14 March 2017

FRENCH CONNECTION GROUP PLC

Preliminary Results for the year ended 31 January 2017

French Connection Group PLC ("French Connection" or "the Group") today announces results for its financial year ended 31 January 2017.

Highlights:

- Improved trading performance despite Group Revenues down 6.7% to £153.2m (2016: £164.2m)
  - UK/Europe Retail Like-for-Like[1] sales up 4.4%, despite a challenging trading environment in H2
  - Overall retail revenue down 4.9% to £87.9m (2016: £92.4m) on an average space reduction of 11.7%
  - Ecommerce sales grew by 12.7% and now represent 27.3% (2016: 23.0%) of retail revenue
  - Continued portfolio management with nine non-contributing stores closed in the period
  - Wholesale revenue down 9.1% (2016: down 4.5%) but improvements in H2
  - Underlying[2] operating loss reduced to £(3.7)m (2016 £(4.7)m). Results largely driven by the improved trading performance
- Working capital tightly managed with inventory reduction of 12.4% to £31.7m (2016: £36.2m)
- Closing cash position of £13.5m (2016: £14.0m)
- Two stores have already closed after year end and an additional six stores are earmarked for closure this year to bring the Group closer to the target of 30 full price French Connection stores by January 2019
- Strong performance in the first 6 weeks of the new financial year for the Spring 17 range

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

"We have seen an improvement in performance over the financial year with continued good progress in the UK/Europe retail business, but as previously reported, this has been partly held back by the wholesale and licensing divisions, particularly in the first half of the year.

The noticeable improvement we have seen during the second half and into the new financial year leads me to believe that we are moving in the right direction. The reaction to this year's collections has been very strong so far with sales both in our stores and wholesale customers up on last year. It is early in the year and we have a considerable amount of work to do to take the Group back to profitability although I believe that the actions we have taken and continue to take, will go a long way to achieving that goal this year."

Notes:

1. Key performance indicators for the 52 week trading period are outlined below:

	FY17	FY16	Var %
Total Group revenue (£m)	**153.2**	164.2	(6.7%)
Total Retail revenue (£m)	**87.9**	92.4	(4.9%)
Total Wholesale revenue (£m)	**65.3**	71.8	(9.1%)
Ecommerce revenue (£m)	**24.0**	21.3	12.7%
Ecommerce participation (%) (as % of total revenue)	**27.3**	23.0	
Retail LFL[1] (%)	**+4.4**	-6.4	
Stock (£m)	**31.7**	36.2	(12.4%)
Net Retail Space reduced UK/Europe (sq.ft. '000s)	**21.2**	14.2	49.3%
Net Retail Space reduced Group (sq.ft. '000s)	**26.1**	33.4	(21.9%)
Average UK/Europe Retail Space (sq.ft. '000s)	**208.7**	226.4	(7.8%)
Average Group Retail Space (sq.ft. '000s)	**224.9**	254.7	(11.7%)
Number of stores/concessions:			
- Operated	**124**	133	(6.8%)
- Franchised, Licensed & JV	**285**	288	(1.0%)
Underlying gross margin (%)	**45.8**	46.3	-50bps
Net cash position (£m)	**13.5**	14.0	(3.6%)

2. The trading comparatives for each half of FY17 are detailed below (unaudited):

FY17	H1 17	H1 16	**YoY%**	H2 17	H2 16	**YoY%**	2017	2016	**YoY%**
Total Retail sales (£m)	41.6	42.6	**(2.3)**	46.3	49.8	**(7.0)**	87.9	92.4	**(4.9)**
UK/Europe LFL sales (%)	+6.5%	-10.7%		+2.6%	-2.4%		+4.4%	-6.4%	
Average Group Retail Space (sq.ft. '000s)	228.7	266.0	**(14.0)**	215.7	249.3	**(13.5)**	224.9	254.7	**(11.7)**

Notes:

1. 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.
2. Underlying Operating Loss excludes profit/loss on store disposals and closures.

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

Dear Shareholders

We have seen an improvement in performance over the financial year with continued good progress in the UK/Europe retail business, but as previously reported, this has been partly held back by the wholesale and licensing divisions particularly in the first half of the year. The underlying operating loss[1] for the year was £(3.7)m (2016: £(4.7)m) with an increase in profit during the second half of the year.

We maintained growth in our UK/Europe retail division with Like-for-Like sales up 4.4% being a third consecutive season of full price growth for Autumn/Winter but again against the background of a tough retail environment. We have continued the reduction of the store base with nine non-contributing stores closed during the financial year itself and a further two recently in February 2017.

There has been an improvement in wholesale, with sales in North America increasing in the second half with greatly improved sell through of the product. In UK/Europe we have again seen a shift in the phasing of the new Spring season deliveries to customers with more being made in the new financial year, holding back the overall improvement.

Licence income for the year was adversely impacted by the change in our global perfume licensee and the bankruptcy of our shoe licensee as discussed at the half-year although we believe that there is considerable opportunity for growth in both these areas moving forward.

Retail

I am pleased to report that the increase in UK/Europe LFL[2] sales was 4.4% over the year (2016: -6.4%) with growth being seen during both halves of the financial year. This reflected the continued improvements in the collections, merchandising, buying and momentum in the business.

Overall retail revenue decreased by 4.9% to £87.9m (-6.5% at constant currency[3]) with the impact of the improved LFL performance being offset by the closure of a further nine non-contributing stores during the year (seven UK/Europe and two North America). In the last four years we have closed 37 full price French Connection stores representing over 40% of the store base. This programme will continue during the current year with two stores already closed and another six expected later in the year. Whilst there are still some stores within the portfolio that we wish to exit given their performance, the rate of closure will reduce going forward and we expect to have around 30 full price French Connection stores remaining by January 2019. The average lease length of the remaining UK/Europe stores is 3.2 years (2016: 4.0 years).

Gross margins reduced during the year to 56.8% (2016: 57.3%) reflecting the higher proportion of sales through our outlet stores as the full price store portfolio reduced. The full price margin achieved in stores increased reflecting the improved full price trading, reduced discount periods and an increase in the input margin for the Winter season. Underlying overheads reduced by 2.8% reflecting the tight ongoing management of costs which resulted in a significant improvement in the performance of the Retail division.

Ecommerce grew by 12.7% and now represents 27.3% of retail revenue. Considerable investment and focus has been placed on all our online platforms to ensure we capitalise as much as possible on the growth in that channel. We have seen the benefits of this feed through and will increase investment in marketing and infrastructure to enable this momentum to continue to build during the current year. Mobile continues to be a growing proportion of our online activity generating 39.7% of traffic, up from 32.7% last year.

Wholesale

Revenue in the year was down 9.1% to £65.3m (-14.7% at constant currency). As previously reported revenue was impacted by the poor sell through performance achieved last year particularly in the first half. This improved considerably during the second half. There was a small decrease in UK/Europe caused by a change in the phasing of deliveries of new season Spring product into the current financial year.

Gross margins were down 1.3% on last year reflecting the need to discount stock to clear it through especially during the first half of the year. Costs were again tightly controlled and in constant currency terms were down 1.7% on last year.

Spring 17 orders are ahead of this time last year and the current financial year will be helped by the changed phasing of deliveries. The improved sell through performance that we saw during the second half of last year has continued into the new financial year. The initial reaction to the Winter 17 collection from customers has been very positive and although we are only part of the way through the selling period, this is a good indicator of the strength of the collection.

CHAIRMAN'S STATEMENT

Licensing

Licence income was £6.3m (2016: £7.3m) reflecting the transition of our perfume licence to Interparfums during the year, one of the world's leading perfume companies, which caused a short term drop in income but will be a significant benefit for the future. In addition our shoe licensee went into bankruptcy in the US requiring us to be cautious as to the income we have recognised in the year. DFS continued to grow very strongly with an enlarged product range and high levels of marketing. We have recently signed an underwear licence for North America and are currently in negotiations in a number of other product categories which we believe will enhance our current portfolio.

Operating expenses, adjusted for store closures and currency movements, were down 2.6% in the year, reflecting the continued tight control of costs exercised across the Group. Looking forward there will be some upward pressure on costs specifically in relation to rental costs where we have a number of leases under review, although measures have been taken to mitigate these, for example with a reorganisation of head office space being actioned.

The Group remains debt free and ended the year with a strong cash position of £13.5m (2016: £14.0m), reflecting the poor trading but offset by tight management of working capital especially inventory levels. The Board have decided again that there will be no dividend payable for the year.

I was sorry to see the recent departure of Christos Angelides as an independent Non-Executive Director of the company but thank him for his contribution during his time with us and wish him well for the future. Dean Murray, another Non-Executive Director and Chairman of the Audit Committee, has passed his nine year term during which the Corporate Code deems him as independent. We are currently in the middle of a formal process, with external assistance, to recruit new Non-Executive Directors to the Board but Dean has agreed to remain with us until a suitable replacement is found.

Overall whilst the performance for the year as a whole has been disappointing, the noticeable improvement we have seen during the second half and into the new financial year leads me to believe that we are moving in the right direction. The reaction to this year's collections has been very strong so far with sales both in our own stores and wholesale customers' up on last year. It is early in the year and we have a considerable amount of work to do to take the Group back to profitability, however I believe that the actions we have taken and continue to take, will go a long way to achieving that goal this year.

Finally I would like to take the opportunity to thank all our staff for the effort and dedication they have put into the business and hope that we will see the benefits of that work in the near future.

Stephen Marks
Chairman and Chief Executive
14 March 2017

Notes:

1. Underlying Operating Loss excludes profit/loss on store disposals and closures.
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 is calculated by translating the year ending January 2017 at 2016 rates to remove the impact of exchange rate fluctuations.

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.

FINANCIAL REVIEW

Overall Financial Performance
Overall results for the full year show an Underlying Group Operating Loss[1] of £(3.7)m, (2016: £(4.7)m) a 21.3% improvement on the 52 Weeks to 31 January 2016. Loss before taxation, inclusive of store disposals and closures, was £(5.3)m (2016: £(3.5)m, with net store closure costs of £(1.6)m (2016: £1.2m income).

Revenue
Group revenue reduced by 6.7% (-10.1% at constant currency[2]) to £153.2m. This reduction was due to a combination of store closures (retail down 4.9% on an average space reduction of 11.7%), and a decline in wholesale, the majority of which occurred in the first half.

Retail
Retail revenue for the year was down £4.5m to £87.9m, 4.9% on the comparable 52 weeks (-6.5% at constant currency). During the year we opened one new store and two concessions, but closed nine non-contributing stores and three concessions, resulting overall in nine less locations. We have now restructured the lease on the Oxford Street store which has resulted in a reduced term. We ended the year with 124 operating locations. Average store selling space was reduced by 11.7% over the period.

On a Like-for-Like (LFL[3]) basis sales in UK/Europe grew by 4.4%. Total Ecommerce revenue grew by 12.7% across our websites representing 27.3% of total Group retail sales, up from 23.0% in 2016.

The overall performance in the year saw the retail division reduce its loss to £(9.8)m, (2016: £(15.6)m), a 37.2% improvement on the prior period through growing Like-for-Like sales, closure of non-contributory stores, continued cost control and improved ecommerce sales.

Wholesale
Group wholesale revenues of £65.3m were 9.1% lower than prior period (-14.7% at constant currency). This reduction was predominantly driven by the 16.9% decline in first half which was impacted by poor sell through in previous seasons. In the second half UK/Europe was down 1.5% due to phasing of Spring 17 deliveries.

Unfortunately following the disappointing sales performance in the first half of the year, together with reduced margins through stock clearance, wholesale’s profitability reduced to £10.0m (2016: £13.3m).

Geographical Analysis
The geographical revenue break-down is more weighted to UK/Europe representing 76.4% of Group revenues (2016: 73.9%) as a result of challenging trading conditions in North America and reduced stores in UK/Europe. Of the overall £1.0m improvement in Underlying Operating Profit, £2.7m came from UK/Europe. North America was down (£0.7m) as a result of a poor first half and Rest of World down (£1.0m). Group overheads remaining level on the year.

Other Income
The net income received from Global licensing was £6.3m in the year (2016: £7.3m). Our furniture licensee DFS continues to perform very well however as reported at the half-year we had a gap in perfume licensee in the year and our North American footwear licensee filing for Chapter 11 resulted in lower licensing income than the prior year. Going forward the global fragrance licensing agreement with Interparfums is expected to bring growth and we are confident of agreeing a new footwear licence this year.

Gross Margin
Gross margin at 45.8% was 50bps lower than the prior period (2016: 46.3%), mainly through old stock clearance. As the proportion of outlet stores increases relative to full price stores this has an impact on margin with retail gross margins at 56.8%, down 50bps on 2016. Due to continued levels of clearance of old stock, wholesale gross margin declined by 130bps as we continued to see higher levels of discounting in wholesale to liquidate old stock. However, both these events contributed to reducing inventories by £4.5m, 12.4% year on year.

Operating Expenses
Total Group operating expenses of £79.3m were 9.5% lower than prior period. After adjusting for store closures and currency, operating expenses were 2.6% lower with upward pressure from rent reviews offset by a restructure of head office costs in response to the reduction in number of stores and ongoing careful management of costs. The Oxford Street lease restructure has generated a benefit, part of which is included within operating expenses. The cash will be utilised to exit other stores. We will continue to maintain tight control of overheads although expect some inflationary pressure from rent reviews, living wage increases and the apprenticeship levy.

FINANCIAL REVIEW

Balance Sheet
The Group balance sheet at 31 January 2017 remains strong with £13.5m of cash (2016: £14.0m), no bank borrowings and a minimum cash position during the year of £2.0m (2016: £6.1m). Inventory reduced by £4.5m to £31.7m through tighter purchases and the liquidation of older stock.

Cash Flow
The trading operations of the Group consumed cash of £1.0m (2016: £7.4m) with the reduction being a result of lower levels of trading losses and a working capital inflow of £0.9m (2016: £4.0m outflow). This was driven by the reduction in inventory as described above.

Capital expenditure of £0.7m (2016: £0.8m) includes investment in website functionality improvements and store updates. We continue to target the closure of non-contributing stores and expect another eight to close in the current year.

Taxation
The tax charge for the year of £Nil (2016: £Nil) 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 £15.8m, of which £14.6m 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.

By order of the Board

Lee Williams
Group Finance Director
14 March 2017

Notes:

1. Underlying Operating Loss excludes profit/loss on store disposals and closures.
2. Constant Currency is calculated by translating the year ending January 2017 at 2016 rates to remove the impact of exchange rate fluctuations.
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.

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.

FINANCIAL REVIEW

Segment revenue and results	2017 £m	2016 £m
Revenue		
Retail	**87.9**	92.4
Wholesale	**65.3**	71.8
Group revenue	**153.2**	164.2
Gross profit	**70.1**	76.0
Retail	**56.8%**	57.3%
Wholesale	**30.9%**	32.2%
Group gross margin	**45.8%**	46.3%
Underlying operating (loss)/profit		
Retail	**(9.8)**	(15.6)
Wholesale	**10.0**	13.3
Licence income	**6.3**	7.3
Common and Group overheads	**(9.4)**	(9.3)
Share of loss from joint ventures	**(0.8)**	(0.4)
Underlying Group operating loss*	**(3.7)**	(4.7)
Underlying operating margin		
Retail	**(11.1)%**	(16.9)%
Wholesale	**15.3%**	18.5%
Underlying Group operating margin	**(2.4)%**	(2.9)%

Geographical information	2017 £m	2016 £m
Revenue		
UK/Europe	**76.4%**	73.9%
North America	**19.4%**	20.7%
Rest of the World	**4.2%**	5.4%
Divisional operating (loss)/profit		
UK/Europe	**(0.1)**	(2.8)
North America	**1.1**	1.8
Rest of the World	**(0.9)**	0.1
Group overheads and finance income	**(3.8)**	(3.8)
Underlying Group operating loss*	**(3.7)**	(4.7)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 January 2017

	Note	2017 £m	2016 £m
Revenue	2	**153.2**	164.2
Cost of sales		**(83.1)**	(88.2)
Gross profit	2	**70.1**	76.0
Operating expenses		**(79.3)**	(87.6)
Other operating income	3	**6.3**	7.3
Net (loss)/gain on store disposals and closures		**(1.6)**	1.2
Finance expense		**-**	-
Share of loss of joint ventures, net of tax		**(0.8)**	(0.4)
Operating loss		**(5.3)**	(3.5)
Underlying operating loss		**(3.7)**	(4.7)
Net (loss)/gain on store disposals and closures		**(1.6)**	1.2
Loss before taxation		**(5.3)**	(3.5)
Taxation		**-**	-
Loss for the year		**(5.3)**	(3.5)

The Group's results were entirely from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2017
(continued)

	Note	2017 £m	2016 £m
Loss for the year		**(5.3)**	(3.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		**(0.7)**	1.7
Currency translation differences on foreign currency loans, net of tax		**1.8**	(0.4)
Effective portion of changes in fair value of cash flow hedges		**(0.4)**	-
Other comprehensive income for the year, net of tax		**0.7**	1.3
Total comprehensive income for the year		**(4.6)**	(2.2)
Loss attributable to:			
Equity holders of the Company		**(5.6)**	(3.3)
Non-controlling interests		**0.3**	(0.2)
Loss for the year		**(5.3)**	(3.5)
Total comprehensive income attributable to:			
Equity holders of the Company		**(4.9)**	(2.0)
Non-controlling interests		**0.3**	(0.2)
Total income and expense recognised for the year		**(4.6)**	(2.2)
Losses per share			
Basic and diluted losses per share	5	**(5.8)p**	(3.4)p

The Group's results were entirely from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2017

	2017 £m	2016 £m
Assets		
Non-current assets		
Intangible assets	**0.4**	0.4
Property, plant and equipment	**2.7**	3.0
Investments in joint ventures	**3.1**	3.5
Deferred tax assets	**4.4**	4.9
Total non-current assets	**10.6**	11.8
Current assets		
Inventories	**31.7**	36.2
Trade and other receivables	**27.9**	28.4
Cash and cash equivalents	**13.5**	14.0
Derivative financial instruments	**-**	0.3
Total current assets	**73.1**	78.9
Total assets	**83.7**	90.7
Current liabilities		
Trade and other payables	**32.2**	35.0
Provisions	**1.4**	1.1
Derivative financial instruments	**0.1**	-
Total current liabilities	**33.7**	36.1
Net assets	**50.0**	54.6
Equity		
Called-up share capital	**1.0**	1.0
Share premium account	**9.6**	9.6
Other reserves	**8.0**	7.3
Retained earnings	**30.5**	36.1
Total equity attributable to equity holders of the Company	**49.1**	54.0
Non-controlling interests	**0.9**	0.6
Total equity	**50.0**	54.6

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 2015	**1.0**	**9.6**	**0.3**	**5.7**	**39.4**	**56.0**	**0.8**	**56.8**
Loss for the year ended 31 January 2016					**(3.3)**	**(3.3)**	**(0.2)**	**(3.5)**
Other comprehensive income								
Currency translation differences for overseas operations				1.7		**1.7**		**1.7**
Currency translation differences on foreign currency loans, net of tax				(0.4)		**(0.4)**		**(0.4)**
Balance at 31 January 2016	**1.0**	**9.6**	**0.3**	**7.0**	**36.1**	**54.0**	**0.6**	**54.6**
Loss for the year ended 31 January 2017					**(5.6)**	**(5.6)**	**0.3**	**(5.3)**
Other comprehensive income								
Currency translation differences for overseas operations				(0.7)		**(0.7)**		**(0.7)**
Currency translation differences on foreign currency loans, net of tax				1.8		**1.8**		**1.8**
Effective portion of changes in fair value of cash flow hedges			(0.4)			**(0.4)**		**(0.4)**
Balance at 31 January 2017	**1.0**	**9.6**	**(0.1)**	**8.1**	**30.5**	**49.1**	**0.9**	**50.0**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 January 2017

	2017 £m	2016 £m
Operating activities		
Loss for the period	**(5.3)**	(3.5)
Adjustments for:		
Depreciation and impairment	**1.1**	1.6
Share of loss of joint ventures	**0.8**	0.4
Non-operating loss/(profit) on store disposals and closures	**1.6**	(1.4)
Operating cash flows before changes in working capital and provisions	**(1.8)**	(2.9)
Decrease/(increase) in inventories	**5.3**	(0.5)
Increase in trade and other receivables	**(1.2)**	(2.1)
Decrease in trade and other payables	**(3.2)**	(1.4)
Cash flows from operations	**(0.9)**	(6.9)
Income tax paid	**(0.1)**	(0.5)
Cash flows from operating activities	**(1.0)**	(7.4)
Investing activities		
Net costs from investments in joint ventures	**-**	(0.5)
Acquisition of property, plant and equipment	**(0.7)**	(0.8)
Net proceeds/(costs) from store closures	**1.1**	(0.5)
Cash flows from investing activities	**0.4**	(1.8)
Net decrease in cash and cash equivalents	**(0.6)**	(9.2)
Cash and cash equivalents at 1 February	**14.0**	23.2
Exchange rate fluctuations on cash held	**0.1**	-
Cash and cash equivalents at 31 January	**13.5**	14.0

NOTES

1 Basis of preparation

Consolidated financial statements and accounting policies

The preliminary announcement for the year ended 31 January 2017 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (EU) at 31 January 2017. The annual financial information presented in the preliminary announcement for the year ended 31 January 2017 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 January 2017, and those Financial Statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report on those Financial Statements is unqualified and does not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

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

Statutory accounts

Information in the preliminary announcement does not constitute statutory accounts of French Connection Group and its subsidiaries ("the Group") within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 January 2016 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The Group's Annual Report for the year ended 31 January 2017 will be made available in due course and will be available for viewing and download from the Group's website at www.frenchconnection.com. The Annual Report will be circulated in printed form to shareholders in the second week of April 2017.

NOTES

2 Operating segments

Segment revenue and results

Income Statement	2017 £m	2016 £m
Revenue		
Retail	**87.9**	92.4
Wholesale	**65.3**	71.8
Group revenue	**153.2**	164.2
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Underlying operating margin		
Retail	**(11.1)%**	(16.9)%
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Underlying Group operating margin	**(2.4)%**	(2.9)%

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North America	**1.1**	1.8
Rest of the World	**(0.9)**	0.1
Group overheads and finance income	**(3.8)**	(3.8)
Underlying Group operating loss*	**(3.7)**	(4.7)

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

NOTES

3 Other operating income

	2017 £m	**2016 £m**
Licensing income	**6.3**	7.3

4 Dividends - equity

The Board is proposing that no dividend should be paid for the year (2016: £Nil). No dividends were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2016: £Nil).

5 Losses per share

Basic and diluted losses per share are calculated on 96,253,134 (2016: 96,216,764) shares being the weighted average number of ordinary shares during the year.

Basic and diluted losses per share of (5.8) pence per share (2016: losses of (3.4) pence) is based on losses of £(5.6)m (2016: losses of £(3.3)m) attributable to equity shareholders.

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

	2017 £m	**2017 pence per share**	2016 £m	2016 pence per share
Loss attributable to equity shareholders	**(5.6)**	**(5.8)p**	(3.3)	(3.4)p
Net loss/(gain) on store disposals and closures	**1.6**	**1.6p**	(1.2)	(1.3)p
Adjusted loss	**(4.0)**	**(4.2)p**	(4.5)	(4.7)p

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

RETAIL LOCATIONS

		31 January 2017 Locations	sq ft	31 January 2016 Locations	sq ft
Operated locations					
UK/Europe					
French Connection	Stores	**53**	**146,542**	60	169,370
French Connection/Great Plains	Concessions	**53**	**36,651**	54	35,491
Toast	Stores	**12**	**13,546**	11	13,105
YMC	Stores	**2**	**1,355**	2	1,355
		120	**198,094**	127	219,321
North America					
French Connection US	Stores	**2**	**9,102**	4	14,021
French Connection Canada	Stores	**2**	**4,650**	2	4,650
		4	**13,752**	6	18,671
Total operated locations		**124**	**211,846**	133	237,992
French Connection licensed and franchised					
UK/Europe		**6**	**6,520**	6	6,544
North America		**1**	**2,346**	1	2,000
Middle East		**8**	**14,438**	10	19,402
Australia		**158**	**104,760**	143	106,775
Hong Kong		**7**	**10,429**	8	11,859
China		**18**	**27,268**	19	29,191
India		**63**	**33,464**	80	44,233
Other		**24**	**17,635**	21	16,863
Total licensed and franchised locations		**285**	**216,860**	288	236,867
Total branded locations		**409**	**428,706**	421	474,859