

FRENCH CONNECTION GROUP PLC

Preliminary Results for the year ended 31 January 2018

French Connection Group PLC ("French Connection" or "the Group") today announces results for its financial year ended 31 January 2018.

Highlights:

- Continued improving trading performance with Group revenues up 0.5% to £154.0m (2017: down 6.7% to £153.2m)
- Wholesale revenue up 8.6% (7.1% CCY³) from UK/Europe and North America
- Improved contribution from retail driven by portfolio rationalisation
- Growth in LFL¹ sales with UK/Europe up 0.8% over the year (2017: up 4.4%)
- Further 11 non-contributing locations closed during the year but new concept store opened in Manchester
- Composite gross margin of 45.2% (2017: 45.8%) due to the strong growth in the wholesale business
- Underlying² operating loss reduced to £(0.6)m an improvement of £3.1m on 2017
- Closing cash of £9.5m (2017: £13.5m)

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

“We have made considerable progress across the Group over the last year and I enter the new financial year with renewed confidence off the back of that success. Our goal has been to return the Group to profitability and I believe we are very close to achieving that aim, given the momentum that we are currently seeing within the business.

While it is clear that the retail market in which we are operating in the UK is unlikely to improve in the near future, we have clear visibility on the benefits we will obtain from the ongoing portfolio rationalisation. In addition the reaction to our collections and strength of our wholesale orders both for the spring and winter seasons further underpins the performance going forward. Although we are only early into the year, I believe we are in a very strong position to make significant progress again.”

Notes:

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

	FY18	FY17	Var %
Total Group revenue (£m)	154.0	153.2	0.5%
Total Retail revenue (£m)	83.1	87.9	(5.5%)
Total Wholesale revenue (£m)	70.9	65.3	8.6%
Retail LFL ¹ (%)	+0.8	+4.4	
Stock (£m)	31.8	31.7	0.3%
Net Retail space reduced UK/Europe (sq.ft. '000s)	18.8	21.2	(11.3%)
Net Retail space reduced Group (sq.ft. '000s)	18.8	26.1	(28.0%)
Average UK/Europe Retail Space (sq.ft. '000s)	188.7	208.7	(9.6%)
Average Group Retail Space (sq.ft. '000s)	202.5	224.9	(10.0%)
Number of stores/concessions:			
- Operated	116	124	(6.5%)
- Franchised, Licensed & JV	212	285	(25.6%)
Underlying gross margin (%)	45.2	45.8	(60bps)
Net cash position (£m)	9.5	13.5	(29.6%)

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 and other professional fees.
3. Constant Currency (CCY) is calculated by translating the year ending January 2018 at 2017 rates to remove the impact of exchange rate fluctuations.

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.

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CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to report that we have maintained the positive momentum that we have seen in the Group throughout the current financial year, with particular progress being made within the retail and wholesale businesses. The underlying operating loss¹ for the year was £(0.6)m (2017: £(3.7)m) representing a significant move forward in returning the Group to profitability.

The improved performance in the UK/Europe retail division was driven by the rationalisation of the store portfolio actioned in both the current and previous years, coupled with like-for-like (LFL²) sales growth of 0.8% for the year, achieved in what continues to be a particularly challenging retail market place in the UK. In addition, we achieved good wholesale revenue growth in both UK/Europe and North America reflecting the high sell through of the product ranges in both territories, particularly in the online channels.

Licence income for the year continued to be strong with additional income from DFS and Interparfums, although offset by a reduction from our Australian territory licensee who has been undergoing a reorganisation of their operations.

During the year we have clearly seen the benefits of the work we have been doing to increase the awareness of the French Connection brand in the improved performance and the recent advertising campaigns have resonated particularly well with consumers. We continuously work to develop and improve the collections, as product is at the core of everything we do.

Retail

Overall retail revenue decreased by 5.5% to £83.1m (-6.0% at constant currency³) with the impact of the increased LFL sales of 0.8% being offset by the closure of a further eleven non-contributing locations during the year (seven stores in UK/Europe and four concessions). We are still targeting to have reduced our store portfolio to around 30 full price French Connection stores by the end of the new financial year. With one store already closed and another five already planned to close later in the year, we also continue to work on a number of other opportunities. Importantly though during the second half of the year we opened a new store in Manchester, under our new store concept. This is the first store we have opened in the UK for a considerable amount of time and serves as a great representation of the brand, in a smaller location but in a key market. Performance to date had been encouraging. The average lease length of the remaining UK/Europe stores is 2.9 years (2017: 3.2 years).

Gross margins reduced during the year to 56.3% (2017: 56.8%) again reflecting the higher proportion of sales through our outlet stores as the full price store portfolio reduced. The margin achieved in the full price stores initially increased reflecting improved full price trading but was reduced overall by slightly higher levels of markdown during the winter sale period. In addition we cleared some older season stock during the second half of the year in the outlet stores. Underlying overheads⁴ increased by 2.3%, reflecting inflationary increases, particularly in business rates and staff costs, offset by tight ongoing management of costs. Overall therefore the performance of the retail division improved significantly during the year.

Ecommerce revenue grew by 3.1% and now represents 29.7% of retail revenue. Over the last year we have focused our online trading strategy to improve our full price revenue, although this has also resulted in a reduction in discounted sales. We are currently in the middle of a programme of investment in the infrastructure of the site to provide greater flexibility and speed to the ongoing development and enhancements required in this fast moving channel. We anticipate seeing the benefits of this feed through during the current year and will move to increase our levels of digital marketing spend as this progresses. Mobile continues to be a growing proportion of our online activity generating 46.8% of traffic, up from 39.7% last year.

Wholesale

Revenue in the year increased by 8.6% to £70.9m (7.1% at constant currency). We saw strong growth in both UK/Europe and North America during the year, although this was partially offset by a reduction in volumes to our License partner in Australia. In UK/Europe we achieved particularly good growth with a broad range of different online customers while maintaining our current client base. In North America the core department store business grew well across the majority of accounts, following on from the improvements seen during the second half of last year.

Gross margins at 32.2% were up 1.3% on last year driven by the growth in full price sales in the year. Costs were again tightly controlled and in constant currency terms were down 0.8% on last year, despite the increased revenue. This resulted in a 25% increase in wholesale underlying operating profit to £12.5m.

Spring 18 orders are well ahead of this time last year and the initial reaction to the Winter 18 collection from customers has been very positive; we expect the trends we have seen over the last year to continue.

CHAIRMAN'S STATEMENT

Licensing

Licence income was flat on last year at £6.3m reflecting a continued very good performance from DFS and contribution from the fragrance licence with Interparfums, offset by a reduction in income from our Australian licensee who has now completed a rationalisation of their business. We have signed new jewellery and homeware licences for North America during this year and these will start to contribute in the new financial year. Negotiations continue 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 up 1.2% in the year, reflecting the business rates increases, rentals on key locations and staffing costs, including both National Living Wage increases and a small level of additional reward given the improvement in performance in the Group.

The Group ended the year with a strong cash position of £9.5m (2017: £13.5m), reflecting payments to exit stores during the year, when last year there had been income, and higher levels of capital expenditure including the new Manchester store, increased IT expenditure and head office reorganisation. Overall working capital increased slightly with the growth in the wholesale business. The Board have decided that there will be no dividend payable for the year.

During the year we received an unsolicited approach about a potential offer for the Group from a third party in the US. In the interest of all shareholders, we entered a period of full due diligence and negotiation over a number of months. This ultimately did not lead to an offer for the Group. The professional fees in relation to this exercise have been recognised outside the underlying operating performance in this year's profit and loss account.

As reported at the time of the interim results we have seen a significant change in the representation of Independent Non-Executive Directors on the Board, with Christos Angelides, Claire Kent and Dean Murray all standing down, and I thank them for their considerable efforts over their time with us. Robin Piggott, who now chairs the Audit Committee and Sarah Curran MBE, who chairs the Remuneration Committee, both joined in September.

We have made considerable progress across the Group over the last year and I enter the new financial year with renewed confidence off the back of that success. Our goal has been to return the Group to profitability and I believe we are very close to achieving that aim, given the momentum that we are currently seeing within the business. While it is clear that the retail market in which we are operating in the UK is unlikely to improve in the near future, we have clear visibility on the benefits we will obtain from the ongoing portfolio rationalisation. In addition the reaction to our collections and strength of our wholesale orders both for the spring and winter seasons further underpins this performance going forward. Although we are only early into the year, I believe we are in a very strong position to make further significant progress.

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

Stephen Marks
Chairman and Chief Executive
13 March 2018

Notes:

1. Underlying Operating Loss excludes profit/loss on store disposals and closures, as well as other professional fees.
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 2018 at 2017 rates to remove the impact of exchange rate fluctuations.
4. Underlying overheads consist of LFL store overheads.

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 Loss¹ of £(0.6)m (2017: £(3.7)m), an 83.8% improvement on the previous year ended 31 January 2017. Loss before taxation, inclusive of store disposals, closures and other professional fees, was £(2.3)m (2017: £(5.3)m, with net store closure costs of £(0.9)m (2017: £(1.6)m) and other professional fees of £(0.8)m.

Revenue

Group revenue increased by 0.5% (-0.5% at constant currency²) to £154.0m. This increase was due to strong wholesale performance up 8.6% (7.1% CCY²) and a positive retail like-for-like (LFL³) performance (+0.8%) combined with store closures.

Retail

Retail revenue for the year was down £4.8m to £83.1m, -5.5% on the comparable year (-6.0% at constant currency). During the year we closed eleven non-contributing locations and opened one new store and two concessions. We ended the year with 116 operating locations. Average store selling space was reduced by 10.0% over the period.

On a LFL³ basis, sales in UK/Europe grew by 0.8%. Total ecommerce revenue grew by 3.1% across our websites representing 29.7% of total Group retail sales, up from 27.3% in 2017.

The overall performance in the year saw the retail division reduce its loss to £(8.3)m (2017: £(9.8)m), a 15.3% improvement on the prior period through closing non-contributory locations, growing LFL sales, continued cost control and improved ecommerce sales.

Wholesale

Group wholesale revenues of £70.9m were 8.6% higher than prior period (7.1% CCY²) (2017: £65.3m). Growth was seen across UK/Europe and North America during the year, though this was offset by a decline in the Rest of World segment. Growth in UK/Europe was mainly driven through a broad range of online partners while in North America the core department store business grew strongly across the majority of accounts, following the momentum experienced in the second half of the previous year.

This strong performance saw wholesale's profitability increase in the year to £12.5m (2017: £10.0m).

Geographical Analysis

The geographical revenue break-down continues to be weighted to UK/Europe representing 77.3% of Group revenues (2017: 76.4%) as a result of stronger growth in UK/Europe than in North America. Of the overall £3.1m improvement in Underlying Operating Profit, £3.0m came from UK/Europe. North America contributed an extra £1.3m over the previous year to offset increased Group costs of £1.1m and Rest of World contribution which was down £0.1m.

Other Income

The net income received from global licensing was £6.3m in the year (2017: £6.3m). Our furniture licensee DFS continues to perform very well as does our new fragrance licensee Interparfums with a new global fragrance due to be on the shelves in Q2 of 2018.

Gross Margin

Gross margin at 45.2% was 60bps lower than the prior period (2017: 45.8%), due to the impact on the sales mix from wholesale growing faster than retail in the year. However, retail also saw margin dilution with retail gross margins at 56.3%, down 50bps on 2017 driven by greater old stock clearance through outlet stores. As the proportion of outlet stores increases relative to full price stores this has an impact on margin. However wholesale margins at 32.2% were 130bps higher than 2017 with the mix of full price sales increasing. Although overall inventory has remained relatively static on the year, the composition of that stock has changed, with a reduction in older retail stock while levels of new wholesale stock has increased.

Operating Expenses

Total Group operating expenses of £75.8m were 4.4% lower than prior period. After adjusting for store closures 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.

FINANCIAL REVIEW

Balance Sheet

The Group balance sheet at 31 January 2018 remains strong with £9.5m of cash (2017: £13.5m), no bank borrowings and a maximum overdraft position during the year of £(0.5)m (2017: £2.0m in credit) as we purchased stock to support the strong growth in wholesale. This short term borrowing was funded by an agreed overdraft facility held with Barclays. The inventory was £0.1m (0.3%) higher than the previous year at £31.8m but with an increased mix of new season product.

The Group will implement IFRS 16 'Leases' effective 31 January 2019 and is proposing to adopt the 'modified retrospective' method for the transition meaning that the comparative 2018 results will not be restated when the standard is applied. The main impact of the new standard will be to bring operating leases onto the balance sheet. The Group is assessing the potential impact, but currently anticipates that the new standard will result in the carrying value of leased assets being increased by approximately £33.0m, with leased liabilities being increased by a similar amount on the date of transition. The application of the new standard will result in part of what is currently reported as operating lease costs being recorded as financial interest expense. However, the Group does not expect this to be material considering the length of existing leases and current interest rates.

Cash Flow

The trading operations of the Group generated cash of £1.1m (2017: £(1.0)m outflow) with the improvement on the previous year being driven by lower levels of trading losses and a working capital increase of £(0.2)m (2017: £0.9m reduction). This was driven by timing differences between inventory, debtors and creditors.

Capital expenditure of £1.8m (2017: £0.7m) included investment in the new Manchester store as well as system improvements and updates to store equipment. We continue to target the closure of non-contributing stores and expect another eight to close in the current year, though as these are mainly end of lease properties there will be minimal expense upon closure.

Taxation

The tax charge for the year is £Nil (2017: £Nil) due to 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 £13.8m, of which £11.8m 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.

By order of the Board

Lee Williams
Chief Financial Officer
13 March 2018

Notes:

1. Underlying Operating Loss excludes loss on store disposals and closures, and other professional fees.
2. Constant Currency (CCY) is calculated by translating the year ending January 2018 at 2017 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 they are best reflective of how the business is managed and are informative to shareholders in understanding the performance of the business.

FINANCIAL REVIEW

	2018 £m	2017 £m
Segment revenue and results		
Revenue		
Retail	83.1	87.9
Wholesale	70.9	65.3
Group revenue	154.0	153.2
Gross profit	69.6	70.1
Retail	56.3%	56.8%
Wholesale	32.2%	30.9%
Group gross margin	45.2%	45.8%
Underlying operating (loss)/profit		
Retail	(8.3)	(9.8)
Wholesale	12.5	10.0
Licence income	6.3	6.3
Common and Group overheads	(10.4)	(9.4)
Finance expense	(0.1)	-
Share of loss from joint ventures	(0.6)	(0.8)
Underlying Group operating loss*	(0.6)	(3.7)
Underlying operating margin		
Retail	(10.0)%	(11.1)%
Wholesale	17.6%	15.3%
Underlying Group operating margin	(0.4)%	(2.4)%
	2018	2017
Geographical information	£m	£m
Revenue		
UK/Europe	77.3%	76.4%
North America	20.5%	19.4%
Rest of the World	2.2%	4.2%
Divisional operating profit/(loss)		
UK/Europe	2.9	(0.1)
North America	2.4	1.1
Rest of the World	(1.0)	(0.9)
Group overheads and finance income	(4.9)	(3.8)
Underlying Group operating loss*	(0.6)	(3.7)

*excludes net loss on store disposals and closures and other professional fees

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2018

	Note	2018 £m	2017 £m
Revenue	2	154.0	153.2
Cost of sales		(84.4)	(83.1)
Gross profit	2	69.6	70.1
Operating expenses		(75.8)	(79.3)
Other operating income	3	6.3	6.3
Net loss on store disposals and closures		(0.9)	(1.6)
Other professional fees		(0.8)	-
Finance expense		(0.1)	-
Share of loss of joint ventures, net of tax		(0.6)	(0.8)
Operating loss		(2.3)	(5.3)
Underlying operating loss		(0.6)	(3.7)
Net loss on store disposals and closures		(0.9)	(1.6)
Other professional fees		(0.8)	-
Loss before taxation		(2.3)	(5.3)
Taxation		-	-
Loss for the year		(2.3)	(5.3)

The Group's results were entirely from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2018

(continued)

	Note	2018 £m	2017 £m
Loss for the year		(2.3)	(5.3)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		(0.9)	(0.7)
Currency translation differences on foreign currency loans, net of tax		(0.1)	1.8
Effective portion of changes in fair value of cash flow hedges		-	(0.4)
Other comprehensive income for the year, net of tax		(1.0)	0.7
Total comprehensive income for the year		(3.3)	(4.6)
Loss attributable to:			
Equity holders of the Company		(2.6)	(5.6)
Non-controlling interests		0.3	0.3
Loss for the year		(2.3)	(5.3)
Total comprehensive income attributable to:			
Equity holders of the Company		(3.6)	(4.9)
Non-controlling interests		0.3	0.3
Total income and expense recognised for the year		(3.3)	(4.6)
Losses per share			
Basic and diluted losses per share	5	(2.7)p	(5.8)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2018

	2018 £m	2017 £m
Assets		
Non-current assets		
Intangible assets	0.4	0.4
Property, plant and equipment	3.2	2.7
Investments in joint ventures	2.5	3.1
Deferred tax assets	4.6	4.4
Total non-current assets	10.7	10.6
Current assets		
Inventories	31.8	31.7
Trade and other receivables	26.1	27.9
Cash and cash equivalents	9.5	13.5
Total current assets	67.4	73.1
Total assets	78.1	83.7
Current liabilities		
Trade and other payables	31.0	32.2
Provisions	0.3	1.4
Derivative financial instruments	0.1	0.1
Total current liabilities	31.4	33.7
Net assets	46.7	50.0
Equity		
Called-up share capital	1.0	1.0
Share premium account	9.6	9.6
Other reserves	7.0	8.0
Retained earnings	27.9	30.5
Total equity attributable to equity holders of the Company	45.5	49.1
Non-controlling interests	1.2	0.9
Total equity	46.7	50.0

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 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
Loss 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

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 (2017: £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 2018

	2018 £m	2017 £m
Operating activities		
Loss for the period	(2.3)	(5.3)
Adjustments for:		
Depreciation and impairment	1.3	1.1
Share of loss of joint ventures	0.6	0.8
Non-operating loss on store disposals and closures	0.9	1.6
Other professional fees	0.8	-
Finance expense	0.1	-
Operating cash flows before changes in working capital and provisions	1.4	(1.8)
(Increase)/decrease in inventories	(0.7)	5.3
Decrease/(increase) in trade and other receivables	1.1	(1.2)
Decrease in trade and other payables	(0.6)	(3.2)
Cash flows from operations	1.2	(0.9)
Income tax paid	(0.1)	(0.1)
Cash flows from operating activities	1.1	(1.0)
Investing activities		
Investment in joint ventures	(0.3)	-
Acquisition of property, plant and equipment	(1.8)	(0.7)
Net (costs)/proceeds from store closures	(2.0)	1.1
Other professional fees	(0.8)	-
Cash flows from investing activities	(4.9)	0.4
Financing activities		
Interest paid	(0.1)	-
Cash flows from financing activities	(0.1)	-
Net decrease in cash and cash equivalents	(3.9)	(0.6)
Cash and cash equivalents at 1 February	13.5	14.0
Exchange rate fluctuations on cash held	(0.1)	0.1
Cash and cash equivalents at 31 January	9.5	13.5

NOTES

1 Basis of preparation

Consolidated financial statements and accounting policies

The preliminary announcement for the year ended 31 January 2018 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (EU) at 31 January 2018. The annual financial information presented in the preliminary announcement for the year ended 31 January 2018 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 January 2018, 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 2017 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 2018 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 2018.

NOTES

2 Operating segments

Segment revenue and results

	2018	2017
	£m	£m
Income Statement		
Revenue		
Retail	83.1	87.9
Wholesale	70.9	65.3
Group revenue	154.0	153.2
Gross profit	69.6	70.1
Retail	56.3%	56.8%
Wholesale	32.2%	30.9%
Group gross margin	45.2%	45.8%
Underlying operating (loss)/profit		
Retail	(8.3)	(9.8)
Wholesale	12.5	10.0
Licence income	6.3	6.3
Common and Group overheads	(10.4)	(9.4)
Finance expense	(0.1)	-
Share of loss from joint ventures	(0.6)	(0.8)
Underlying Group operating loss*	(0.6)	(3.7)
Underlying operating margin		
Retail	(10.0)%	(11.1)%
Wholesale	17.6%	15.3%
Underlying Group operating margin	(0.4)%	(2.4)%
Geographical information		
	2018	2017
	£m	£m
Revenue		
UK/Europe	77.3%	76.4%
North America	20.5%	19.4%
Rest of the World	2.2%	4.2%
Divisional operating profit/(loss)		
UK/Europe	2.9	(0.1)
North America	2.4	1.1
Rest of the World	(1.0)	(0.9)
Group overheads and finance income	(4.9)	(3.8)
Underlying Group operating loss*	(0.6)	(3.7)

*excludes net loss on store disposals and closures and other professional fees

NOTES

3 Other operating income

	2018 £m	2017 £m
Licensing income	6.3	6.3

4 Dividends - equity

The Board is proposing that no dividend should be paid for the year (2017: £Nil). No dividends were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2017: £Nil).

5 Losses per share

Basic and diluted losses per share are calculated on 96,253,134 (2017: 96,253,134) shares being the weighted average number of ordinary shares during the year.

Basic and diluted losses per share of (2.7) pence per share (2017: losses of (5.8) pence) is based on losses of £(2.6)m (2017: losses of £(5.6)m) attributable to equity shareholders.

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

	2018 £m	2018 pence per share	2017 £m	2017 pence per share
Loss attributable to equity shareholders	(2.6)	(2.7)p	(5.6)	(5.8)p
Net loss on store disposals and closures	0.9	1.0p	1.6	1.6p
Other professional fees	0.8	0.8p	-	-
Adjusted loss	(0.9)	(0.9)p	(4.0)	(4.2)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 2018		31 January 2017	
		Locations	sq ft	Locations	sq ft
Operated locations					
UK/Europe					
French Connection	Stores	47	128,835	53	146,542
French Connection/Great Plains	Concessions	51	35,556	53	36,651
Toast	Stores	12	13,546	12	13,546
YMC	Stores	2	1,355	2	1,355
		112	179,292	120	198,094
North America					
French Connection US	Stores	2	9,102	2	9,102
French Connection Canada	Stores	2	4,650	2	4,650
		4	13,752	4	13,752
Total operated locations		116	193,044	124	211,846
French Connection licensed and franchised					
UK/Europe		5	5,642	6	6,520
North America		1	2,346	1	2,346
Middle East		10	15,686	8	14,438
Australia		139	73,980	158	104,760
Hong Kong		4	7,000	7	10,429
China		11	16,018	18	27,268
India		20	11,249	63	33,464
Other		22	15,863	24	17,635
Total licensed and franchised locations		212	147,784	285	216,860
Total branded locations		328	340,828	409	428,706