19 September 2017

FRENCH CONNECTION GROUP PLC

Interim Results for the six month period ending 31 July 2017

"Improved performance across all divisions"

French Connection Group PLC ("French Connection" or "the Group") today announces results for the six month period ending 31 July 2017.

Highlights:

- Group revenue of £68.1m (2016: £69.2m) down 1.6% (-4.2% at constant currency[1]) with the improvement in Wholesale offset by a reduced store portfolio
- Growth in Wholesale with revenue up 7.2% (up 2.6% at constant currency)
- Improved contribution in Retail with operating loss reduced by 18.3%
- Return to growth in Licensing with income up 8.3% in the period
- UK/Europe Retail LFL[2] sales broadly flat with an improved margin rate due to lower levels of promotional activity
- Composite gross margin of 45.7% (2016: 46.0%) as a result of Wholesale making up a larger proportion of Group sales
- Continued control of costs with London head office space reduction in the period
- Reduced Group operating loss before taxation of £5.7m (2016: £7.9m)
- Closing net cash of £6.7m (2016: £7.7m)

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

"We have definitely seen momentum build in the first half of the new financial year with improvements across all the divisions despite difficult trading conditions. With full price sales in Retail up during the early part of the second half, combined with the strong Winter 17 order books in Wholesale and very strong reaction to the Spring 18 collection, I am confident that we will see a good performance during the rest of the year.

We have been working with the goal of returning the Group to profitability as soon as possible and, while there is still much to do, I believe that we have made significant steps to achieve that in the near future."

Alternative performance indicators for the 26 week trading period are outlined below:

	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Var %
Retail LFL (%)	**(1.0)**	6.5	
Average UK/Europe retail trading space (sq.ft. '000s)	**191.7**	211.8	(9.5%)
Average Group retail trading space (sq.ft. '000s)	**205.4**	228.7	(10.2%)

Notes:

1. Constant Currency is calculated by translating the half-year ending 31 July 2017 at 31 July 2016 rates to remove the impact of exchange rate fluctuations.
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.

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.

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CHAIRMAN'S STATEMENT

Following the improvement in performance we made during the second half of the last financial year, I am pleased to report that we have continued to see further progress across the Group during the current period. The work we have been doing to refresh and strengthen the French Connection brand is definitely having a positive impact.

There has been an improvement across all divisions, reflecting the measures we have put in place from both a product and restructuring perspective, to ensure the best possible ranges are available while right sizing the business to reflect the ongoing structural changes we are seeing in the retail market generally. This has been achieved against the backdrop of a challenging trading environment in the UK, Europe and the US. Overall the operating loss reduced by £2.2m in the period to £5.7m.

Within UK/Europe Retail, solid trading with broadly flat Like-for-Like sales against a strong performance last year has been combined with improved margins and careful cost control to show a good increase in performance. In addition the non-contributing store closure programme, both in previous years and the current period, has further enhanced the overall improvement in contribution from the region.

As highlighted at the time of the last preliminary results, we expected to see a return to growth in UK/Europe Wholesale, following on from the progress seen in North America in the second half of last year. This has come through strongly and we expect to see this positive momentum in both territories continue through the rest of the year.

Licence income has now returned to growth, driven primarily by the new fragrance licence with Inter Parfums and continued growth with DFS, our furniture licensee, having been disrupted by some changes in licensees last year.

Retail

Overall retail revenue decreased by 7.5% to £38.5m in the period (-8.7% at constant currency). This was primarily driven by the reduced store portfolio reflecting the net seven stores closed during the last 12 months, resulting in a 10.2% reduction in average Group retail trading space, coupled with broadly flat Like-for-Like sales.

Gross margins increased to 56.6% (2016: 56.3%). This improvement comes from higher full price sell-through of the Spring 17 product, less promotional activity in the period and higher margins achieved in our outlet stores due to an improved merchandising mix of product. Overheads were 9.8% lower overall, due to the reduced store base costs but also a 2.9% reduction in underlying costs despite ongoing upward pressures from rent, rates and salary costs. The combined impact of these mean we have seen a £1.5m improvement in contribution from the retail division when compared to the first half of last year.

We have continued to see progress in our ecommerce business which now represents 29.2% (2016: 26.5%) of our retail sales. Sales growth has been held back to some extent as we have reduced the level of sale and clearance product available on the site to promote full price sales. Further investment has and is being made to enhance the customer experience through improved functionality and personalised content. The increased importance of mobile continues with it now making up 45.4% of traffic (2016: 36.4%).

Wholesale

Revenue increased 7.2% to £29.6m (2.6% at constant currency). This was achieved through a return to growth in UK/Europe and North America, although offset by a reduction in the Rest of the World due to a decrease in low margin sales to our Australian country partner, who is reorganising its operations.

Gross margin increased to 31.4% (2016: 30.4%) driven by the increased sales at full price and that coupled with a 2.1% reduction in costs at constant currency has increased contribution by £0.9m to £3.9m.

Sell-through rates generally have been very good but particularly in the US department stores where we have ranked highly for the season, reflecting the growing strength of the brand. All this has been reflected in the strong order books that we have for Winter 17 and the positive reaction we have received to the Spring 18 collection.

Licensing
Licence income was up 8.3% to £2.6m (6.5% at constant currency). We have returned to growth after the disruptive effect of moving our fragrance licensee last year to Inter Parfums, which impacted the first half of last year. We also continued to see a very good performance from the licence with DFS, where we are the most productive third party brand within their business. We have recently signed new homeware and jewellery licences for North America and these will contribute from next year. There are a number of other categories, particularly shoes, where we are in active discussions with several interested parties.

Operating expenses dropped 6.7% overall but 2.1% on an underlying basis excluding store closures and currency movements, reflecting the continued close control of costs. We have again experienced some upwards pressure predominantly from rates increases particularly in central London but have managed to mitigate these with savings elsewhere. The largest of which was a reduction in the space occupied at our London head office.

We have been undertaking a search for new Independent Non-Executive Directors and as announced separately today, I am pleased to welcome Sarah Curran MBE and Robin Piggott to the Board. Both have a long history of working in senior roles in the clothing and retail industry and will bring with them a wealth of experience. Claire Kent and Dean Murray leave the Board today after 9 years and I would like to thank them for all their efforts over that time.

Outlook
We have definitely seen positive momentum build in the first half of the new financial year with improvements across all the divisions despite difficult trading conditions. With full price sales in Retail up during the early part of the second half, combined with the strong Winter 17 order books in Wholesale and very strong reaction to the Spring 18 collection, I am confident that we will see a good performance during the rest of the year. In November we will be opening our first new French Connection store for a number of years, in Manchester, reflecting our strategy to open new stores in appropriate locations where we believe the brand will trade profitably. We have been working with the goal of returning the Group to profitability as soon as possible and, while there is still much to do, I believe that we have made significant steps to achieve that in the near future.

Stephen Marks
Chairman and Chief Executive
19 September 2017

FINANCIAL REVIEW

Financial results overview

Overall results for the first half are improved on last year, with a stronger performance in our Wholesale division further supported by a reduced loss in Retail and an improved contribution from Licensing. The Group operating loss for the half-year ended 31 July 2017 was £5.7m (2016: loss of £7.9m), an improvement of £2.2m at this traditionally low point in the year for our profitability.

Revenue overview

Total half-year revenue of £68.1m was 1.6% lower than the previous year (2016: £69.2m) on a reduced store portfolio. Wholesale revenue grew in both the UK and North America with overall growth of 7.2% (2.6% at constant currency). Overall retail sales reduced by 7.5%, (-8.7% at constant currency) due to a reduced store portfolio with a UK/Europe LFL performance of -1.0% due to a lower level of promotional sales this year.

Gross margin

Composite gross margin of 45.7% was down by 30bps (2016: 46.0%) reflecting the increased proportion of wholesale sales in the mix. Each of the businesses improved their gross margins, with Wholesale delivering a margin of 31.4% which was up on the year by 100bps (2016: 30.4%) while retail delivered a margin rate at 56.6%, 30bps up on last year (2016: 56.3%).

Retail

Group retail revenues of £38.5m were 7.5% lower than the prior year (2016: £41.6m) (-8.7% lower at constant currency) due to a reduced store portfolio and LFL decline of -1.0% in UK/Europe. The reduced store portfolio was following the closure of four non-contributing stores in the first half, and net seven non-contributing stores in the past 12 months; a reduction of 10.2% in average Group retail trading space.

Full price sales performed well with the seasonal sell-through of Spring 17 higher than Spring 16. This performance was delivered against the backdrop of what has been a difficult period for the High Street generally but also against strong comparative LFLs (2016: +6.5%).

Retail gross margins of 56.6% (2016: 56.3%) were slightly stronger on the year, being helped by lower levels of promotional activity in the season, even with higher levels of sales through the outlets in the mix than previously, though at a higher margin.

The retail operating loss of £6.7m was an improvement of £1.5m compared to prior year (2016: loss of £8.2m). This was driven by a stronger margin together with the continuation of the store closure programme, which saved £1.0m and LFL cost savings in the retail operation of £0.6m. This was despite upward cost pressures from a combination of rent, rates and the living wage. Weaker sterling also impacted on our cost base with a £0.1m negative currency impact in the first half.

Ecommerce revenue increased to represent 29.2% of Group retail revenue (H1 2016: 26.5%). Mobile comprises 45.4% of ecommerce traffic (2016: 36.4%) and 31.0% of transactions (H1 2016: 24.1%) as we continue to develop our CRM capability and targeted social media advertising.

Wholesale

Wholesale trading was strong with sales of £29.6m, up £2.0m (7.2%) on last year (2.6% at constant currency) with both the UK/Europe and North America businesses returning to growth. On a constant currency basis the strongest growth was seen across UK/Europe with sales up 11.9% (11.1% at constant currency) while North America reported a growth of 15.5% on the year (4.2% at constant currency). In our Rest of World segment there was a reduction in sales, at a lower margin, to our Australian country partner due to an operational reorganisation.

Group wholesale gross margin increased to 31.4% (2016: 30.4%) driven by the increased sales at full price which, coupled with a 2.1% reduction in costs at constant currency has increased contribution by £0.9m to £3.9m.

Sell-through rates across the board have been good, but particularly in the US department stores where we have ranked highly for the season. This has been reflected in the strong order books that we have for Winter 17 and the positive feedback we have received to the Spring 18 collection.

Geographical analysis

The geographical revenue break-down is relatively unchanged from last year with the UK/Europe representing 78.3% of Group revenues (2016: 78.5%). However, as wholesale sales in North America have grown the proportion from Rest of the World has reduced, resulting in North America share increasing to 18.6% (2016: 16.8%). The Rest of the World share has reduced to 3.1% (2016: 4.7%). The reduction in overhead costs in UK/Europe, together with the strengthening margin, has reduced the loss incurred by 50% to £2.3m (2016: loss of £4.6m) whereas North America loss has reduced by 14% to £0.6m (2016: loss of £0.7m). The reduction in revenue has impacted the Rest of the World, with the loss increasing on the year to £0.6m (2016: loss of £0.4m).

Licence Income
Licence income of £2.6m was generated during the period, an increase of 8.3% on the prior year (2016: £2.4m). This grew despite the closure of the footwear licensee in 2016. It is hoped that a new footwear licensee will be appointed shortly. The new fragrance licensee Inter Parfums has quickly generated income for the business, while DFS continues to grow impressively on the strong performance of previous years. During the period US interiors and jewellery licences were signed, following on from a US underwear licence at the end of the previous year. These new agreements are expected to generate income from next financial year.

Operating expenses
Total Group operating expenses of £39.0m were 6.7% lower than last year (2016: £41.8m). After adjusting for currency fluctuations and store closures, underlying operating expenses at £37.5m were 2.1% lower compared to prior year (2016: £38.3m). We continue to focus on cost control against the pressure of ongoing rent and rates rises and the impact of the salary increases. To this end we remain in negotiations with store landlords, but have also reduced the size of the London head office.

Balance sheet
The Group balance sheet at 31 July 2017 remains strong with £6.7m of cash (2016: £7.7m), no bank borrowings and a minimum cash position during the period of £4.9m (2016: £4.7m). Inventory increased on the year by £0.7m (1.9%) to £38.4m due to the earlier intake of some Winter 17 stock (2016: £37.7m). Likewise, trade and other payables increased by 9.1% to £37.2m (2016: £34.1m).

Cash flow
The trading operations of the Group consumed cash of £4.3m (2016: £7.6m) which was lower when compared to the previous year due to the reduced trading loss of £5.7m (2016: £7.9m) together with a positive movement in net working capital. This moved from an outflow of £0.6m in the first half of last year to an inflow of £0.4m this year, with improvements in payables and receivables, offsetting the increased outflow of inventory. The half also incurred store disposal costs of £1.5m from the closure of four non-contributing stores compared to a £1.7m inflow last year due to the compensation payment for exiting the Regent Street store.

Capital expenditure of £0.7m (2016: £0.3m) covers IT costs, investment in improving the ecommerce CRM platform and retail improvements. We continue to target the closure of non-contributing stores and expect three more to close in the current year, while we will also be opening a new French Connection store in Manchester.

Taxation
The tax charge for the half was £Nil (2016: £Nil).

Dividends
The Board of Directors remain of the view that the business is best served by retaining current cash reserves to support the turnaround of the business, and therefore do not recommend the payment of a dividend. 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.

Principal risks and uncertainties
The principal risks and uncertainties were outlined in the Director's Report within the 2017 Annual Report and remain unchanged. These are described in Note 6 to these financial statements.

Related party transactions
There have been no additional related party transactions to those disclosed in the Group's Annual Report and Accounts for the year ended 31 January 2017.

By order of the Board

Lee Williams
Group Finance Director
19 September 2017

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR rule 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR rule 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Stephen Marks
Chairman and Chief Executive
19 September 2017

Lee Williams
Group Finance Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Revenue	1	**68.1**	69.2	153.2
Cost of sales		**(37.0)**	(37.4)	(83.1)
Gross profit	1	**31.1**	31.8	70.1
Operating expenses		**(39.0)**	(41.8)	(79.3)
Other operating income	2	**2.6**	2.4	6.3
Net loss on store disposals and closures		**-**	-	(1.6)
Finance expense		**-**	-	-
Share of loss of joint ventures, net of tax		**(0.4)**	(0.3)	(0.8)
Operating loss		**(5.7)**	(7.9)	(5.3)
Underlying operating loss	1	**(5.7)**	(7.9)	(3.7)
Net loss on store disposals and closures		**-**	-	(1.6)
Loss before taxation		**(5.7)**	(7.9)	(5.3)
Taxation		**-**	-	-
Loss for the period		**(5.7)**	(7.9)	(5.3)

The Groups results were entirely from continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Loss for the period		**(5.7)**	(7.9)	(5.3)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences for overseas operations		**(0.6)**	(0.8)	(0.7)
Currency translation differences on foreign currency loans, net of tax		**0.4**	2.0	1.8
Effective portion of changes in fair value of cash flow hedges		**-**	0.1	(0.4)
Other comprehensive income for the period, net of tax		**(0.2)**	1.3	0.7
Total comprehensive income for the period		**(5.9)**	(6.6)	(4.6)
Loss attributable to:				
Equity holders of the Company	3	**(5.7)**	(7.9)	(5.6)
Non-controlling interests		**-**	-	0.3
Loss for the period		**(5.7)**	(7.9)	(5.3)
Total comprehensive income attributable to:				
Equity holders of the Company		**(5.9)**	(6.6)	(4.9)
Non-controlling interests		**-**	-	0.3
Total income and expense recognised for the period		**(5.9)**	(6.6)	(4.6)
Losses per share				
Basic and diluted losses per share	3	**(5.9)p**	(8.2)p	(5.8)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 July 2017 £m	31 July 2016 £m	31 Jan 2017 £m
Assets				
Non-current assets				
Intangible assets		**0.4**	0.4	0.4
Property, plant and equipment		**2.8**	2.8	2.7
Investments in joint ventures		**2.9**	3.4	3.1
Deferred tax assets		**4.4**	4.9	4.4
Total non-current assets		**10.5**	11.5	10.6
Current assets				
Inventories		**38.4**	37.7	31.7
Trade and other receivables		**25.8**	25.3	27.9
Cash and cash equivalents	4	**6.7**	7.7	13.5
Derivative financial instruments		**-**	0.4	-
Total current assets		**70.9**	71.1	73.1
Total assets		**81.4**	82.6	83.7
Current liabilities				
Trade and other payables		**37.2**	34.1	32.2
Provisions	5	**-**	0.5	1.4
Derivative financial instruments		**0.1**	-	0.1
Total current liabilities		**37.3**	34.6	33.7
Net assets		**44.1**	48.0	50.0
Equity				
Called-up share capital		**1.0**	1.0	1.0
Share premium account		**9.6**	9.6	9.6
Other reserves		**7.8**	8.6	8.0
Retained earnings		**24.8**	28.2	30.5
Total equity attributable to equity holders of the Company		**43.2**	47.4	49.1
Non-controlling interests		**0.9**	0.6	0.9
Total equity		**44.1**	48.0	50.0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months 31 July 2017	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 for the period ended 31 July 2017					**(5.7)**	**(5.7)**	**-**	**(5.7)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.6)		**(0.6)**		**(0.6)**
Currency translation differences on foreign currency loans, net of tax				0.4		**0.4**		**0.4**
Balance at 31 July 2017	**1.0**	**9.6**	**(0.1)**	**7.9**	**24.8**	**43.2**	**0.9**	**44.1**

Six months 31 July 2016	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 31 January 2016	**1.0**	**9.6**	**0.3**	**7.0**	**36.1**	**54.0**	**0.6**	**54.6**
Loss for the period ended 31 July 2016					**(7.9)**	**(7.9)**	**-**	**(7.9)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.8)		**(0.8)**		**(0.8)**
Currency translation differences on foreign currency loans, net of tax				2.0		**2.0**		**2.0**
Effective portion of changes in fair value of cash flow hedges			0.1			**0.1**		**0.1**
Balance at 31 July 2016	**1.0**	**9.6**	**0.4**	**8.2**	**28.2**	**47.4**	**0.6**	**48.0**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Operating activities				
Loss for the period		**(5.7)**	(7.9)	(5.3)
Adjustments for:				
Depreciation and impairment		**0.6**	0.6	1.1
Share of loss of joint ventures		**0.4**	0.3	0.8
Non-operating loss on store disposals and closures		**-**	-	1.6
Operating cash flows before changes in working capital and provisions		**(4.7)**	(7.0)	(1.8)
(Increase)/decrease in inventories		**(7.0)**	(1.0)	5.3
Decrease/(increase) in trade and other receivables		**1.7**	1.1	(1.2)
Increase/(decrease) in trade and other payables		**5.7**	(0.7)	(3.2)
Cash flows from operations		**(4.3)**	(7.6)	(0.9)
Income tax paid		**-**	(0.1)	(0.1)
Cash flows from operating activities		**(4.3)**	(7.7)	(1.0)
Investing activities				
Investment in joint ventures		**(0.3)**	-	-
Acquisition of property, plant and equipment		**(0.7)**	(0.3)	(0.7)
Net (costs)/proceeds from store closures		**(1.5)**	1.7	1.1
Cash flows from investing activities		**(2.5)**	1.4	0.4
Net decrease in cash and cash equivalents	4	**(6.8)**	(6.3)	(0.6)
Cash and cash equivalents at 1 February	4	**13.5**	14.0	14.0
Exchange rate fluctuations on cash held	4	**-**	-	0.1
Cash and cash equivalents at period end	4	**6.7**	7.7	13.5

NOTES TO THE HALF-YEAR STATEMENT

1. Segment revenue and results

Income Statement	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Revenue			
Retail	**38.5**	41.6	87.9
Wholesale	**29.6**	27.6	65.3
Group revenue	**68.1**	69.2	153.2
Gross profit	**31.1**	31.8	70.1
Retail	**56.6%**	56.3%	56.8%
Wholesale	**31.4%**	30.4%	30.9%
Group gross margin	**45.7%**	46.0%	45.8%
Underlying operating (loss)/profit			
Retail	**(6.7)**	(8.2)	(9.8)
Wholesale	**3.9**	3.0	10.0
Licence income	**2.6**	2.4	6.3
Common and Group overheads	**(5.1)**	(4.8)	(9.4)
Share of loss from joint ventures	**(0.4)**	(0.3)	(0.8)
Underlying Group operating loss*	**(5.7)**	(7.9)	(3.7)
Underlying operating margin			
Retail	**(17.4)%**	(19.7)%	(11.1)%
Wholesale	**13.2%**	10.9%	15.3%
Underlying Group operating margin	**(8.4)%**	(11.4)%	(2.4)%

Geographical information			
Revenue			
UK/Europe	**78.3%**	78.5%	76.4%
North America	**18.6%**	16.8%	19.4%
Rest of the World	**3.1%**	4.7%	4.2%
Divisional operating (loss)/profit			
UK/Europe	**(2.3)**	(4.6)	(0.1)
North America	**(0.6)**	(0.7)	1.1
Rest of the World	**(0.6)**	(0.4)	(0.9)
Group overheads and finance income	**(2.2)**	(2.2)	(3.8)
Underlying Group operating loss*	**(5.7)**	(7.9)	(3.7)

***** Excludes net (loss)/gain on store disposals and closures

NOTES TO THE HALF-YEAR STATEMENT

2. Other operating income

	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Licensing income	**2.6**	2.4	6.3

3. Losses per share

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

	Six months 31 July 2017	Six months 31 July 2016	Year ended 31 Jan 2017
Weighted average number of ordinary shares	**96,253,134**	96,253,134	96,253,134

Basic and diluted losses per share of 5.9 pence per share (2016: losses of 8.2 pence) is based on losses of £5.7m (2016: losses of £7.9m) attributable to equity shareholders.

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

	Six months 31 July 2017		Six months 31 July 2016		Year ended 31 Jan 2017	
	£m	pence per share	£m	pence per share	£m	pence per share
Loss attributable to equity shareholders	(5.7)	(5.9)p	(7.9)	(8.2)p	(5.6)	(5.8)p
Net loss on store disposals and closures	-	-	-	-	1.6	1.6p
Adjusted loss	**(5.7)**	**(5.9)p**	**(7.9)**	**(8.2)p**	**(4.0)**	**(4.2)p**

4. Cash and cash equivalents

	31 January 2017 £m	Cash flow £m	Non cash changes £m	31 July 2017 £m	31 July 2016 £m
Cash and cash equivalents in the balance sheet and cash flow	13.5	(6.8)	-	**6.7**	7.7

NOTES TO THE HALF-YEAR STATEMENT

5. Provisions

Store disposals and closures	Six months 31 July 2017 £m	Six months 31 July 2016 £m	Year ended 31 Jan 2017 £m
Balance at 1 February	**1.4**	1.1	1.1
Utilised during the period	**(1.4)**	(0.6)	(1.3)
Increase during the period	**-**	-	1.6
Balance at period end	**-**	0.5	1.4

Provisions are recorded to reflect the estimated committed closure costs of identified underperforming retail stores and other restructuring. The associated costs are forecast to be incurred over a period of two years.

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

Reporting entity

French Connection Group PLC (the "Company") is a company domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place. These condensed consolidated half-year financial statements of the Company as at and for the six months ended 31 July 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended 31 January 2017 are available upon request from the Company's registered office at First Floor, Centro One, 39 Plender Street, London NW1 0DT or can be found on the Group website *www.frenchconnection.com*.

Principal activities

The principal activity of the Group is the international retailing and wholesaling of branded fashion clothing and accessories and the licensing of its brands.

Statement of compliance

These condensed consolidated half-year financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the EU.

As required by the Disclosure and Transparency Rules ("the DTR") of the Financial Conduct Authority, the condensed consolidated half-year financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 January 2017, which were prepared in accordance with IFRS as adopted by the EU.

These condensed consolidated half-year financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on *Review of Interim Financial Information*. The comparative figures for the year ended 31 January 2017 are not the Company's statutory accounts for that period. Those accounts have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

NOTES TO THE HALF-YEAR STATEMENT

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

The Board of Directors approved the condensed consolidated half-year financial statements on 19 September 2017.

Significant accounting policies
The accounting policies applied by the Group in these condensed consolidated half-year financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2017.

Key sources of estimation uncertainty
In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 January 2017.

Principal risks and uncertainties
Like all retailers we are susceptible to volatility in the propensity of consumers to spend, which is affected by macro-economic issues. As a wholesaler, we also face the risk of default from our customers and manage this through active relationship management by our dedicated customer accounts team.

The Group maintains a positive net cash balance throughout the year and we are conscious to manage the Group's working capital effectively.

The Group's approach to the management of risks was the same as that which applied to the consolidated financial statements of the Group for the year ended 31 January 2017. The Board confirms that there are ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group. There has been no change since the year end to the major risks faced by the Group.

Related party transactions
In the six months to 31 July 2017, there were no material changes in related parties nor any related party transactions. The Group's related party transactions and relationships were disclosed in the Notes to the Annual Report for the year ended 31 January 2017. All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

Going concern
The Group has considerable cash resources, ending the half-year with £6.7m and with a minimum Group cash balance during the period of £4.9m. The Group has no debt.

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

NOTES TO THE HALF-YEAR STATEMENT

7. Retail locations

		31 July 2017 Locations	31 July 2017 sq ft	31 January 2017 Locations	31 January 2017 sq ft	31 July 2016 Locations	31 July 2016 sq ft
Operated locations							
UK/Europe							
French Connection	Stores	**49**	**134,154**	53	146,542	56	155,606
French Connection/Great Plains	Concessions	**52**	**36,190**	53	36,651	52	34,308
Toast	Stores	**12**	**13,546**	12	13,546	11	12,953
YMC	Stores	**2**	**1,355**	2	1,355	2	1,355
Total UK/Europe		**115**	**185,245**	120	198,094	121	204,222
North America							
French Connection US	Stores	**2**	**9,102**	2	9,102	3	10,597
French Connection Canada	Stores	**2**	**4,650**	2	4,650	2	4,650
Total North America		**4**	**13,752**	4	13,752	5	15,247
Total operated locations		**119**	**198,997**	124	211,846	126	219,469
French Connection licensed and franchised							
UK/Europe		**5**	**5,642**	6	6,520	6	6,520
North America		**1**	**2,346**	1	2,346	1	2,346
Middle East		**9**	**15,030**	8	14,438	9	16,438
Australasia		**144**	**82,728**	158	104,760	166	114,419
Hong Kong		**5**	**8,400**	7	10,429	7	10,429
China		**13**	**18,842**	18	27,268	19	29,516
India		**30**	**14,450**	63	33,464	71	40,375
Other		**23**	**17,357**	24	17,635	25	19,346
Total licensed and franchised locations		**230**	**164,795**	285	216,860	304	239,389
Total branded locations		**349**	**363,792**	409	428,706	430	458,858