on the success of the Group in its business strategy, whilst also ensuring good governance.

Code of ethics
The Board recognises the importance of the Group's responsibility to conduct its business with honesty, integrity, fairness and respect. The culture established by Stephen Marks and the senior management is to expect a high standard of behaviour from everybody working for the Company. The Board has approved a suite of policies, procedures and training that outline how we operate and support and embed our expectations.

The Board has considered the risks associated with the issues raised by the Bribery Act 2010 as part of the broader review of risks faced by the Group and has reviewed the processes and controls in place to prevent offences under the Act.

CORPORATE GOVERNANCE STATEMENT
Continued

The Company also offers a confidential, whistleblowing hotline for any employee wishing to report any concern that they feel is inappropriate to raise with their line manager. All whistleblowing allegations are reported to, and considered by, the Executive Committee and Board. No instances occurred during the financial year.

The Board has considered the Modern Slavery Act 2015 and has accordingly published a 'Modern Slavery Statement' on its website during the year. The statement sets out the actions taken by the Group and the steps going forward to aim to prevent modern slavery from its business and supply chains.

During the year, The Group published its supplier payment practices in line with UK government 'Duty to Report on Payment Practices and Performances' legislation.

Tax
Board level oversight of tax matters is part of the Company's tax risk governance process.

All significant tax matters are reported to the Board by the Chief Financial Officer and tax matters are governed by the Group tax strategy.

Remuneration
As recommended by the Code the Company has established a Remuneration Committee. The Committee comprises Sarah Curran, who is Chair of the Committee, and Robin Piggott. The Chief Financial Officer attends by invitation. The Committee met twice during the year and each meeting was fully attended. The role of the Remuneration Committee is to set, review and recommend French Connection Group's overall Remuneration Policy and review and monitor its implementation.

Further details of the work of the Remuneration Committee is included in the Directors' Remuneration Report.

Relationship with shareholders
The Company values its dialogue with both institutional and private investors. Communication with shareholders is generally conducted through one-to-one meetings with the Executive Directors and the Non-Executive Directors if requested.

Meetings typically occur shortly after the announcements of half-year and full year results. The opinions expressed by shareholders are gathered by the Company Broker and passed directly to the Board.

The AGM and the resolutions proposed for consideration at the meeting are another focus of communication with shareholders. All shareholders have at least 20 working days' notice of the Annual General Meeting at which all Directors who are available to attend are introduced and are available for questions. All shareholders are welcome to attend the Company's Annual General Meeting and to arrange individual meetings by appointment. The views received at such meetings are fed back to the Board. The level of proxy votes received are considered carefully by the Board and published on the Group's website with details of any proposed Board action where significant votes were cast against a specific resolution.

By order of the Board

Lee Williams
Company Secretary

3 April 2019

AUDIT COMMITTEE REPORT

Introduction from the Audit Committee Chair

I am pleased to present the Audit Committee Report for the year ended 31 January 2019.

Since my appointment as Chair of the Audit Committee in September 2017, I have focused on using my financial and commercial expertise to ensure the Committee fulfils its duties properly.

The Audit Committee is responsible for ensuring that the financial integrity of the Group is effective, through the regular review of its financial performance. It is also responsible for ensuring that the Group has appropriate risk management processes and internal controls, and that the external audit process is robust. I explain in more detail the Committee's activities in this report.

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we have considered, including compliance with the UK Corporate Governance (the Code) and associated Guidance on Audit Committees. I confirm that we have fully complied with the audit related requirements of the Code. Significant risk issues identified are referred to the Board for further consideration.

Sarah Curran joined the Company as a fellow Non-Executive Director in September 2017. Sarah has a wealth of experience in the fashion industry, particularly in the increasingly important digital and ecommerce areas. I thank my fellow Committee member Sarah for her work and input to the Committee and have welcomed the openness of KPMG and French Connection personnel throughout the year.

Robin Piggott
Chair of the Audit Committee

Membership and remit of the Audit Committee

The Committee considers financial reporting and reviews the Group's accounting policies and annual statements. In particular, any major accounting issues of a subjective nature are discussed by the Committee.

The Committee also reviews audit activity including the recommendation to the Board regarding the appointment of the external auditor, their remuneration and scope of work, including non-audit services.

The Audit Committee is also responsible for considering the independence, objectivity and effectiveness of the external auditor, for monitoring the level of non-audit services provided by the external auditor and for assessing the effectiveness of the risk management process.

In accordance with Code provision B1.1, at the date of the 2018 Annual Report, the Audit Committee comprises two independent Non-Executive Directors: Robin Piggott and Sarah Curran.

The Board understands that the UK Corporate Governance Code considers a Non-Executive Director to be independent if they have served on the Board for less than nine years. The Board acknowledges that both Robin Piggott and Sarah Curran are independent Non-Executive Directors. In accordance with Code provision C3.1, the Board considers that Robin Piggott has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their experience, are set out on page 14 of these accounts.

The Audit Committee normally meets at least three times a year. Audit Committee meetings are also attended by the Chief Financial Officer, who is Secretary to the Committee and by invitation members of the Group Finance team and Partner and other senior staff of the external auditor. The Committee met three times during the financial year and each meeting was fully attended.

Terms of reference

The terms of reference of the Audit Committee are available on the Company's website. Significant risk issues identified are referred to the Board for further consideration.

The Audit Committee is authorised by the Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Chair of the Audit Committee reports to the subsequent Board meeting on the Committee's work and the Board receives a copy of the minutes of each meeting.

AUDIT COMMITTEE REPORT
Continued

Significant issues considered by the Audit and Risk Committee

The Committee considered the significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 January 2019. As part of the half-year and full year reporting process, management present a Financial Review to the Committee, and the external auditors are asked to also comment on the key areas of accounting judgement and disclosure. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards.

After discussion with both management and the external auditor, the Committee determined that the significant accounting issues in relation to the Group's financial statements related to:

Net realisable value of inventories (NRV)

Net realisable value was discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditors' Group audit plan, and also at the conclusion of the audit of the financial statements.

The Committee interrogated management's key assumptions made regarding net realisable value and was satisfied that the significant assumptions had been appropriately scrutinised, challenged and were sufficiently robust.

Store closures and onerous lease provisions

The Group implemented an extensive review of the UK retail business in 2012 targeting the disposal of loss making stores where economically viable. In addition, during the year, the Group assessed and calculated the onerous lease provision required in relation to the planned store closures whereby the unavoidable costs of meeting the obligations under the lease contract exceeded the anticipated economic benefits. The Audit Committee required the Group Financial Controller to present a summary of the store disposal costs expensed during the year and accrued at the end of the financial period as well as a summary of the stores for which an onerous lease provision had been booked and the accounting treatment for all of these costs.

The Committee interrogated management's key assumptions and was satisfied that the significant assumptions were sufficiently robust. The Committee agreed that the review process was ongoing and that loss making stores continued to be actively marketed for disposal. The Committee acknowledged that the initial retail review had taken longer than expected to implement and that there was a revised targeted date of 2019 to rationalise the store portfolio to an acceptable size. The Committee therefore advocated the accounting treatment of these costs as separately identifiable to trading revenue and expenses and to be reported separately from underlying operating loss.

Accounting developments

The Group Financial Controller presented a summary of key accounting standard updates and the impact on the Reporting of the Group results, specifically IFRS 16 'Leases'. The proposed methodology to be adopted and an assessment of the financial impact on the financial statements on inception and going forwards was prepared.

The Committee interrogated management regarding the key assumptions and calculations and was satisfied that these were sufficiently robust.

Risk management framework

The risk management framework is considered by the Board during the year, and was discussed on an ongoing basis in the Audit Committee.

The Audit Committee also considered a Business Systems Risk Review report presented by the Head of IT which set out in detail for all business systems the IT risk register, risk ranking, risk mitigation and investment plans. The Audit Committee supported the approach taken by management to identify and mitigate IT risks.

The Group did not have a separate internal audit function during the year. The Audit Committee considered whether there was a need for such a function and concluded that there are sufficient controls in place such that the benefits, when compared to the potential benefits of deploying additional resources in other areas, were not sufficiently clear.

Confidential reporting

The Group's whistle blowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal.

The Audit Committee receives quarterly reports on whistle blowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported.

No issues have been reported in the current year.

Other matters considered

The Audit Committee strategy and timetable was considered and agreed.

Reporting of other matters

All significant insurance claims and incidents of fraud or theft are reported to the Committee.

There have been no significant incidents during the year.

AUDIT COMMITTEE REPORT
Continued

External auditor appointment
The Financial Reporting Council (the FRC) published the final stage of its Consultation on "Enhancing Confidence in Audit: Proposed revisions to the Ethical Standard, Auditing Standards, UK Corporate Governance Code and Guidance on Audit Committees" which details proposals to implement the EU Directive and Regulation on audit reform. The Ethical Standard came into effect for accounting periods commencing on or after 17 June 2016.

The Audit Committee understands that this will be relevant for all listed companies from 2016 and is aware that KPMG LLP's last possible year of engagement is currently 2021. With regards to this guidance, the Group carried out a formal tendering exercise for the appointment of new auditors with respect to the financial year ending 31 January 2020. The interview panel comprised the Chair of the Audit Committee, Chief Financial Officer and Group Financial Controller. The tendering exercise involved an invitation to tender to several identified parties (including auditors outside of the 'Big Four'), a review of written tender submissions and formal interviews and presentations. Based on evaluation criteria including industry expertise, quality of business advise and competitive pricing, the panel identified Mazars LLP as the Group's new auditors subject to shareholder approval at the 2019 AGM.

External auditor's independence
The Committee has adopted a policy in relation to the appointment of the external auditors to conduct non-audit services for the Group. Following the introduction of new auditor independence rules, the policy has now changed such that the majority of services including tax planning and compliance are now not permitted to be performed by the external auditor. The services prohibited ceased prior to the year ended 31 January 2017.

The objective of this policy is to protect the independence of the auditors while retaining the benefits to be gained from synergies with existing work areas.

In 2018/2019 the ratio of audit to non-audit fees was 1:0.6.

The Audit Committee has considered the independence of the external auditor, including the non-audit services performed, and has concluded that those non-audit services provided do not impair the auditor's independence.

External audit annual assessment
The Chief Financial Officer, and the Audit Committee meet with the external auditors to discuss the audit strategy and any key issues included on the Audit Committee's agenda during the year.

After formal discussion, the Audit Committee considers that the relationship with the auditors is working well and is satisfied with their effectiveness.

DIRECTORS' REMUNERATION REPORT

Annual Statement by the Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2019. In my report as Chairman of the Remuneration Committee, I set out the Committee's approach to Directors' remuneration. The Committee's objective is to set a remuneration policy that is clearly understood by our shareholders and employees, and that drives the right behaviour in terms of incentivising Executive Directors to deliver growth in long-term shareholder value.

The Remuneration Committee considered and approved the contract of employment and remuneration package for both myself and Robin Piggott in accordance with the Group remuneration policy and the details of both are contained within this report.

There were no substantial changes relating to Directors' remuneration made during the year.

We are happy to discuss any remuneration matters with shareholders and hope that we can enjoy your support on the remuneration-related resolutions at the 2019 AGM.

Sarah Curran
Chairman, Remuneration Committee

Directors' Remuneration Report

The Directors' Remuneration Report sets out details of the remuneration policy (Section 1) for Executive and Non-Executive Directors, describes the implementation of that policy (Section 2) and discloses the amounts paid relating to the year ended 31 January 2019.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules, as well as the GC100 and Investor Group.

The Remuneration Committee comprises Sarah Curran and Robin Piggott. The Chief Financial Officer acts as Secretary to the Committee. The Committee met twice during the year to consider the Directors' and senior managers' remuneration. All meetings were fully attended.

When setting the policy for Executive Directors' remuneration, the Committee takes into account total remuneration levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is to weight remuneration towards variable pay. This is typically achieved through setting base pay, pension and benefits up to market median levels, with a variable pay opportunity linked to the achievement of company and personal performance targets.

In setting remuneration for the Executive Directors, the Committee does take note of the overall approach to reward for employees in the Group and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce.

We remain committed to shareholder dialogue and take an active interest in voting outcomes. There have been no significant policy changes or other substantial matters which required dialogue with shareholders during the year. If any of the shareholders are opposed to our policy we would endeavour to meet with them to understand and respond to any issues they may have.

The Committee considers developments in institutional investors' best practice expectations and the views expressed by shareholders during any dialogue. The Committee does not formally consult directly with employees on Executive pay.

DIRECTORS' REMUNERATION REPORT

Continued

Terms of reference for the Remuneration Committee

The terms of reference can be found on the Company's website.

Section 1: Remuneration Policy

The objective of the policy is to ensure it is appropriate to the Group's needs and reward Executives for creating shareholder value. It is the Remuneration Committee's intention to maintain incentive arrangements which are subject to challenging performance targets, reflect the Company's objectives and which motivate executives to focus on both annual and longer term performance.

The Company's policy is:

- to provide remuneration packages for the Executive Directors and other senior managers in the Group which are appropriate to the size and nature of the Group's business and which will attract, retain and motivate high calibre Executives; and
- to balance the fixed and performance-related elements of remuneration appropriately and to provide both short-term and longer-term incentives to achieve the strategic aims of the Group.

Structure of remuneration

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Salary and fees	To provide the core reward for the role Sufficient to attract, retain and motivate high calibre Executives	Basic salaries are reviewed annually, with changes effective from February 1st Salaries are typically set having regard to competitive market practice, each Director's contribution to the business, general inflation rates and the conditions within the Group Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group Salary levels for current incumbents for the 2019 financial year are as follows: Chairman/CEO: £370,715 Chief Operating Officer: £269,394 Chief Financial Officer: £199,614	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy No recovery provisions apply to salary
Benefits in kind	In line with the Company's strategy to keep remuneration simple and consistent with practices in the market	Executive Directors receive car benefit, medical cover and life cover in line with other senior management Executive Directors also receive personal accident and sickness cover The cost to the Company of providing these benefits may vary from year to year depending on the cost of insuring the benefit	Not applicable No recovery provisions apply to benefits
Pension	To provide post-retirement remuneration and market typical benefits to ensure that the overall remuneration package is competitive	Defined contribution plan with up to 10% monthly employer contributions A cash alternative may be considered	Not applicable No recovery provisions apply to pension benefits
Annual Bonus	To incentivise and recognise execution of the business strategy on an annual basis Rewards the achievement of annual financial, operational and individual goals	Bonuses are capped at 100% of basic salary Bonus payments are proposed to the Board after the end of each financial year and approved by the Committee for payment in March The bonus is calculated using pro-rata base salary if the Director joined the Company during the year If the Director resigns or has his/her employment terminated before the payment date, no bonus will normally be payable	The annual grant of bonuses is based on the financial performance of the Group in relation to initial budgets, prior year performance and market conditions, as well as operational and individual goals No recovery provisions apply to the Annual Bonus.

Structure of remuneration continued

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Long-term incentive plans (LTIPs)	To align the interests of the Executive Directors with the performance of the business and the interests of the shareholders through the use of share option schemes To incentivise and recognise execution of the business strategy over the longer term Rewards strong financial performance	At the discretion of the Board and approval of the Remuneration Committee the Company may issue share options to Directors up to a maximum of two times salary in each year In exceptional circumstances the Board has the discretion to issue options up to four times salary although this power has not been used for more than ten years Options will normally be granted at market value on the date of grant unless otherwise stated in a Service Agreement Options may be granted at a discount to the market value only in circumstances where the grant of options is agreed as part of a recruitment package in which case the exercise price of the option may be determined by reference to the market value on the date on which the individual's employment commenced The share option schemes include an upper limit on the number of shares which can be issued of 10% of the total share capital in any ten year period	Share Awards vest based on three year performance against a challenging range of financial targets No recovery provisions apply to the LTIP. Any provisions will be considered in 18/19 in line with D1.1 of the Corporate Governance code

The Committee has not been required to apply any discretion during 2019 outside the stated Remuneration Policy.

Any use of the above discretions would, where relevant, be explained in the annual Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

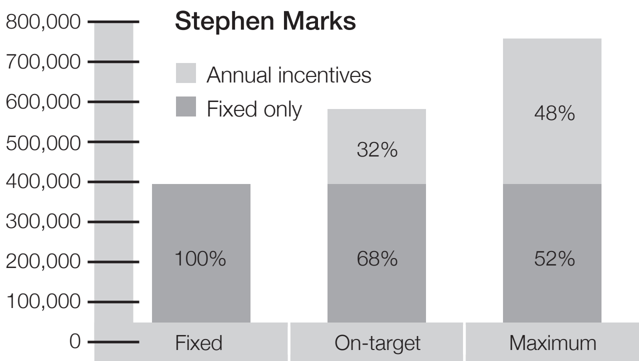
The performance metrics that are used for our annual bonus and LTIP are to reflect the Group's key performance indicators, notably 'Profit before Tax'.

The Executive remuneration policy is broadly in line with other French Connection employees, with the main difference that there is no share scheme below senior Executive level and some variation of benefits offered.

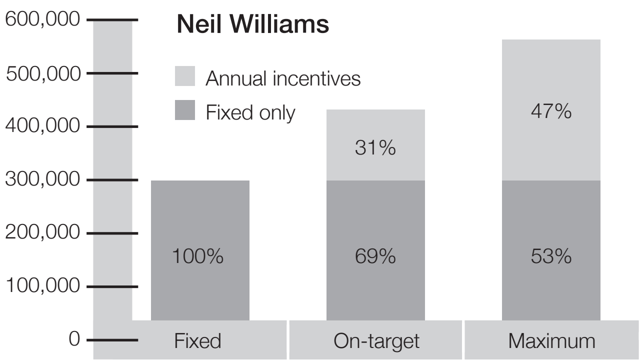
Any loss of office payment will be approved by the Group Board and Remuneration Committee. Any payment will be made at discretion and on a case-by-case basis. Any payments made beyond contractual and statutory obligations would be exceptional in nature either due to additional obligations taken on by the departing Director or due to specific circumstance and always benchmarked against market practice.

Illustration of application of policy

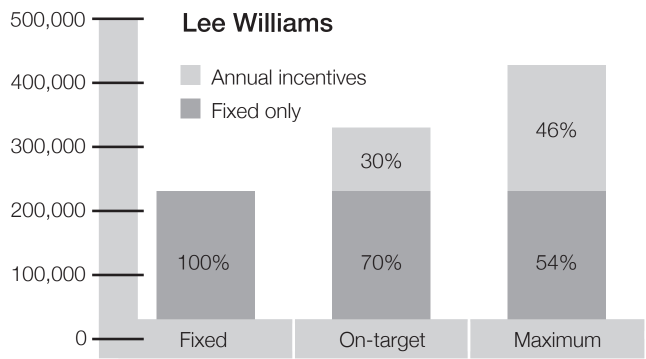
The tables below represent the variations in remuneration at different levels of performance for the first year application of the remuneration policy for the Executive Directors.



	Base	Benefit	Pension	Total
Fixed (£)	370,715	23,623	0	394,338
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			



	Base	Benefit	Pension	Total
Fixed (£)	269,394	18,986	10,000	298,380
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			



	Base	Benefit	Pension	Total
Fixed (£)	199,614	11,403	19,961	230,978
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			

Executive Director's terms of employment

Neil Williams' service contract is dated 17 April 1996, has an indefinite term, and includes provision for a notice period of twelve months by either party.

Lee Williams' service contract is dated 4 April 2016, has an indefinite term, and includes provision for a notice period of six months by either party.

The service agreements can be inspected at the Group registered office.

Stephen Marks has no service contract.

Non-Executive Directors

Non-Executive Directors have specific terms of engagement and the Board determines their remuneration.

Robin Piggott's terms of engagement are dated 19 September 2017, have an indefinite term and allow for a notice period of one month.

Sarah Curran's terms of engagement are dated 19 September 2017, have an indefinite term and allow for a notice period of one month.

The Non-Executive Directors each receive total annual salaries of £30,000.

No detailed disclosures have been provided for Non-Executive Directors other than for that relating to their fees, as this is the only form of remuneration the Non-Executive Directors receive.

Section 2: Application of the remuneration policy for 2019

The Executive Directors' salaries will be reviewed on 1 April 2019 and will be increased as follows:

Stephen Marks	+2%
Neil Williams	+2%
Lee Williams	+2%

The annual bonus for the 2019 financial year will operate on the same basis as for the 2018 financial year and will be consistent with the policy detailed in the Remuneration policy section of this report in terms of the maximum bonus opportunity. The measures have been selected to reflect goals that support the key strategic objectives of the Company.

The Remuneration Committee will exercise their discretion to grant share options according to the Remuneration Policy during the Financial Year 2019 dependent upon the financial position of the Group and the personal contribution of each Executive Director. Currently no share grant is contemplated for the forthcoming year.

DIRECTORS' REMUNERATION REPORT
Continued

Directors' single figure of total remuneration (audited)
The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 January 2019 and 2018:

Director's earnings
Directors' emoluments

Year ended 31 January 2019	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Pension £000	Total £000
Executive Directors					
Stephen Marks	**371**	**24**	**–**	**–**	**395**
Neil Williams	**269**	**19**	**–**	**10**	**298**
Lee Williams	**200**	**11**	**–**	**20**	**231**
Non-Executive Directors					
Robin Piggott	**30**	**–**	**–**	**–**	**30**
Sarah Curran	**30**	**–**	**–**	**–**	**30**
	900	**54**	**–**	**30**	**984**

Year ended 31 January 2018	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Pension £000	Total £000
Executive Directors					
Stephen Marks	349	29	–	11	389
Neil Williams	261	18	–	10	289
Lee Williams	194	11	–	19	224
Non-Executive Directors					
Robin Piggott*	11				11
Sarah Curran*	11				11
Dean Murray+	19	–	–	–	19
Claire Kent+	19	–	–	–	19
Christos Angelides++	3	–	–	–	3
	867	58	–	40	965

* Robin Piggott and Sarah Curran joined the Board on 19 September 2017.

\+ Dean Murray and Claire Kent resigned from the Board on 19 September 2017.

++ Christos Angelides resigned from the Board on 28 February 2017.

Percentage change in remuneration of Chief Executive
The Chief Executive received a 3% pay increase in 2019 in line with the rest of the eligible Group employees. There was no Group increase in benefits in kind or pension contributions. No annual bonus was paid to the Chief Executive in 2019 (2018: £Nil). Employee annual incentives have not been finalised at the signing date of the Annual Report.

Relative importance of spend on pay
Remuneration paid to all employees of the Group during 2019 was £29.6m which represented 45% of the total overheads (excluding adjusting items) of the Group (2018: £34.1m (45%)).

The table below shows the total pay for all of the Group's employees compared to distributions.

	2019 £m	2018 £m	% change
Employee costs	**29.6**	34.1	(13.2)%
Dividends	**–**	–	–

DIRECTORS' REMUNERATION REPORT
Continued

Directors' shareholding and share interests (audited)

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire shares in the Company granted to or held by the Directors. Details of options to subscribe for ordinary shares of 1p each in the Company held by Directors who served during the year are as follows:

	1 February 2018 No. of options	Lapsed during the year	**31 January 2019 No. of options**	Exercise price (p)	Dates of grant	Dates from which exercisable	Dates of expiry
Stephen Marks	376,700	(376,700)	**–**	56.20	29 Oct 2008	29 Oct 2011	29 Oct 2018
Neil Williams	284,500	(284,500)	**–**	56.20	29 Oct 2008	29 Oct 2011	29 Oct 2018
Lee Williams	537,736	–	**537,736**	35.33	4 Jul 2016	4 Jul 2019	4 Jul 2026

No options were exercised during the year.

The market price of the shares at 31 January 2019 was 39.7p and the range during the year was 28.0p to 63.5p. The average market share price during the year was 48.4p. The options granted are exercisable between three and ten years after the date of grant and were subject to performance conditions described below.

Statement of Directors' shareholding and share interests (audited)

	Share options* with performance conditions No.	Vested but unexercised No.	Shares beneficially owned No.	Total interest in shares No.
Stephen Marks	–	–	40,094,190	40,094,190
Lee Williams	537,736	–	–	537,736
	537,736	**–**	**40,094,190**	**40,631,926**

* Outstanding service conditions. The options awarded to Lee Williams have targeted performance conditions attached (50% of the share options will be exercisable if the minimum performance criteria is met) and a three year service condition. The face value of these options based on the share price at the date of the grant was £190,000.

Statement of shareholding voting

The results of the vote on the Remuneration Report at the 2018 AGM are set out in the table below.

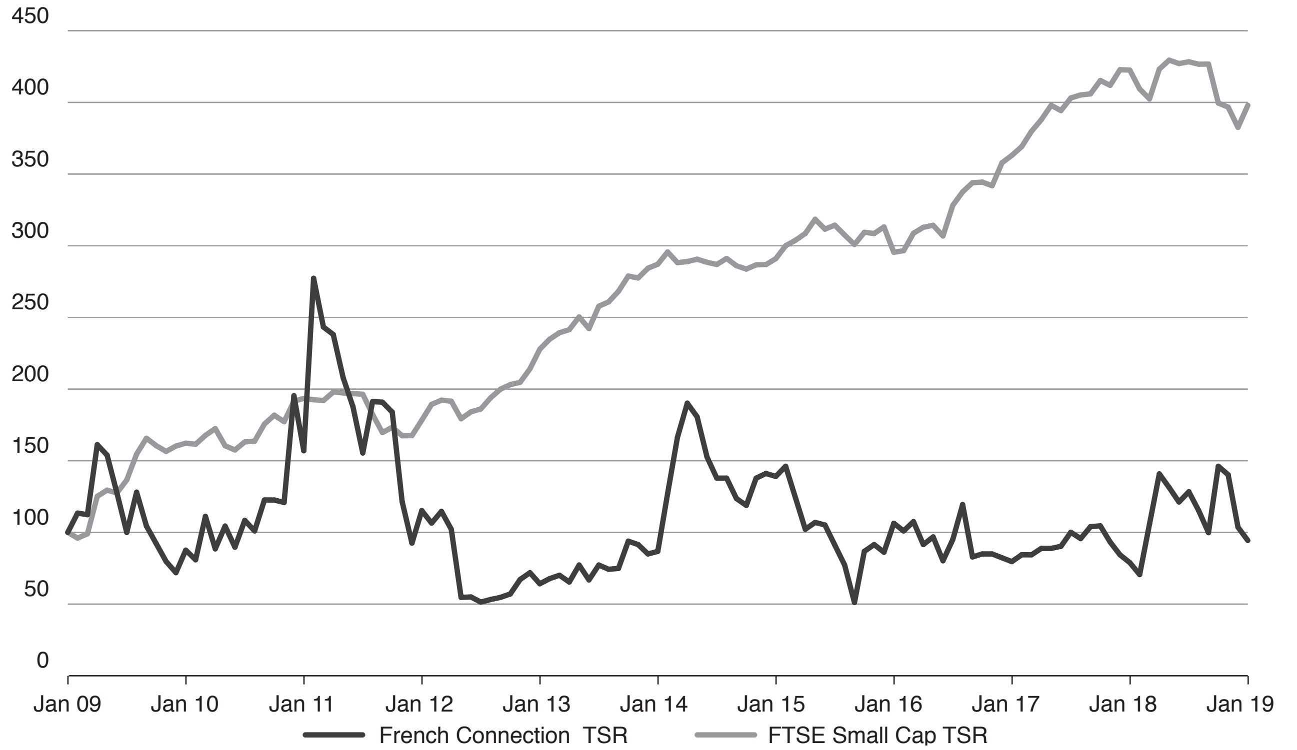
	Votes for		Votes against		Votes withheld	
	Number	%	Number	%	Number	%
Remuneration Report	68,805,953	94.36	4,114,535	5.64	0	0.00

DIRECTORS' REMUNERATION REPORT
Continued

Review of past performance and total shareholder return

This graph below demonstrates the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap Index also measured by total shareholder return. This index has been selected for the comparison because it reflects the market sector in which the Company is reported. The graph has been compiled on annual data at 31 January of each year.

Total cumulative shareholder return for the ten-year period to 31 January 2019



	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Total CEO remuneration	330	505	342	352	402	361	371	380	389	395
Annual variable element award rates against maximum opportunity	0%	62%	0%	0%	17%	0%	0%	0%	0%	0%

Approval

This report was approved by the Board of Directors on 3 April 2019 and signed on its behalf by:

Lee Williams
Company Secretary

Company Number: 1410568

3 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Neil Williams	**Lee Williams**
Chief Operating Officer	Chief Financial Officer

3 April 2019

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

1. Our opinion is unmodified

We have audited the financial statements of French Connection Group PLC ("the Company") for the year ended 31 January 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet, company statement of changes in equity, and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2019 and of the Group's loss for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee

We were first appointed as auditor by the company in 1994. The period of total uninterrupted engagement is for the 24 financial years ended 31 January 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overnew

Materiality:	£1.35m (2018: £1.54m)	
Group financial statements as a whole	1% (2018: 1%) of Group revenues	
Coverage	85% (2018: 89%) of Group loss before tax	
Key audit matters		vs 2018
Event driven (Group: New)	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
Event driven (Group: New)	Going concern	▲
Recurring risks (Group)	Valuation of inventories	◀▶
Recurring risks (Parent)	Recoverability of parent company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to pages 7 and 8 (principal risks), page 17 (viability statement), page 24 (Audit Committee Report).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in going concern and inventory valuation KAMs below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing going concern and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on going concern, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the going concern KAM, we found the resulting estimates and related disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Going concern	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: • Continued slowdown of the broader macro-economic environment affecting retail market growth; • Increased global and local competition. • The retail business is seasonal resulting in low cash positions at certain times in the year. Additionally, the Group has historically been loss making with low cash levels. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** • **Historical comparisons:** We considered the Directors' track record of forecasts vs. actual cash flows achieved in the current and previous years. • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. • **Our industry experience:** We challenged the Group's assumptions in determining the forecast cash flows using our own industry experience. • **Evaluating Directors intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. • **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by ensuring that the degree of estimation uncertainty involved in determining forecast cash flows is disclosed. **Our results** We have nothing to report on going concern (2018: acceptable).

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Valuation of inventory (£28.4 million; 2018: £31.8 million) *Refer to page 24 (Audit Committee Report), page 49 (accounting policy) and page 60 (financial disclosures).*	**Subjective estimate:** Inventory is carried in the financial statements at the lower of cost and net realisable value. The net realisable value of inventory in the fashion industry is difficult to estimate, in particular due to uncertain consumer demand. As a result, there is a risk that the amount recognised exceeds the lower of net realisable value or cost. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of inventory has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Control re-performance:** We tested the controls over management's review of wholesale and retail inventory provisions including bi-annual (wholesale) and monthly (retail) approval and challenge of the provisions by the Directors. • **Site visits:** We observed 10 store counts and 1 warehouse count during the period in order to assess management's control over the process. • **Historical comparisons:** We assessed the reasonableness of the current year provision, taking into consideration the historical accuracy of prior year provisions. • **Our industry experience:** We challenged the Group's assumptions used in estimating the net realisable value of inventory, in particular the provision percentage applied to old stock and the extent to which those stock are expected to be sold through various channels such as outlets, using our knowledge of the industry. • **Test of detail:** We tested on a sample basis that items on the stock ageing listing by season were classified appropriately in the relevant ageing bracket • **Assessing transparency:** We considered the adequacy of the Group's disclosures involved in respect of the degree of estimation involved in valuing inventory. **Our results** We found the Group's assessment of the valuation of inventory to be acceptable (2018: acceptable).

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£36.0 million; 2018: £37.2 million) *Refer to page 73 (accounting policy) and page 74 (financial disclosures).*	**Forecast based valuation:** The carrying amount of the parent company's investments in subsidiaries are significant and at risk of irrecoverability due to continuing weak demand in the retail clothing and accessories market. We have further considered the difference between the carrying value of the cost of investment of £36m to the market capitalisation of £37m. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets.	**Our procedures included:** • **Control re-performance:** We tested the controls over management's review of the investment valuation including annual approval and challenge of the provisions by the Directors. • **Test of detail:** We assessed the investments in subsidiaries for any indicators of impairment. We compared the carrying amount of a sample of the highest value investments, representing 99% (2018: 99%) of the total investment balance, with the relevant subsidiaries' balance sheet to identify whether their net assets were in excess of their carrying amount and whether those entities were loss making. • **Test of detail:** For investments at risk of impairment, we compared the carrying amount with the assessed recoverable amount. **Our results** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable. (2018: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.35m (2018: £1.54m), determined with reference to a benchmark of Group revenue, of £135.3m (2018: £154.0m), of which it represents 1% (2018: 1%).

Materiality for the parent company financial statements as a whole was set at £1m (2018: £1.125m), determined with reference to a benchmark of total assets, of £41.4m (2018: £38.4m of which it represents 2.4% (2018: 2.9%).

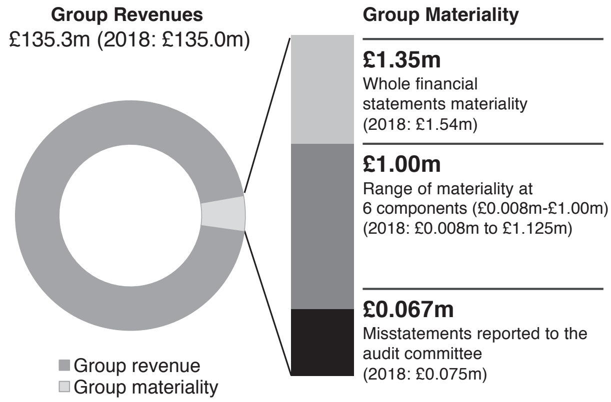
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.067m (2018: £ 0.075m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

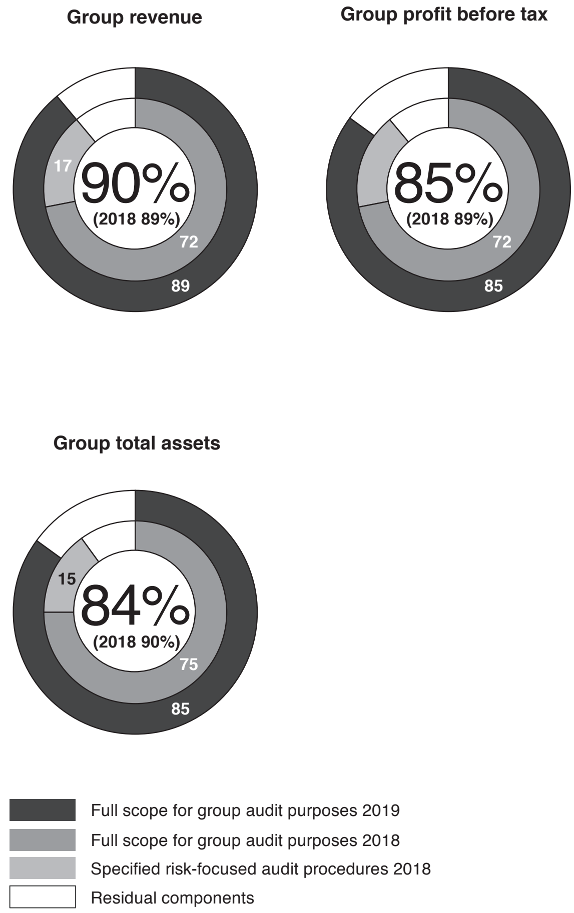
Of the Group's 15 (2018: 16) reporting components, we subjected six (2018: seven) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 10% of total Group revenue, 15% of Group profit before tax and 16% of total Group assets is represented by 9 of reporting components, none of which individually represented more than 3% of any of total Group revenue, Group profit before tax or total Group assets. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.008m to £1m, having regard to the mix of size and risk profile of the Group across the components. The work on all the components, including the audit of the parent company, was performed by the Group team (2018: The work on 1 of the 8 components was performed by component auditors).





INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

4. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 17 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

5. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management as required by auditing standards, from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: advertising standards, employee litigation, health and safety, counterfeit goods, packaging and waste and anti-bribery recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

7. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Hall (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL

5 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 January 2019

		Year ended 31 January 2019			Restated* Year ended 31 January 2018		
	Note	Before adjusting items £m	Adjusting items** £m	Total £m	Before adjusting items £m	Adjusting items** £m	Total £m
Continuing operations							
Revenue	2	**135.3**	**–**	**135.3**	135.0	–	135.0
Cost of sales		**(78.1)**	**–**	**(78.1)**	(77.3)	–	(77.3)
Gross profit	2	**57.2**	**–**	**57.2**	57.7	–	57.7
Operating expenses	5	**(62.2)**	**(9.4)**	**(71.6)**	(65.4)	(1.7)	(67.1)
Other operating income	6	**5.8**	**–**	**5.8**	6.3	–	6.3
Finance expense	8	**–**	**–**	**–**	(0.1)	–	(0.1)
Share of loss of joint ventures, net of tax	15	**(0.7)**	**–**	**(0.7)**	(0.6)	–	(0.6)
Profit/(loss) before taxation	9	**0.1**	**(9.4)**	**(9.3)**	(2.1)	(1.7)	(3.8)
Taxation	10	**–**	**–**	**–**	0.4	–	0.4
Profit/(loss) for the year from continuing operations		**0.1**	**(9.4)**	**(9.3)**	(1.7)	(1.7)	(3.4)
Discontinued operations							
Profit from discontinued operations, net of tax	3	**9.3**	**–**	**9.3**	1.1	–	1.1
Profit/(loss) for the year		**9.4**	**(9.4)**	**–**	(0.6)	(1.7)	(2.3)

* The comparative statement has been restated to show the discontinued operations separately from the continued operations. See discontinued operations Note 3.

** Adjusting items (see Note 9).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2019 – Continued

	Note	2019 £m	Restated* 2018 £m
Profit/(loss) for the year		–	(2.3)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		0.5	(0.9)
Currency translation differences on foreign currency loans, net of tax		(0.2)	(0.1)
Effective portion of changes in fair value of cash flow hedges		0.1	–
Other comprehensive income for the year, net of tax		0.4	(1.0)
Total comprehensive income for the year		0.4	(3.3)
Profit/(loss) attributable to:			
Equity holders of the Company		0.1	(2.6)
Non-controlling interests		(0.1)	0.3
Profit/(loss) for the year		–	(2.3)
Total comprehensive income attributable to:			
Equity holders of the Company		0.5	(3.6)
Non-controlling interests		(0.1)	0.3
Total income and expense recognised for the year		0.4	(3.3)
Earnings/(losses) per share			
Basic and diluted earnings/(losses) per share	12	0.1p	(2.7)p
Continuing operations			
Basic and diluted losses per share	12	(9.6)p	(3.5)p

* The comparative statement has been restated to show the discontinued operations separately from the continued operations. See discontinued operations Note 3.

The notes on pages 47 to 69 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 January 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Intangible assets	13	**0.2**	0.4
Property, plant and equipment	14	**2.5**	3.2
Investments in joint ventures	15	**1.8**	2.5
Deferred tax assets	22	**4.3**	4.6
Total non-current assets		**8.8**	10.7
Current assets			
Inventories	16	**28.4**	31.8
Trade and other receivables	17	**24.1**	26.1
Cash and cash equivalents	18	**16.2**	9.5
Total current assets		**68.7**	67.4
Total assets		**77.5**	78.1
Non-current liabilities			
Provisions	20	**3.5**	–
Total non-current liabilities		**3.5**	–
Current liabilities			
Trade and other payables	19	**25.4**	31.0
Provisions	20	**2.4**	0.3
Derivative financial instruments	28	**–**	0.1
Total current liabilities		**27.8**	31.4
Total liabilities		**31.3**	31.4
Net assets		**46.2**	46.7
Equity			
Called-up share capital	23	**1.0**	1.0
Share premium account		**9.8**	9.6
Other reserves		**7.4**	7.0
Retained earnings		**28.0**	27.9
Total equity attributable to equity holders of the Company		**46.2**	45.5
Non-controlling interests		**–**	1.2
Total equity		**46.2**	46.7

The notes on pages 47 to 69 form part of these accounts.

These accounts were approved by the Board of Directors on 3 April 2019 and were signed on its behalf by:

Neil Williams
Director

Lee Williams
Director

Company Number: 1410568

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 2017	**1.0**	**9.6**	**(0.1)**	**8.1**	**30.5**	**49.1**	**0.9**	**50.0**
(Loss)/profit for the year ended 31 January 2018					(2.6)	**(2.6)**	0.3	**(2.3)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.9)		**(0.9)**		**(0.9)**
Currency translation differences on foreign currency loans, net of tax				(0.1)		**(0.1)**		**(0.1)**
Balance at 31 January 2018	**1.0**	**9.6**	**(0.1)**	**7.1**	**27.9**	**45.5**	**1.2**	**46.7**
Profit/(loss) for the year ended 31 January 2019					0.1	**0.1**	(0.1)	**–**
Other comprehensive income								
Currency translation differences for overseas operations				0.5		**0.5**		**0.5**
Currency translation differences on foreign currency loans, net of tax				(0.2)		**(0.2)**		**(0.2)**
Effective portion of changes in fair value of cash flow hedges			0.1			**0.1**		**0.1**
Transactions with owners recorded directly in equity								
Share options exercised		0.2				**0.2**		**0.2**
Transactions with non-controlling interests, recorded directly in equity								
Dividends							(0.5)	**(0.5)**
Disposal of discontinued operation							(0.6)	**(0.6)**
Balance at 31 January 2019	**1.0**	**9.8**	**–**	**7.4**	**28.0**	**46.2**	**–**	**46.2**

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. The translation reserve carried forward is net of £0.4m (2018: £0.4m) deferred tax.

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 2019

	Note	2019 £m	2018 £m
Operating activities			
Profit/(loss) for the period		**–**	(2.3)
Adjustments for:			
Depreciation and impairment		**1.2**	1.3
Share of loss of joint ventures		**0.7**	0.6
Finance expense		**–**	0.1
Profit on sale of subsidiary	3	**(9.7)**	–
Provisions	9	**9.4**	0.9
Other professional fees	9	**–**	0.8
Income tax credit		**(0.1)**	–
Operating cash flows before changes in working capital and provisions		**1.5**	1.4
Decrease/(increase) in inventories		**0.4**	(0.7)
(Increase)/decrease in trade and other receivables		**(2.0)**	1.1
Decrease in trade and other payables		**(3.0)**	(0.6)
Cash flows from operations		**(3.1)**	1.2
Income tax received/(paid)		**0.2**	(0.1)
Cash flows from operating activities		**(2.9)**	1.1
Investing activities			
Investment in joint ventures		**–**	(0.3)
Acquisition of property, plant and equipment		**(0.8)**	(1.8)
Disposal of subsidiary	3	**11.7**	–
Net costs from store closures		**(0.9)**	(2.0)
Other professional fees		**–**	(0.8)
Cash flows from investing activities		**10.0**	(4.9)
Financing activities			
Interest paid		**–**	(0.1)
Proceeds from exercise of share options		**0.2**	–
Dividends	11	**(0.5)**	–
Cash flows from financing activities		**(0.3)**	(0.1)
Net increase/(decrease) in cash and cash equivalents	25	**6.8**	(3.9)
Cash and cash equivalents at 1 February	25	**9.5**	13.5
Exchange rate fluctuations on cash held	25	**(0.1)**	(0.1)
Cash and cash equivalents at 31 January	25	**16.2**	9.5

The notes on pages 47 to 69 form part of these accounts.

NOTES TO THE GROUP ACCOUNTS

Year ended 31 January 2019

1 Accounting policies

a) Basis of preparation

French Connection Group PLC (the "Company") is a Company domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS"). The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice; these are presented on pages 70 to 75.

The consolidated financial statements have been prepared under the historical cost accounting rules, except for derivative financial instruments measured at fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition Note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has cash resources and as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group ended the year with £16.2m of net cash and no borrowings. Over the cycle of the year the Group had a low cash position of £2.1m. Based on current cash and the Group forecast three year plan which includes detailed cash flow projections for all business channels and sensitivity analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of one year from the date of this report. For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

The preparation of the financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these assumptions. The estimates and assumptions are based on historical experience and are reviewed on an ongoing basis and are disclosed in Note 31. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods in the consolidated financial statements.

There is no significant financial impact on the Group financial statements of the following new standards, amendments and interpretations that are in issue and mandatory for the financial year ending 31 January 2019:

- IFRS 15 'Revenue from Contracts with Customers'.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date 1 January 2019).

The Group will implement IFRS 16 'Leases' for the reporting period ending 31 January 2020 and will adopt the 'modified retrospective' method. The comparative 2019 results under this methodology will not be restated on transition when the standard is applied.

The adoption of the standard will have no impact on the daily operations or cash flows of the Group. However, there will be a material impact on the presentation of the financial statements including the income statement, balance sheet and cash flow.

In summary, IFRS 16 aligns the presentation of leased assets more closely to owned assets resulting in current operating leases being brought onto the balance sheet and part of what is currently reported as operating lease costs being recorded as finance interest expense. Current operating rental lease expense will be replaced by depreciation and interest. The depreciation of the right of use asset will be charged on a straight line basis whilst the interest charged on the outstanding lease liability will be front-loaded and higher in the earlier years decreasing over the life of the lease.

A right of use asset and lease liability will be represented on the balance sheet with the lease liability recognised at the present value of future lease payments. The right of use asset will be matched in value to the lease liability at inception subject to any rent-free or lease inducements. However, the respective assets and liabilities will be charged/(credited) independently over the life of the lease.

At the date of transition the Group anticipates the following impact to the financial statements upon the adoption of the new standard under the 'modified retrospective' approach:

- Right-of-use asset: the Group estimates an asset of approximately £26m, (net of rent inducements and onerous lease provisions).

1 Accounting policies continued

- Lease liabilities: the Group estimates a lease liability of approximately £40m.
- Equity impact: the Group has adopted the 'modified retrospective' method and has accordingly reviewed significant individual leases on a lease-by-lease basis. The Group has subsequently recalculated the respective 'right of use' assets from lease commencement date as if IFRS 16 'fully retrospective' method had been adopted. This will result in a decrease to equity on transition of approximately £8m.

The Group has elected not to recognise right of use assets and liabilities for short-term property leases that have a remaining lease term of less than twelve months and low-value asset leases, including IT equipment and photocopiers. The Group recognises the cost of these leases as an expense to the income statement on a straight-line basis over the lease term.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Amendments to References to Conceptual Framework in IFRS Standards (effective date 1 January 2020).
- IFRS 17 Insurance Contracts (effective date 1 January 2021).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (available for optional adoption).

There are no other standards, amendments or interpretations adopted by the EU that are in issue but not yet effective that are expected to have a significant impact on the Group financial statements.

b) Basis of consolidation

The consolidated financial statements of the Group comprise the accounts of the Company and all its subsidiary undertakings, the accounts of which are all made up to 31 January each year end. The results of companies acquired or disposed of in the year are dealt with from or up to the date control commences or ceases. The net assets of companies acquired are incorporated in the consolidated accounts at their fair values to the Group at the date of acquisition. Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest (including any long-term investments) is reduced to £Nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the entity.

c) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on business combinations represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to the IFRS transition date, 1 February 2004, goodwill is included on the basis of its deemed cost based on the amount recognised under UK GAAP.

Goodwill is stated at cost less any accumulated impairment losses as discussed in Note j) below. Goodwill is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

The impairment calculations use cash flow projections based on actual operating results extrapolated forward for five years. An appropriate pre-tax discount rate has been used in discounting the projected cash flows based on the weighted average cost of capital applicable to the cash generating units concerned. For the purpose of impairment testing, goodwill is allocated to the lowest level of cash generating unit within the Group at which the goodwill is monitored for internal management purposes. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

d) Foreign currency

Transactions effected by companies in foreign currencies are translated into their functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities of companies denominated in currencies other than the functional currency of the Company are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in

1 Accounting policies continued

foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

Long term monetary assets and liabilities receivable from or payable to a foreign operation, the settlement of which is not planned or expected to occur in the foreseeable future, are considered to represent part of the Group's net investment in a foreign operation. Therefore, exchange gains and losses arising from these amounts are included in equity in the foreign currency translation reserve.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than Sterling are translated into Sterling at foreign exchange rates ruling at the balance sheet date. The income and expenses of these subsidiary undertakings are translated into Sterling at the average rates applicable to the period. All resulting exchange differences are taken to reserves. Any exchange differences that have arisen since 1 February 2004 are presented as a separate component of equity within a translation reserve. Such exchange differences taken to reserves as from the date of transition to IFRS are recognised in the income statement upon disposal of the subsidiary.

e) Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts are used to manage the risk associated with purchases denominated in foreign currencies as described in the section entitled Our Business.

Derivative financial instruments are initially measured at fair value. Any changes in the fair value of the forward contracts during the period in which the hedge is in effect are reflected as a component of equity within the hedging reserve to the extent that the hedge is effective. The ineffective part of the hedge is recognised in the income statement immediately.

f) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial instruments are recognised initially at fair value including any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Property, plant and equipment

Property, plant and equipment is stated at cost (which from 1 February 2009 includes capitalised borrowing costs where appropriate) less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Leasehold improvements	: period of the lease
Plant, equipment, fixtures and fittings	: 3 to 10 years

h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Operating leases are leases where substantially all of the risks and rewards of ownership have not been transferred.

i) Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost includes the purchase price of manufactured products, materials, direct labour, transport costs and a proportion of attributable design and production overheads calculated on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow moving or defective items where appropriate.

NOTES TO THE GROUP ACCOUNTS
Continued

1 Accounting policies continued

j) Impairment
The carrying amount of the Group's assets, other than deferred tax assets, are reviewed each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. For tangible fixed assets, the recoverable amount is determined with reference to the cash generating unit to which the asset belongs. The impairment calculations use cash flow projections based on actual operating results extrapolated forward for five years. An appropriate pre-tax discount rate has been used in discounting the projected cash flows based on the weighted average cost of capital applicable to the individual assets concerned. Further details are provided in Note 13.

Impairment policy relating to goodwill is referred to in Note 1c).

k) Revenue
Revenue is measured at the fair value of the consideration received or receivable for goods sold to external customers, less returns and value added tax. The revenue arises from the sale of fashion clothing and accessories. Under IFRS 15, revenue from the sale of goods is recognised in the statement of comprehensive income when the Group transfers control over the goods to its customer. With regards to the nature and timing of satisfaction of performance obligations, for retail sales, this occurs at the time the sale is recorded at the store. For wholesale and ecommerce sales, this normally occurs at the time the goods are despatched from the warehouse. Invoices are generated and revenue is recognised at that point in time. The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data. Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction.

l) Other operating income
Licensing revenue is included within other operating income. Licence income receivable from licensees are accrued as earned on the basis of the terms of the relevant licence agreement, which is typically on the basis of a variable amount based on turnover.

m) Lease payments
Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement on a straight-line basis over the term of the lease.

Rentals receivable under operating leases are included in the income statement on a straight-line basis.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

n) Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Pensions
The Group only has defined contribution pension schemes. Pension costs charged to the income statement represent the amount of contributions payable to defined contribution and personal pension schemes in respect of the period.

p) Share-based payment
The Group operates share option incentive schemes for Directors and key employees. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement is adjusted at each balance sheet date to reflect the number of share options that are expected to vest revised for expected leavers and estimated achievement of non-market based vesting conditions. The Group adopted the exemption to apply IFRS 2 only to equity instruments granted after 7 November 2002.

NOTES TO THE GROUP ACCOUNTS
Continued

1 Accounting policies continued

q) Segment reporting
An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment results represent the underlying operating profits of each division and exclude store disposal and closure costs and tax items. Overheads represent the direct costs of the divisional operations, common overheads shared between the divisions within geographic locations, in particular, the costs of local management, advertising, finance and accounting and Group management overheads including the costs of Group management, legal, insurance and IT costs.

r) Capital management
Details of capital risk management are set out in Note 28 to the Group accounts.

s) Financial risk management
Details of financial risk management are set out in Note 28 to the Group accounts.

t) Guarantees
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of fellow subsidiaries or of third parties, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

u) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

v) Alternative performance measures
The financial statements disclose financial measures which are required under IFRS ('GAAP' measures) and also additional financial measures ('non-GAAP' measures) which the Directors believe are best reflective of how the business is managed and are informative to shareholders in understanding the performance of the business. These include:

- Underlying operating result which excludes adjusting items and discontinued operations.
- Adjusting items are material and non-recurring and include onerous lease and store disposal and closure provisions, material bad debt write-offs and provisions and other professional fees (see Note 9 'Reconciliation of result before tax to underlying operating result').
- Like-for-like sales growth (LFL) is defined as the year-on-year sales growth for owned stores and concessions open more than one year, including ecommerce revenues, removing the impact of closed stores and reported in constant currency.
- Constant currency (CCY) is calculated by translating the year end results at prior year exchange rates to remove the impact of exchange rate fluctuations.
- Underlying overheads consist of LFL store overheads.

2 Operating segments

a) Segment reporting
The Group's operating segments have been determined based on the key monthly information reviewed by the Board of Directors (deemed to be the Chief Operating Decision Maker). The key metric reviewed cover the Retail and Wholesale sectors in totality, with the performance by key geographies also reviewed.

In addition to the information provided below, detailed commentary on the results of Retail and Wholesale, together with an analysis of the geographical performance, can be found in the Financial Review.

2 Operating segments continued

b) Segment revenue and results

Income Statement	2019 £m	Restated* 2018 £m
Revenue		
Retail	**58.4**	65.3
Wholesale	**76.9**	69.7
Group revenue	**135.3**	135.0
Gross profit	**57.2**	57.7
Retail	**55.1%**	54.1%
Wholesale	**32.5%**	32.1%
Group gross margin	**42.3%**	42.7%
Underlying operating (loss)/profit		
Retail	**(10.3)**	(9.7)
Wholesale	**15.2**	12.1
Licence income	**5.8**	6.3
Common and Group overheads	**(9.9)**	(10.1)
Finance expense	**–**	(0.1)
Share of loss from joint ventures	**(0.7)**	(0.6)
Underlying Group operating profit/(loss)**	**0.1**	(2.1)
Underlying operating margin		
Retail	**(17.6)%**	(14.9)%
Wholesale	**19.8%**	17.4%
Underlying Group operating margin	**0.1%**	(1.6)%

c) Geographical information

	2019 £m	Restated* 2018 £m
Revenue		
UK/Europe	**70.7%**	74.2%
North America	**27.2%**	23.3%
Rest of the World	**2.1%**	2.5%
Divisional operating profit/(loss)		
UK/Europe	**2.1**	1.1
North America	**3.7**	2.4
Rest of the World	**(1.3)**	(1.0)
Group overheads and finance income	**(4.4)**	(4.6)
Underlying Group operating profit/(loss)**	**0.1**	(2.1)

* The comparative results have been restated to exclude discontinued operations (see Note 3).

** Underlying Group operating profit/(loss) excludes adjusting items (see Note 9) and discontinued operations.

NOTES TO THE GROUP ACCOUNTS
Continued

2 Operating segments continued

d) Revenue from external customers

	2019 £m	Restated* 2018 £m
UK	**85.1**	85.4
US	**32.5**	27.3
Canada	**4.3**	4.4
Other	**13.4**	17.9
	135.3	135.0

* excludes discontinued operations (see Note 3).

£22.4m (2018: £16.8m) of revenue relates to one single customer, which represents more than 10% of total revenues of £135.3m (2018: £135.0m). This is included in the total wholesale revenue segment of £76.9m (2018 restated: £69.7m).

e) Non-current assets

	2019 £m	2018 £m
UK	**6.8**	7.7
US	**0.1**	0.1
Other	**1.9**	2.9
	8.8	10.7

3 Discontinued operations

On 30 April 2018, French Connection Group PLC together with the 25% interest minority shareholders, sold the entire issued share capital of Toast (Mail Order) Limited to Bestseller United A/S for gross proceeds of £23.3 million, comprising consideration of £21.3 million and a pre-completion dividend of £2.0 million. After the payment of management exit awards and transaction costs, the Group received net proceeds of £13.2m comprising cash of £11.7m and £1.5m dividend (75% share) utilised to pay down intercompany debt.

At 30 April 2018, the Toast subsidiary comprised net assets of £2.1 million, of which French Connection Group PLC directly owned £1.5 million being 75% of the net assets. Further, French Connection will support the transition of the Toast business into new ownership by providing support office functions and other transitional services for up to two years at no cost to the Purchaser. £0.4 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 by French Connection Group PLC as part of the profit on disposal.

The transaction has generated a total profit on sale of £9.7 million.

Results of discontinued operations

	Year ended 31 Jan 2019 £m	Year ended 31 Jan 2018 £m
Revenue	**3.3**	19.0
Expenses	**(3.8)**	(17.5)
Results from operating activities before tax	**(0.5)**	1.5
Taxation	**0.1**	(0.4)
Results from operating activities, net of tax	**(0.4)**	1.1
Profit on sale of discontinued operations	**9.7**	–
Effect on profit for the period	**9.3**	1.1

3 Discontinued operations continued

Effect of disposal of the Toast subsidiary on the financial position of the Group	31 Jan 2019 £m
Fixed assets	(0.2)
Deferred tax	(0.3)
Inventories	(3.4)
Trade and other receivables	(0.8)
Cash	(0.2)
Trade and other payables	2.8
Net assets and liabilities	**(2.1)**
Minority interest (25%)	0.6
Net assets and liabilities disposed	**(1.5)**
Goodwill on acquisition of subsidiary written off	(0.1)
Cash consideration net of costs of disposal	11.7
Provisions for cost of transitional services	(0.4)
Profit on sale	**9.7**

Cash flows used in discontinued operations	Year ended 31 Jan 2019 £m	Year ended 31 Jan 2018 £m
Net cash from operating activities	**(1.4)**	1.9
Net cash from financing activities	**(2.0)**	–
Net cash utilised in discontinued operations	**(3.4)**	1.9

Included within financing activities is the pre-completion dividend of £2.0 million, of which £0.5 million was paid to the 25% interest minority shareholders.

4 Revenue and gross margin

	Continuing operations		Discontinued operations*		Consolidated operations	
Sale of goods	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Revenue	**135.3**	135.0	**3.3**	19.0	**138.6**	154.0
Gross margin	**57.2**	57.7	**2.4**	11.9	**59.6**	69.6

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

* see discontinued operations Note 3.

5 Operating expenses

	2019 £m	Restated* 2018 £m
Selling and distribution costs	**63.1**	58.1
Administration costs	**8.5**	9.0
	71.6	67.1

* excludes discontinued operations (see Note 3). Included with discontinued operations are £2.9m (2018: £10.4m) of operating expenses.

Included within selling and distribution costs are adjusting items of £9.4m (2018: £1.7m) (see Note 9).

6 Other operating income

	2019 £m	2018 £m
Licensing income	**5.8**	6.3

7 Staff numbers and costs

The average number of people employed by the Group during the year, including Directors, was as follows:

	2019 Number	2018 Number
Selling, distribution and retail	**1,073**	1,287
Design, development and production management	**148**	176
Administration	**109**	136
	1,330	1,599

The aggregate payroll costs of these people were as follows:

	2019 £m	2018 £m
Wages and salaries	**27.0**	31.0
Social security costs	**2.2**	2.6
Defined contribution pension costs	**0.4**	0.5
	29.6	34.1

Included within the total staff cost above is the remuneration of the Directors totalling £1.0m (2018: £1.0m). Details of Directors' remuneration, share options and pension entitlements are disclosed in the Directors' Remuneration Report. Details of pension costs are disclosed in Note 30 to the Group accounts.

8 Finance income and expense

Recognised in the income statement	2019 £m	2018 £m
Finance expense	**–**	0.1

NOTES TO THE GROUP ACCOUNTS
Continued

9 Profit/(loss) before taxation
The Group profit/(loss) before taxation is stated after charging/(crediting) the following:

	2019 £m	2018 £m
Fees payable to the Company's auditors and its associates in respect of		
the audit of the Group's annual accounts	0.1	0.1
the audit of the Company's subsidiaries, pursuant to legislation	0.1	0.1
Depreciation and impairment of owned assets	1.2	1.3
Store closure and onerous lease provisions	6.6	0.9
Operating lease rentals		
Plant and machinery	0.3	0.3
Leasehold properties	16.7	18.7
Rent receivable	(2.7)	(2.7)

The auditor's remuneration in respect of the audit of the Company was £37,000 (2018: £37,000).

During the year, the fees payable to the auditors and their associates for non-audit services was £178,000 (2018: £3,000) in respect of advisory services (£175,000 (2018: £Nil)) and royalty and turnover reviews (£3,000 (2018: £3,000)).

Reconciliation of loss before tax to underlying operating profit/(loss)	Year ended 31 Jan 2019 £m	Year ended 31 Jan 2018 £m
Loss before tax	(9.3)	(3.8)
Adjusting items:		
Provisions for bad debts and bad debt write-offs	2.8	–
Provisions for onerous leases and store disposals (Note 20)	6.6	0.9
Other professional fees	–	0.8
	9.4	1.7
Underlying operating profit/(loss)	0.1	(2.1)

Provisions for bad debts, net of VAT recoverable, of £2.0m have been expensed in the period relating to unpaid contractual debt due from our Indian licensing partner. £0.8m due from a UK concession partner in administration has been written off as a bad debt.

Provisions for onerous leases and store disposals of £5.9m (see Note 20) have been recognised in the period relating to UK stores whereby the future contractual obligation costs exceed the economic benefits forecast to be received. In addition, a charge of £0.7m has been expensed in the current period relating to store closure costs.

NOTES TO THE GROUP ACCOUNTS
Continued

10 Taxation

a) Recognised in the statement of comprehensive income

	2019 £m	2018 £m
Current tax		
Overseas tax	–	0.2
Adjustment in respect of previous periods	–	–
	–	0.2
Deferred tax – origination and reversal of		
UK temporary differences	–	(0.2)
Effect of change in tax rates	–	–
	–	(0.2)
Tax on profit/(loss) (Note 10b)	–	–

The comparative prior year charge includes £(0.4)m tax credit relating to continuing operations and £0.4m tax charge in respect of discontinued operations (see Note 3).

b) Factors affecting tax charge for year

The tax charged for the year is different to the standard 19% (2018: 19.16%) rate of corporation tax in the UK. The differences are explained below:

	2019 £m	2018 £m
Profit/(loss) before taxation	–	(2.3)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19.16%)	–	(0.4)
Effects of :		
Expenses not deductible	0.1	0.2
Profit on sale of subsidiary	(1.8)	–
Trading losses carried forward not recognised	1.7	–
Share of joint venture tax credit which has been netted off within share of loss of joint ventures	0.1	0.1
Difference in effective tax rates on overseas earnings	(0.1)	0.1
Total tax charge for the year (Note 10a)	–	–

The effective tax rate in the future will be affected by the proportion of any profits or losses generated in the different tax jurisdictions and the ability to utilise past tax losses. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 January 2019 has been calculated based on these rates.

c) Income tax recognised in other comprehensive income

	Before tax 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m	Before tax 2018 £m	Tax charge 2018 £m	Net of tax 2018 £m
Currency translation differences on foreign overseas operations	0.5	–	0.5	(0.9)	–	(0.9)
Currency translation differences on foreign currency loans	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Effective portion of changes in fair value of cash flow hedges	0.1	–	0.1	–	–	–
	0.4	–	0.4	(1.0)	–	(1.0)

11 Dividends – equity

The Board is proposing that no dividend should be paid for the year (2018: £Nil). Dividends of £0.5m were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2018: £Nil).

12 Earnings/(losses) per share

Basic and diluted earnings/(losses) per share are calculated on 96,404,508 (2018: 96,253,134) shares being the weighted average number of ordinary shares during the year.

Basic and diluted earnings per share of 0.1 pence per share (2018: losses of (2.7) pence) is based on profit of £0.1m (2018: loss of £(2.6)m) attributable to equity shareholders.

On continuing operations the basic losses per share of (9.6) pence per share (2018: (3.5) pence) is based on losses of £(9.3)m (2018: £(3.4)m) relating to continuing operations.

On discontinued operations the basic earnings per share of 9.7 pence per share (2018: 0.8 pence) is based on profits of £9.4m (2018: £0.8m) relating to discontinued operations.

The reconciliation from basic and diluted earnings/(losses) per share to adjusted losses per share is as follows:

	2019 £m	**2019 pence per share**	2018 £m	2018 pence per share
Profit/(loss) attributable to equity shareholders	**0.1**	**0.1p**	(2.6)	(2.7)p
Profit on sale of subsidiary	**(9.7)**	**(10.0)p**	–	–
Adjusting items (Note 9)	**9.4**	**9.7p**	1.7	1.8p
Adjusted loss	**(0.2)**	**(0.2)p**	(0.9)	(0.9)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.

13 Intangible assets

Goodwill	**2019 £m**	2018 £m
Cost		
At 1 February	**14.3**	14.3
Disposal of subsidiary	**(0.2)**	–
At 31 January	**14.1**	14.3
Impairment		
At 1 February and 31 January	**13.9**	13.9
Net book value at 31 January	**0.2**	0.4

14 Property, plant and equipment

2019	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2018	6.0	41.4	47.4
Currency movements	0.2	0.3	0.5
Additions	–	0.8	0.8
Disposals	(0.6)	(7.9)	(8.5)
At 31 January 2019	**5.6**	**34.6**	**40.2**
Depreciation			
At 1 February 2018	5.7	38.5	44.2
Currency movements	0.2	0.3	0.5
Charge for year	0.1	1.1	1.2
Disposals	(0.6)	(7.6)	(8.2)
At 31 January 2019	**5.4**	**32.3**	**37.7**
Net book value			
At 31 January 2019	**0.2**	**2.3**	**2.5**
At 31 January 2018	0.3	2.9	3.2

The Group has no plant and equipment held under finance leases in both the current and prior years and no depreciation was charged during either year.

Property, plant and equipment with a net book value of £0.3m (2018: £Nil) was disposed of during the year including £0.2m net book value relating to the sale of the Toast subsidiary (see discontinued operations Note 3). The residual net book value was disposed of for £Nil proceeds (2018: £Nil) resulting in a loss on disposal of £0.1m (2018: £Nil) which was expensed to store closure costs.

The Group has £33.3m (2018: £34.9m) of gross assets with a £Nil net book value.

15 Investments
The Group's investments in joint ventures are as follows:

	2019 £m	2018 £m
Share of current assets	**2.0**	3.6
Share of non-current assets	**0.2**	0.4
Share of current liabilities	**(0.4)**	(1.5)
	1.8	2.5
Share of revenue	**2.0**	3.0
Share of expense	**(2.7)**	(3.6)
	(0.7)	(0.6)

The investments are accounted for using the equity method of accounting.

NOTES TO THE GROUP ACCOUNTS
Continued

16 Inventories

	2019 £m	2018 £m
Raw materials and work in progress	**0.1**	0.2
Finished goods	**28.3**	31.6
	28.4	31.8

During the year, inventory write-downs of £2.4m (2018: £2.7m) were expensed within cost of sales. The amount of inventory recognised as an expense within cost of sales during the current year is £66.9m (2018: £72.7m).

All inventory is valued at the lower of cost and net realisable value. There is no inventory carried at fair value less costs to sell either in the current or prior year.

17 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**15.7**	14.1
Other receivables	**0.8**	1.0
Prepayments and accrued income	**7.6**	11.0
	24.1	26.1

No receivables are due in more than one year and are non-interest bearing. Standard credit terms provided to customers differ, but are typically between 30 and 60 days.

Included within trade and other receivables is a bad debt provision of £2.5m (2018: £0.2m) including £2.0m unpaid contractual debt due from our Indian licensing partner. During the year £0.8m (2018: £0.0m) of bad debt write-offs were incurred relating to a UK concession partner in administration.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 28.

18 Cash and cash equivalents

	2019 £m	2018 £m
Cash and cash equivalents in the balance sheet and cash flow	**16.2**	9.5

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 28.

19 Current trade and other payables

	2019 £m	2018 £m
Trade payables	**13.4**	15.5
Other taxation and social security	**1.3**	3.7
Accruals and deferred income	**10.7**	11.8
	25.4	31.0

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

20 Provisions

	Store disposals 2019 £m	Onerous leases 2019 £m	Total 2019 £m	Total 2018 £m
Balance at 1 February	0.3	–	0.3	1.4
Utilised during the year	(0.3)	–	(0.3)	(1.4)
Charged during the year	0.7	5.2	5.9	0.3
Balance at 31 January	0.7	5.2	5.9	0.3

Provisions are recorded to reflect the estimated committed closure costs of identified underperforming retail stores including onerous leases whereby the future contractual obligations exceed the forecast economic benefits. The associated costs are forecast to be incurred over the remaining lease period. Total charge during the year has been expensed to adjusting items (see Note 9) in the income statement. Closing provision of £5.9m includes non-current liabilities due after more than one year of £3.5m (2018: £Nil).

21 Current tax payable

	2019 £m	2018 £m
Overseas tax	–	–

22 Deferred tax

Deferred tax assets are attributable to the following:

Recognised	2019 £m	2018 £m
Trading losses	2.0	2.0
Property, plant and equipment	2.2	2.5
Other timing differences	0.1	0.1
	4.3	4.6

The deferred tax asset was reduced by £0.3m during the year relating to the sale of the Toast subsidiary (see discontinued operations Note 3).

In addition, the Group has unused tax trading losses with a potential value of £10.5m (2018: £11.8m), which have not been recognised as a deferred tax asset. As the Group returns to profit, these tax losses can be utilised.

Not recognised	2019 £m	2018 £m
Trading losses	10.5	11.8
Property, plant and equipment	0.3	0.4
Other timing differences	2.0	1.2
	12.8	13.4

NOTES TO THE GROUP ACCOUNTS
Continued

23 Share capital and share options

Ordinary shares of 1 pence each	2019 Number	2019 £m	2018 Number	2018 £m
Allotted, called up and fully paid shares at the beginning and end of the year	**96,612,934**	**1.0**	96,253,134	1.0

Ordinary shareholders have rights to dividends.

At 31 January 2019, the following equity settled options have been granted and remain outstanding in respect of ordinary shares of 1p each in the Company:

Date of grant	Options	Option price	Contractual life of options
19 October 2015 (vested 19 October 2018)	150,000	32.50p	10 years
4 July 2016	537,736	35.33p	10 years

Share options granted are subject to detailed performance conditions. The performance conditions for the outstanding option grants are based on a target profit before tax and hurdles are set in order to reward strong financial performance. Options which do not vest following the application of the performance conditions lapse and become unavailable for exercise. More details of the share option scheme can be found in the Directors' Remuneration Report.

	Weighted average exercise price	Number of options 2019	Weighted average exercise price	Number of options 2018
Outstanding at the beginning of the period	**48.97p**	**2,044,236**	49.36p	2,161,256
Forfeited during the period	**–**	**–**	56.20p	(117,020)
Lapsed during the period	**56.20p**	**(996,700)**	–	–
Exercised during the period	**56.20p**	**(359,800)**	–	–
Outstanding at the end of the period	**34.72p**	**687,736**	48.97p	2,044,236

The number of share options exercisable at the year end is 150,000 (2018: 1,356,500).

The fair value of the share options granted is not considered to be material to the accounts in the current year.

24 Reconciliation of decrease in cash to movement in net funds

	2019 £m	2018 £m
Change in net funds from cash flows	**6.8**	(3.9)
Translation differences	**(0.1)**	(0.1)
Net funds at beginning of year	**9.5**	13.5
Net funds at end of year	**16.2**	9.5

25 Analysis of net funds

	1 February 2018 £m	Cash flow £m	Non cash changes £m	31 January 2019 £m
Cash and cash equivalents in the balance sheet and cash flow	**9.5**	**6.8**	**(0.1)**	**16.2**
Net funds	**9.5**	**6.8**	**(0.1)**	**16.2**

26 Commitments

Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2019 for which no provision has been made in these accounts, were as follows:

	Leasehold property		Other	
Operating leases which expire:	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Within one year	**12.7**	16.3	**0.2**	0.3
Within two to five years	**24.9**	29.3	**0.1**	0.2
After five years	**7.3**	6.9	**–**	–
	44.9	52.5	**0.3**	0.5

Aggregate future rentals receivable under non-cancellable operating leases at 31 January 2019 for which no accrual has been made in these accounts were as follows:

	Leasehold property	
Operating leases which expire:	**2019 £m**	2018 £m
Within one year	**0.7**	3.1
Within two to five years	**1.3**	8.3
After five years	**–**	4.0
	2.0	15.4

At 31 January 2019 the Group had contracted capital commitments not provided for in the accounts of £0.1m (2018: £0.1m).

At 31 January 2019 the Group had commitments on foreign exchange contracts amounting to £Nil (2018: £5.6m). In addition, the Group had commitments in respect of letters of credit of £Nil (2018: £Nil).

27 Contingent liabilities

The Group has a number of sublet and assigned properties. In the event that the tenants of these properties default, the Group may be liable. At the year end, the total annual commitment amounted to £0.5m (2018: £0.5m).

28 Financial instruments

Details of financial risk management, treasury policies and use of financial instruments are set out in the section entitled 'Principal risks and uncertainties' within Our Business.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash position on a regular basis through the use of regularly updated cash flow forecasts, and believes that it has sufficient and appropriate net funds and facilities available.

Interest rate risk

The Group does not use interest rate financial instruments. The Group regularly monitors and reacts accordingly to any exposure to fluctuations in interest rates and the impact on its monetary assets and liabilities.

Foreign currency risk

The Group is exposed to foreign currency risks on sales, purchases and cash holdings that are denominated in a currency other than Sterling. The currency giving rise to this risk is primarily the Hong Kong Dollar. The Group's policy is to reduce the risk associated with purchases denominated in foreign currencies, by using forward fixed rate currency purchase contracts up to a maximum of one year forward, taking into account any forecast foreign currency cash flows.

In respect of other monetary assets and liabilities held in currencies other than the Hong Kong Dollar, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's policy is not to hedge the translational exposure that arises on consolidation of the statement of income at overseas subsidiaries.

28 Financial instruments continued

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's main credit risk is primarily attributable to its trade receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. At the balance sheet date, there were no significant concentrations of credit risk by customer or by geography. Quantitative analysis of credit risk to receivables is presented below.

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with an existing relationship bank with strong investment grade rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2019 £m	2018 £m
Trade and other receivables	16.5	15.1
Cash and cash equivalents	16.2	9.5
	32.7	24.6

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	Carrying amount	
	2019 £m	2018 £m
UK/Europe	13.2	10.8
North America	2.1	2.2
Hong Kong	1.2	2.1
	16.5	15.1

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2019 £m	2018 £m
Wholesale customers	15.7	14.1

The ageing of gross trade receivables at the reporting date was:

	Gross 2019 £m	Impairment 2019 £m	Gross 2018 £m	Impairment 2018 £m
Current	12.4	–	10.5	–
30 days	1.4	–	2.0	–
60 days	0.9	–	0.8	–
More than 60 days	2.2	(1.2)	1.0	(0.2)
	16.9	(1.2)	14.3	(0.2)

An impairment has been recorded against the trade receivables that the Group believes may not be recoverable.

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

28 Financial instruments continued

Exposure to credit risk continued

There movement in the impairment provision in respect of trade receivables during the year was as follows:

	2019 £m	2018 £m
At 1 February	**0.2**	0.2
Movement during the year	**1.0**	–
At 31 January	**1.2**	0.2

Included within other receivables and accrued income is an impairment provision of £1.3m (2018: £Nil) (see Note 17).

Interest rate profile of financial assets

The interest rate profile of the financial assets of the Group at 31 January 2019 was as follows:

	Financial assets on which no interest is received		Floating rate financial assets		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Sterling	**0.1**	0.1	**8.6**	6.0	**8.7**	6.1
US Dollar	**–**	–	**5.2**	1.4	**5.2**	1.4
Hong Kong Dollar	**–**	–	**0.6**	0.5	**0.6**	0.5
Other	**–**	–	**1.7**	1.5	**1.7**	1.5
Total	**0.1**	0.1	**16.1**	9.4	**16.2**	9.5

Financial assets comprise cash and short term deposits. The effective interest rate on floating rate financial assets during the year was 0.1% (2018: 0.1%).

There were no fixed rate or floating rate financial liabilities at the end of the current or prior year. The effective interest rate on floating rate financial liabilities during the year was 10.6% (2018: 8.5%).

Currency exposure

Net monetary assets and liabilities of the Group that are not denominated in the local functional currency were as follows:

31 January 2019 Net foreign currency monetary assets/(liabilities)	**Sterling £m**	**US Dollar £m**	**Canadian Dollar £m**	**Hong Kong Dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Trade and other receivables	1.4	0.3	–	–	0.7	0.1	**2.5**
Cash and overdraft	0.2	4.2	–	–	0.8	0.1	**5.3**
Trade and other payables	(0.2)	(3.1)	–	–	(0.4)	–	**(3.7)**
Intercompany balances	(0.1)	(1.2)	13.0	(5.9)	7.9	–	**13.7**
Total	**1.3**	**0.2**	**13.0**	**(5.9)**	**9.0**	**0.2**	**17.8**

31 January 2018 Net foreign currency monetary assets/(liabilities)	Sterling £m	US Dollar £m	Canadian Dollar £m	Hong Kong Dollar £m	Euro £m	Other £m	Total £m
Trade and other receivables	1.4	1.3	–	–	0.9	0.1	**3.7**
Cash and overdraft	0.1	0.7	–	–	0.7	0.1	**1.6**
Trade and other payables	(0.2)	(2.4)	–	–	(0.6)	–	**(3.2)**
Intercompany balances	–	0.2	12.3	(4.6)	8.9	–	**16.8**
Total	**1.3**	**(0.2)**	**12.3**	**(4.6)**	**9.9**	**0.2**	**18.9**

Forward foreign exchange contracts have not been taken into consideration above. As at 31 January 2019, the Group has committed forward foreign exchange contracts of £Nil (2018: £5.6m).

28 Financial instruments continued

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	**2019**	2018
US Dollar	**1.327**	1.304	**1.315**	1.422
Canadian Dollar	**1.728**	1.683	**1.728**	1.745
Hong Kong Dollar	**10.403**	10.166	**10.322**	11.123
Euro	**1.130**	1.140	**1.146**	1.142

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies at 31 January would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant. This analysis is performed on the same basis for the prior year.

	Equity 2019 £m	Profit and loss 2019 £m	Equity 2018 £m	Profit and loss 2018 £m
US Dollar	**–**	**–**	–	–
Canadian Dollar	**(1.1)**	**(0.1)**	(1.1)	(0.2)
Hong Kong Dollar	**0.4**	**0.1**	0.3	0.1
Euro	**(0.5)**	**(0.4)**	(0.5)	(0.5)
	(1.2)	**(0.4)**	(1.3)	(0.6)

Borrowing facilities

Working capital and letter of credit facilities of £0.8m were available to the Group at 31 January 2019 (31 January 2018: £1.7m). The facilities are subject to an annual review and were most recently renewed in January 2019. The Group also has bank guarantees of £0.7m at 31 January 2019 (2018: £0.7m) which are secured by a fixed and floating charge over the assets of the Company.

Fair values

The fair value of the Group's financial instruments at 31 January 2019 were as follows:

	31 January 2019		31 January 2018	
	Carrying amount £m	Estimated fair value £m	Carrying amount £m	Estimated fair value £m
Primary financial instruments used to finance the Group's operations:				
Cash and cash equivalents	**16.2**	**16.2**	9.5	9.5
Trade receivables	**15.7**	**15.7**	14.1	14.1
Trade payables	**(13.4)**	**(13.4)**	(15.5)	(15.5)
Derivative financial instruments	**–**	**–**	(0.1)	(0.1)

The fair value of forward exchange contracts outstanding as at 31 January 2019 is £Nil (2018: liability of £(0.1)m). £0.1m (2018: £Nil) has been credited to the hedging reserve during the year.

These contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

The fair value of derivative financial instruments is determined using discounted cash flow techniques based on readily available market data and represent a Level 2 measurement in the fair value hierarchy under IFRS 7. Level 2 is defined as inputs other than quoted prices in active markets that are observable for the asset or liability.

NOTES TO THE GROUP ACCOUNTS
Continued

28 Financial instruments continued

Capital management

The capital structure of the Group consists of net funds and equity attributable to the equity holders of the parent Company, comprising issued share capital, reserves and retained earnings. The Group manages its capital with the objective that all entities within the Group continue as going concerns. The Group is not subject to any externally imposed capital management.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To achieve this the Board of Directors monitors the balance sheet, the working capital, the cash flows and the level of dividends paid to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

At the year end, employees, including the Chairman, hold 41.5% (2018: 41.7%) of ordinary shares. Share options have been issued amounting to 0.7% (2018: 2.1%) of the issued share capital.

The Company will request permission from shareholders if deemed necessary to purchase its own shares.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 Directors' interests and related party transactions

The Group made sales of £0.2m (2018: £0.4m) to FCUK IT Company and £0.2m (2018: £0.3m) to FCIT China Limited during the year, both of which are joint ventures. The closing liabilities due from the respective joint ventures are £0.3m (2018: £0.3m) and £0.1m (2018: £0.6m). The Group invested an additional £0.3m in FCUK IT Company during the prior year.

There are no related party transactions between French Connection Group PLC and the non-controlling interest subsidiary undertakings.

The Group was invoiced for property costs relating to 202 Westbourne Grove, London and recharged these costs to SAM Corporation Limited. Stephen Marks, Chairman and Chief Executive of French Connection Group PLC is a Director of French Connection Group PLC and is the sole shareholder of SAM Corporation Limited. The total cost invoiced and recharged during the year was £730,549 and was conducted at arm's length. The total amount due to French Connection Group PLC at 31 January 2019 from SAM Corporation Limited was £686,462.

The Group made sales/(purchases) of £1,191,184 to Sportsdirect.com Retail Limited, £14,377 to Cruise Clothing Limited, £109,476 Van Mildert (Lifestyle) Limited. £4,160,459 to House of Fraser and £(9,262) from Heatons Ireland during the year which were conducted at arm's length. The ultimate controlling party of these companies is M J W Ashley, who is also a majority shareholder of Sports Direct International PLC. Sports Direct International PLC has a 26% shareholding in French Connection Group PLC. The total amount due to/(from) French Connection Group PLC at 31 January 2019 was £336,162 from Sportsdirect.com Retail Limited, £5,414 from Cruise Clothing Limited, £40,075 from Van Mildert (Lifestyle) Limited, £846,561 from House of Fraser Limited and £11,114 to Heatons Ireland.

At 31 January 2019, Stephen Marks, Chairman and Chief Executive had an interest in 40,094,190 ordinary shares (2018: 40,094,190) of which 2,281,500 shares (2018: 2,281,500) were held by family members or in family trusts, representing in aggregate 41.5% (2018: 41.7%) of the total issued ordinary share capital of the Company. Details of the Directors' remuneration, being the key management personnel, are disclosed in the Directors' Remuneration Report.

30 Pension costs

The Group operates a Group defined contribution scheme and contributes towards a number of personal pension plans. The assets of these schemes are held separately from those of the Group in independently administered funds.

The pension cost charge for the year was £0.4m (2018: £0.5m). At 31 January 2019 and 31 January 2018 there were no outstanding amounts payable to the schemes.

NOTES TO THE GROUP ACCOUNTS
Continued

31 Accounting estimates and judgements
In preparing these consolidated financial statements, management has made judgements and estimates that affect application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements
Information about judgments made in applying the accounting policies that have the most significant effects on the amounts recognised in the financial statements:

– Consolidation – Whether the Group has de-facto control over the investee

– Lease classification

b) Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties at 31 January 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are included below:

Inventory valuation – the Directors have used their knowledge and experience of the fashion industry in determining the level and rates of provisioning required to calculate the appropriate inventory carrying values. Inventory is carried in the financial statements at the lower of cost and net realisable value. Sales in the fashion industry can be extremely volatile and consumer demand changing significantly based on current trends. As a result there is a risk that the cost of inventory exceeds its net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate. Provisions are calculated on a seasonal basis taking into consideration the various channels that are available to the Group to sell existing inventory and the estimated prices that can be achieved based on historical data.The provision estimate is not considered to have a range of potential outcomes that is significantly different to the recognised amount.

Deferred tax – the Directors have used their knowledge and experience of the fashion industry to prepare budgets and forecasts to support the recognition of the deferred tax asset to the extent that is probable that future taxable profits will be available against which the asset can be utilised. The support of the deferred tax asset has been tested in conjunction with the Group’s viability statement and relevant sensitivity analysis. The amount of deferred tax recognised and unrecognised is presented in Note 22.

Onerous leases – the Directors have used their knowledge and experience of the retail industry in determining the level and rates of provisioning required to calculate the appropriate onerous lease provision. Latest budgets and forecasts prepared have been used to identify the onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the forecast economic benefits, and that stores identified are more likely than not to close. The support of the provision has been tested in conjunction with the Group’s viability statement. Significant assumptions made include estimations regarding the period of trading as well as changes to future sales, gross margin and operating costs, in addition to potential sublets of properties (including estimation of the nature, timing and value). The onerous lease provision recognised is disclosed in Note 20. The provision estimate is not considered to have a range of potential outcomes that is significantly different to the recognised amount.

32 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 January 2019 is disclosed below. Unless otherwise stated, each of the subsidiary undertakings is wholly owned through ordinary shares by French Connection Group PLC. All of the subsidiary undertakings are included within the consolidated financial statements. All trading companies are engaged in the principal activities of the Group, as defined in the Director's report.

Company and Address	Country of Incorporation, Registration and Operation	Principal Activity
French Connection Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Brand management and licensing
French Connection UK Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Supply of fashion merchandise
French Connection (London) Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Supply of fashion merchandise
Contracts Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Supply of fashion merchandise
French Connecion Ecommerce International Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Supply of fashion merchandise
French Connection (Hong Kong) Limited Room 01, 22/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Hong Kong	British Virgin Islands (operates in Hong Kong)	Supply of fashion merchandise
French Connection No 2 pour Hommes Sàrl * 23 Rue Jean Jacques Rousseau, 75001 Paris, France	France	Supply of fashion merchandise
PreTex Textilhandels GmbH * 53 Cecilienallee, 40474 Düsseldorf, Germany	Germany	Supply of fashion merchandise
French Connection Group, Inc. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Supply of fashion merchandise
Louisiana Connection, Ltd. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Supply of fashion merchandise
Roosevelt Connection, Ltd. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Supply of fashion merchandise
Soho Connection, Ltd. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Supply of fashion merchandise
Westwood Connection, Ltd. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Supply of fashion merchandise
French Connection (Canada) Limited (75%) Suite 406A, 111 Peter Street, Toronto, Ontario, Canada	Canada	Supply of fashion merchandise
YMC Limited (75%) First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Supply of fashion merchandise
FCUK IT Company (50% partnership) * + 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Hong Kong	Supply of fashion merchandise
FCIT China Limited (50%) * + 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Hong Kong	Supply of fashion merchandise
Glory Premium Limited (50%) * + 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Hong Kong	Supply of fashion merchandise
FCIT Macau Limited (50%) * + 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Macau	Supply of fashion merchandise
Kenchart Apparel (Shanghai) Limited (50%) + Room H625, Floor 6, H District (East Building), No.666 East Beijing Road, Huang pu District, Shanghai, China	China	Supply of fashion merchandise
The French Connection Overseas Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Holding Company
French Connection (China) Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Holding Company
French Connection Holdings, Inc. 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Holding Company
French Connection Retail Sweden AB * Box 1062, 101 39 Stockholm, Sweden	Sweden	Dormant
Western Jean Company Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Dormant
Efsel Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Dormant
NF Restaurants Limited First Floor, Centro One, 39 Plender Street, London, NW1 0DT, England	England	Dormant
NF Trading LLC 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Dormant
Water Tower Connection, Ltd. * 18410 Jamaica Avenue, 3rd Floor, Hollis, New York 11423, USA	USA	Dormant

* Shares are held by subsidiary undertakings

+ Joint ventures accounted for using the equity method

COMPANY BALANCE SHEET

At 31 January 2019

	Note	2019 £m	2018 £m
Non-current assets			
Tangible assets	3	**0.5**	0.4
Investments	4	**36.0**	37.2
Deferred tax assets	7	**0.3**	0.3
		36.8	37.9
Current assets			
Debtors	5	**0.6**	0.5
Cash at bank and in hand		**–**	–
		0.6	0.5
Current liabilities			
Creditors	6	**(10.2)**	(18.4)
Derivative financial liabilities		**–**	(0.1)
		(10.2)	(18.5)
Net current liabilities		**(9.6)**	(18.0)
Net assets		**27.2**	19.9
Capital and reserves			
Called-up share capital	8	**1.0**	1.0
Share premium account	8	**9.8**	9.6
Profit and loss account	8	**16.4**	9.4
Hedging reserve	8	**–**	(0.1)
Equity shareholders' funds		**27.2**	19.9

The notes on pages 72 to 75 form part of these accounts.

These accounts were approved by the Board of Directors on 3 April 2019 and were signed on its behalf by:

Neil Williams
Director

Lee Williams
Director

Company Number: 1410568

STATEMENT OF CHANGES IN EQUITY

At 31 January 2019

	Share capital £m	Share premium £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 31 January 2017	**1.0**	**9.6**	**(0.1)**	**16.7**	**27.2**
Loss for the year ended 31 January 2018				(7.3)	**(7.3)**
Balance at 31 January 2018	**1.0**	**9.6**	**(0.1)**	**9.4**	**19.9**
Profit for the year ended 31 January 2019				5.5	**5.5**
Dividends received during the year from subsidiaries				1.5	**1.5**
Effective portion of changes in fair value of cash flow hedges			0.1		**0.1**
Share options exercised		0.2			**0.2**
Balance at 31 January 2019	**1.0**	**9.8**	**–**	**16.4**	**27.2**

NOTES TO THE COMPANY ACCOUNTS

1 Accounting policies

a) Basis of preparation

French Connection Group PLC (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The results of the Company are included in the consolidated financial statements of French Connection Group PLC.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- capital management disclosures (IAS 1);
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements of French Connection Group PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument.

b) Basis of accounting

The accounts have been prepared under the historical cost accounting rules, except for derivative financial instruments measured at fair value, and in accordance with applicable accounting standards. As permitted by Section 408 of the Companies Act 2006, the profit and loss account under FRS 101 of the Company is not presented.

c) Depreciation

Depreciation is provided to write off the cost less estimated residual value of fixed assets by equal annual instalments over their useful lives, which are estimated to be as follows:

Plant, equipment, fixtures and fittings : 3 to 10 years

d) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision has been made for deferred taxation arising from timing differences between the recognition of income and expenditure for taxation and accounting purposes. Deferred tax amounts are not discounted.

e) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Transactions in the period are translated into Sterling at the rates of exchange ruling on the date of transaction or at hedged rates. Resulting exchange differences are taken to the profit and loss account. Forward fixed rate currency purchase contracts are used.

f) Leased assets

Operating lease rentals are charged to the profit and loss account in the period to which they relate. Rentals receivable under operating leases are included in the profit and loss account on an accruals basis. There are no finance leases in the current year.

g) Pension cost

Pension costs charged to the profit and loss account represent the amount of contributions payable to defined contribution and personal pension schemes in respect of the period.

h) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity trade and other receivables, cash and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less any impairment losses.

NOTES TO THE COMPANY ACCOUNTS
Continued

h) Non-derivative financial instruments continued
A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i) Investments
Investments are stated at cost less provision for impairment.

j) Share capital
When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. The cost of own shares purchased to satisfy the exercise of employee share options is charged to total equity and the proceeds of their reissue are credited to total equity.

k) Dividends on shares presented within shareholders' funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

l) Guarantees
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of fellow subsidiaries or of third parties, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2 Staff numbers and operating costs
All Directors and staff are employed by French Connection (London) Limited, a subsidiary undertaking. Details of staff numbers and costs are shown in that Company's accounts. Directors' remuneration is disclosed in the Directors' Remuneration Report.

The audit fee of the Company is disclosed in Note 9 to the Group accounts.

3 Property, plant and equipment

	Plant equipment fixtures and fittings £m
Cost or valuation	
At 1 February 2018	2.9
Additions	0.3
Disposals	(0.1)
At 31 January 2019	**3.1**
Depreciation	
At 1 February 2018	2.5
Charge for year	0.2
Disposals	(0.1)
At 31 January 2019	**2.6**
Net book value	
At 31 January 2019	**0.5**
At 31 January 2018	0.4

NOTES TO THE COMPANY ACCOUNTS
Continued

4 Investments
The Company's investments in subsidiary undertakings is as follows:

	Total £m
Cost	
At 1 February 2018 and at 31 January 2019	**157.2**
Provision	
At 1 February 2018	120.0
Charge for year	1.2
At 31 January 2019	**121.2**
Carrying amount	
At 31 January 2019	**36.0**
At 31 January 2018	37.2

The Directors have conducted an impairment review comprising a comparison of the carrying amount of the investment with its recoverable amount being the higher of net realisable value and value in use. The recoverable amount has been determined as the net realisable value. To the extent that the carrying amount exceeds the recoverable amount, the investment is impaired and has been provided against. The impairment movement in the year has been recognised in the profit and loss account.

An impairment of £1.2m (2018: £1.5m) relating to the Group's investment in subsidiary company, French Connection (London) Limited, has been recognised in the current year.

In accordance with its accounting policy, the Company states its investments in subsidiaries at cost less provision for impairment. However, the net asset value of its subsidiaries is £45.5m (2018: £43.6m).

The related undertakings of the Company are set out in Note 32 to the Group accounts.

5 Debtors

	2019 £m	2018 £m
Other debtors	**0.2**	0.1
Prepayments and accrued income	**0.4**	0.4
	0.6	0.5

Included within debtors are amounts due within one year of £0.6m (2018: £0.5m).

6 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Trade creditors	**0.3**	0.3
Amounts owed to subsidiary undertakings	**9.3**	17.8
Accruals and deferred income	**0.6**	0.3
	10.2	18.4

7 Deferred tax

Deferred tax asset	2019 £m	2018 £m
Deferred capital allowances and short-term timing differences	**0.3**	0.3

Any movement during the year has been processed entirely through the profit and loss account.

8 Reserves

	Hedging reserve £m	Share premium account £m	Profit and loss account £m
At 1 February 2018	(0.1)	9.6	9.4
Profit for the financial year			5.5
Dividends received during the year from subsidiaries			1.5
Effective portion of changes in fair value of cash flow hedges	0.1		
Share options exercised		0.2	
At 31 January 2019	**–**	**9.8**	**16.4**

The profit for the year before taxation, intercompany dividends and provisions for impairment was £6.7m (2018: loss of £(5.7)m). The profit before taxation dealt within the accounts was £7.0m (2018: loss of £(7.2)m).

Share capital and share option information is set out in Note 23 in the Group accounts.

9 Commitments

Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2019 for which no provision has been made in these accounts, were as follows:

	Leasehold property		Other	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Operating leases which expire:				
Within one year	**1.5**	1.6	**0.2**	0.2
Within two to five years	**5.9**	5.5	**–**	0.2
After five years	**2.8**	3.9	**–**	–
	10.2	11.0	**0.2**	0.4

At 31 January 2019 the Company had commitments on foreign exchange contracts amounting to £Nil (2018: £5.6m). The fair value of forward exchange contracts outstanding as at 31 January 2019 is £Nil (2018: liability of £(0.1)m). £0.1m (2018: £Nil) has been credited to the hedging reserve during the year.

10 Contingent liabilities

The Company raises finance for and guarantees the bank borrowings of certain subsidiary undertakings which, at 31 January 2019, amounted to £Nil (2018: £Nil).

11 Related party disclosures

There are no related party transactions between the Company and the non-controlling interest subsidiary undertakings.

Details of Director related party transactions are disclosed in Note 29 to the Group accounts.

Management has identified the Directors of the Company as related parties for the purpose of FRS 8 ‘Related Party Disclosures’. Details of the relevant relationships with these individuals are disclosed in the Directors’ Remuneration Report as set out in the Group financial statements.

FIVE YEAR RECORD

Years ended 31 January	2015 £	2016 £	2017 £	Restated 2018* £	**2019** **£**
Revenue	178.5m	164.2m	153.2m	135.0m	**135.3m**
(Loss)/profit before taxation	(1.6)m	(3.5)m	(5.3)m	(2.3)m	**0.0m**
Basic (losses)/earnings per share	(1.6)p	(3.4)p	(5.8)p	(2.7)p	**0.1p**
Adjusted losses per share	(0.7)p	(4.7)p	(4.2)p	(0.9)p	**(0.2)p**
Dividends per share	–	–	–	–	**–**
Net assets	56.8m	54.6m	50.0m	46.7m	**46.2m**
Operated retail trading space 000 sq ft	271	238	212	193	**177**

* The 2018 comparative results have been restated to exclude discontinued operations.

ADVISERS

HEAD OFFICE

First Floor,
Centro 1,
39 Plender Street,
London NW1 0DT

STOCKBROKERS

Numis Securities Ltd,
10 Paternoster Square,
London EC4M 7LT

PRINCIPAL BANKERS

Barclays Bank Plc,
London Corporate Banking,
1 Churchill Place,
London E14 5HP

SECRETARY AND REGISTERED OFFICE

Lee Williams,
First Floor,
Centro 1,
39 Plender Street,
London NW1 0DT

REGISTERED NUMBER

1410568, England

AUDITORS

KPMG LLP,
15 Canada Square,
Canary Wharf,
London E14 5GL

REGISTRARS AND TRANSFER OFFICE

Link Asset Services,
The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

FINANCIAL CALENDAR

2019

22 May *(provisional)*	Annual General Meeting
19 September *(provisional)*	Half-Year Statement

2020

31 January	Financial Year End
10 March (*provisional*)	Preliminary Announcement of Results

NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own personal advice from your stockbroker, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares in French Connection Group PLC (the "Company"), you should forward this document and other documents enclosed (except the personalised form of proxy) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Board considers each of the proposed resolutions to be in the best interests of the Company and the shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all the resolutions.

Notice is hereby given that the Annual General Meeting (the "AGM") of the Company will be held at 10.00 am on Wednesday 22 May 2019 at the offices of French Connection Group PLC, First Floor, Centro 1, 39 Plender Street, London NW1 0DT to consider and, if thought fit, pass the following resolutions. Resolutions 1 to 10 are proposed as ordinary resolutions and resolutions 11 to 13 as special resolutions:

Ordinary Resolutions

1 To receive and adopt the audited accounts and the report of the Directors and of the auditors for the financial year ended 31 January 2019.

2 To approve the Directors' Remuneration Report for the financial year ended 31 January 2019.

3 To re-elect Sarah Curran as a Director of the Company.

4 To re-elect Stephen Marks as a Director of the Company.

5 To re-elect Robin Piggott as a Director of the Company.

6 To re-elect Lee Williams as a Director of the Company.

7 To re-elect Neil Williams as a Director of the Company.

8 THAT Mazars LLP, Chartered Accountants and Statutory Auditors, be appointed as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next AGM at which accounts are laid before the Company.

9 THAT the Audit Committee be authorised to determine the auditors' remuneration.

10 THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551, Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares of the Company (such shares and rights to subscribe for shares or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £298,839 being one third of the issued share capital PROVIDED THAT unless previously revoked, varied or extended, this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution SAVE THAT the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

11 THAT if resolution 10 is passed, the Directors be and they are hereby empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority under Section 551 of the Act conferred by resolution 10 above and/or by way of a sale of treasury shares for cash (by virtue of Section 573 of the Act) in each case as if Section 561(1) of the said Act did not apply to any such allotment provided that:

(a) the power conferred by this resolution shall be limited to:

(i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities:

(A) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

(B) to the holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(ii) the allotment (otherwise than under sub-paragraph (i) above) of equity securities or sale of treasury shares up to an aggregate nominal value equal to £48,306 (representing 5% of the issued share capital for the time being); and

(b) unless previously revoked, varied or extended, this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution SAVE THAT the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry in pursuance of such an offer or agreement and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

12 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the end of the next Annual General Meeting of the Company.

13 THAT, with effect from the end of the AGM, the articles of association produced to the meeting and signed by the Chairman for the purpose of identification, are adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

By order of the Board

Lee Williams
Secretary
First Floor, Centro One
39 Plender Street, London NW1 0DT

17 April 2019

Explanatory notes to the Annual General Meeting Notice

Resolution 1 – Approval of the annual report and accounts
The Directors are required by the Companies Act 2006 (the "Act") to lay before the Company at this Annual General Meeting the accounts of the Company for the financial year ended 31 January 2019, the report of the Directors, the Directors' Remuneration Report and the report of the Company's auditor on those accounts.

Resolution 2 – Directors' Remuneration Report
Resolution 2 is the ordinary resolution to approve the Directors' Remuneration Report. The vote of this resolution is advisory and no Director's remuneration is conditional upon the passing of this resolution.

Resolutions 3 to 7 – Re-election of Directors
The directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the non-executive directors are independent in character and judgement. In accordance with the UK Corporate Governance Code, all directors will stand for re-election at the AGM this year. Summary biographical details can be found in the section entitled 'Board of Directors' within the Annual Report.

Resolutions 8 and 9 – Appointment and remuneration of auditors
At each AGM when accounts are presented the Company is required by the Act to appoint auditors. 2018/19 is the last financial year for which KPMG LLP will hold office as French Connection Group PLC's external auditor. French Connection Group PLC conducted a tender of its external audit during 2018. The Board, on the unanimous recommendation of the Audit Committee, is now proposing to shareholders the appointment of Mazars LLP as French Connection Group PLC's external auditor with effect from the 2019/20 financial year onwards. KPMG LLP will resign as auditors ahead of the AGM at which point Mazars LLP will be appointed by the Board to fill the vacancy. Resolution 9 proposes that the Directors be authorised to determine the level of the auditor's remuneration.

Resolution 10 – Authority to allot shares
Under section 551 of the Act, Directors require shareholders' authority for the allotment of shares. Shareholders last granted such general authority to the Directors at the annual general meeting of the Company held in 2018. Such authority will expire at the end of this AGM and Resolution 9 seeks to renew it (although the Directors have no current plans to utilise the authority, except in relation to the issue of new shares pursuant to the Company's share incentive schemes). Accordingly, Resolution 9 would renew this authority until the next AGM by authorising the Directors to allot shares up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

Resolution 11 – Disapplication of statutory pre-emption rights
This resolution seeks to disapply the pre-emption rights provisions of section 561 of the Act, which requires Directors wishing to allot shares to offer them in the first instance to existing ordinary shareholders in proportion to their ordinary shareholding. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing ordinary shareholders. Shareholders last granted authority to Directors to dis-apply pre-emptive rights at the AGM held in 2018. Such authority will expire at the end of this AGM and Resolution 10 seeks to renew it. Except in relation to rights issues or any other pre-emptive offer concerning equity securities, the authority contained in this resolution will be limited to the issue of shares for cash. The Directors have no present intention of issuing any shares pursuant to this disapplication. The Directors will continue to seek to renew this authority at each AGM, in accordance with current best practice.

Resolution 12 – Notice of general meetings
Under the Companies Act 2006 all general meetings must be held on 21 days' notice unless shareholders approve a shorter period, which cannot be less than 14 clear days (AGMs will continue to be held on at least 21 clear days' notice). The Directors believe it is in the best interests of the shareholders of the Company to enable general meetings to be called on 14 clear days' notice. It is intended that this flexibility will only be used for non-routine business and, where merited, in the interests of shareholders as a whole. The approval will be effective until the Company's next AGM, when it is expected that a similar resolution will be proposed.

Resolution 13 – Amendments to the Articles of Association
The Board is proposing that the Company adopt new articles of (the "New Articles") to take account of developments in market practice since the articles were last updated 2013. The New Articles provide that all directors will automatically retire and may offer themselves for reappointment at each AGM, in accordance with the UK Corporate Governance Code. References to retirement by rotation have therefore been removed.

A copy of the proposed New Articles and the current Articles of Association, marked up to show the proposed changes, are available for inspection at frenchconnection.com and the Company's registered office, from the date of this Notice of AGM until the date of the meeting. The documents will then be available at the AGM venue on the day of the meeting until its conclusion.

General notes to the Annual General Meeting notice

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form enclosed should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with Link so as to arrive no later than 10.00 am on 20 May 2019.
2. The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction (as described in Note 1) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so (although voting in person at the AGM will terminate the proxy appointment).
3. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Link (ID RA10) not later than 48 hours before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in Note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.
6. As at 16 April 2019, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 96,612,934 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 16 April 2019 are 96,612,934.
7. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members on 20 May 2019 or, if the meeting is adjourned, shareholders entered on the Company's register of members on the day two days before the date of any adjournment shall be entitled to attend and vote at the AGM.
8. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:
   - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   - the answer has already been given on a website in the form of an answer to a question, or;
   - it is undesirable in the interests of the Company or the good order of the meeting to answer the question.
9. Copies of the Directors' service contracts and letters of appointment along with a copy of the Company's articles of association are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.
10. A copy of this notice, and other information required by s. 311A of the Companies Act 2006, can be found at www.frenchconnection.com.
11. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.
12. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
13. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
14. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
15. In accordance with section 338 of the Companies Act 2006, a member or members of the Company may (provided that the criteria set out in section 338(3) of the Companies Act 2006 are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the AGM, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than 6 weeks before the AGM, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear their respective meanings set out in the Companies Act 2006 in relation to a communication, or a document or information sent or supplied, to a company).
16. In accordance with section 338A of the Companies Act 2006, a member or members of the Company may (provided that the criteria set out in section 338A(3) of the Companies Act 2006 are met) require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business of the AGM, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than 6 weeks before the AGM, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear the respective meanings set out in the Companies Act 2006 in relation to a communication, or a document or information sent or supplied, to a company).
17. French Connection Group PLC is committed to reducing paper and improving efficiency in its shareholder communications. From 2020 we will no longer be sending paper proxy cards to shareholders unless specifically asked to do so. We will provide advice on how to request a paper proxy at the appropriate time.

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ANNUAL REPORT 2019

FRENCH CONNECTION GROUP PLC