

ANNUAL REPORT 2020

French Connection Group PLC

French Connection Group PLC

FRENCH CONNECTION • GREAT PLAINS • YMC

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

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CHAIRMAN'S STATEMENT

Dear Shareholders

After making further progress during the first half of the year, the overall result for the financial year is disappointing. Performance during the second half has been considerably worse than expected, particularly during the fourth quarter in the UK, reflecting the continued difficult trading conditions and a shift in the phasing of wholesale deliveries to customers into the New Year. Encouragingly however, the strong sales growth we have seen recently in the USA wholesale business continued, helped by another excellent sell through at the major department stores, although this was adversely impacted by the additional import duties imposed.

The underlying loss for the year was £2.9m (2019: profit of £0.8m), reflecting the poor result in the UK, which was partially offset by the improvement in the USA and despite the significant cost of the additional import duties imposed there since the beginning of September.

As announced at the end of January, the strategic review and formal sale process have been brought to a conclusion and going forward we will continue to focus on the following key areas:

- further right sizing of the store portfolio while renegotiating the cost base of the ongoing stores
- close collaboration with the key wholesale customers to continue growing the business, particularly in the US increased investment in the online platform to enhance the customer experience and improve conversion, coupled with additional spend on marketing to drive traffic
- development of the range of license arrangements to seek to increase the product categories available while expanding the current businesses
- pursuit of other areas of potential cost savings

Wholesale

Revenue decreased by 4.8% in the year (-4.6% CCY). The strong growth that we saw last year in North America has continued, with good progress being made with all the department stores, especially Bloomingdales and Nordstrom, who saw further improved sell through and increased overall volumes. In addition we had the launch of the fcuk capsule collection with Urban Outfitters. In UK/Europe however sales reduced due to a combination of the difficult market conditions through the second half of the year resulting in considerably lower in season orders being received, together with a change of the phasing of new summer season deliveries when compared to last year.

Gross margins at 30.2% were 2.3% down on last year reflecting the additional import duties incurred in the USA during the second half of the year and a lower level of foreign exchange gains than in the previous year in the UK. In response to the decrease in revenue, costs were tightly controlled and were reduced by 3.1% (2.8% CCY) (exc. IFRS 16). Overall this has resulted in a 23% reduction in underlying operating result to £11.7m excluding IFRS 16 adjustments.

Retail

Predominantly due to the continued store closure programme with a further 18 locations closed during the year (11 stores,

3 outlets and 4 concessions), overall revenue decreased by 20.0% (-19.7% CCY). This also included a reduction in like for like sales of 2.5% for UK/Europe, despite having been 1.4% up at the half year. Included in the closures was our store in Oxford Street in May and in response to this we opened the new concept Duke Street Studios store nearby to maintain a West End presence. As anticipated, negotiations on individual properties in general have become considerably more favourable, and while not always enough to ensure we remain in the store, certain locations have continued to be traded given the improved economics. This is likely to continue although the number of leases coming to the end or with a break clause, reduces considerably over the next couple of years leaving less opportunity for renegotiation. We currently expect 2 further locations to close this year. The average lease length of the remaining UK/Europe stores is 2.5 years (2019: 2.3 years).

Gross margin was 51.0%, down from 55.1% last year. This reflects increased markdowns in the second half of the year to assist stock clearance, the lower level of foreign exchange gains compared to the previous year and the increased proportion of sales through the outlet stores at lower margins. Underlying overheads fell by 5.5% reflecting the rent renegotiations achieved during the year partially offset by some inflationary pressures particularly on staff costs. Overall underlying operating result for the year decreased by £1.3m excluding IFRS 16 adjustments.

Within retail, overall revenue for ecommerce was slightly down on last year, reflecting the general trading environment but also the changes in team that have been made during the year both in the UK and USA. In addition in the USA there was a conscious move to reduce the level of promotional periods which again impacted sales volumes. We did start to see some benefits of the improvements we have made feed through particularly on personalisation and in the social media channels towards the end of the second half of the year. We intend to build on this as we go forward. The ecommerce business both with our own site and through third party customer platforms will play a significant part in the growth of the business in the future.

Licensing

Licensing income for the year was £5.5m compared to £5.8m last year. This reflects overall a steady performance with DFS again growing but offset by the closure of our bag licensee in North America. We have new ladies footwear, kidswear and hosiery licences commencing deliveries in North America in the second half of the year.

Operating expenses

Operating expenses, adjusted for store closures and currency movements, were slightly down on the year with inflationary pressures especially from staff costs. These were offset by rent renegotiations and group wide cost saving initiatives including a restructure within the retail head office.

The Group ended the year with a cash position of £8.1m (2019: £16.2m), reflecting the trading losses, payments to exit stores during the year and capital expenditure on stores and IT infrastructure. The Board have decided that there will be no dividend payable for the year.

CHAIRMAN'S STATEMENT

Continued

Summary

The performance this year has not been as anticipated and we are not being assisted by the continued difficult trading conditions in the UK and also uncertainty as to the impact of COVID-19 coronavirus both due to the spread of the infection to further territories and the potential impact on our supply chain. We are monitoring this situation closely and, as described in more detail below, will take whatever actions are necessary to manage any issues that may arise.

I am however, pleased with the continued good performance of the wholesale business in the USA and we have good forward order banks in the UK to be delivered during the first half of the year. Although we were impacted by the COVID outbreak, many of those orders were rescheduled or cancelled out. Initial reaction to the winter ranges has been good. The consistent performance of the licensing business will continue and will be strengthened by the new collections. The trading landscape in the UK is unlikely to improve in the short term and this has a potential impact on both the retail and wholesale businesses. Against this background we are working hard to ensure we are operating as efficiently and cost effectively as possible while working closely with all our trading partners to maximise business with them. All our staff have worked hard over the year in testing conditions and for this I thank them. We have a lot to do to return the business to the positive progress we had been making prior to this year but I am confident we are well positioned to achieve this.

COVID-19 Coronavirus

Following the declaration of the COVID-19 pandemic by the World Health Organisation on 11 March 2020, the Group closed all its stores and concessions and our wholesale revenues have significantly declined. However, we have been able to continue to operate our own websites with sales up significantly.

We have been working hard planning for the stores to re-open ensuring they do so safely and in line with all Government guidance. The majority of the stores are now open and we intend that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. We look forward to returning to more normal levels of trade as the situation evolves, although we do not expect this for some time to come.

The Company has taken a number of actions to conserve cash and reduce costs given the significant reduction in sales, together with the delayed payments from many of our wholesale customers, particularly in the USA. The Company is in ongoing and generally constructive discussions with many of our key stakeholders including:

- all suppliers to confirm extending payment terms and discounts
- landlords with a view to agreeing rent holidays or deferred payments
- factories to manage the supply of future goods to match current requirements while reducing quantities to reflect the expected lower level of trade for the remainder of the year
- rescheduling payments to HMRC

We have attempted to participate in as many of the Government's support initiatives as is possible. The Job Retention Scheme for colleagues and rates relief for the store portfolio are now in place. It has however proved very challenging for us, in line with other retailers, to access any other Government funds due to the tight qualification constraints that have been imposed and to date we have been unable to access any further funding from these schemes. In the light of the Group's current cash position and the continued expected weak trading environment, we have been in active discussions with a number of potential funding partners. The Board is confident of raising sufficient funds to support the business until the return of trading levels that are able to support the ongoing operations. This process is proceeding well and we are making good progress with due diligence completed and legal documents in the final stages of this process. Without securing additional funding and should the current COVID impacted trading levels continue, the Group's cash resources will eventually be exhausted within the next six months.

Stephen Marks

Chairman and Chief Executive

15 July 2020

Notes:

1. Underlying Operating result excludes adjusting items (Note 9) and discontinued operations (Note 3).

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

3. Constant Currency (CCY) is calculated by translating the year ending January 2020 at 2019 rates to remove the impact of exchange rate fluctuations (Note 30).

4. Underlying overheads consist of LFL store overheads.

5. Adjusting items include provisions for bad debts, store closure and dilapidation costs, impairment provisions and other professional fees (Note 9).

6. Continuing operations exclude the discontinued results from the disposed Hong Kong and China joint ventures (Note 3).

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

Although the first half of the financial year saw an improvement in underlying profitability, the second half of the year proved to be particularly challenging. A tough economic climate, particularly in the UK, provided headwinds that impacted on our ability to build on the improvement in the first six months. Underlying result¹ for the full year to January 2020 was a loss of £(2.9)m compared to an underlying profit of £0.8m in the comparative period. The underlying result excludes adjusting items and discontinued operations.

Adjusting items⁴ of £4.4m (2019: £9.4m) in the year relate to significant material bad debts, impairment and dilapidation provisions and professional fees relating to the conclusion of the strategic review, as announced in January. Further information is provided in Note 9 to the Group accounts. Discontinued operations in the current year relate to the cessation of our joint venture operation in Asia. The closure of all of our fourteen joint venture stores in China and Hong Kong was completed in the second half of the financial year and generated a total loss of £(0.5)m. The joint venture trading result has been re-presented within discontinued operations in the comparative year.

The current reporting period is inclusive of the implementation of IFRS 16 which has resulted in presentational changes to the Income Statement, Statement of Financial Position and Cash Flow. In addition, the underlying result on a like-for-like basis has benefitted from the adoption of IFRS 16 'modified retrospective' approach as illustrated in Note 34 'Impact of application of IFRS 16'. The like-for-like underlying result for the year, adjusted to exclude the impact of IFRS 16, is a loss of £(4.5)m (2019: restated profit of £0.8m). Including adjusting items and discontinued operations, the Group reported a total loss for the year of £(7.8)m (2019: £0.0m).

Revenue

Group revenue from continuing operations of £119.9m decreased by 11.4% (11.1% at constant currency³) (2019: £135.3m). Wholesale revenue grew in North America but contracted in UK/Europe due to shipment timing, resulting in an overall decline of 4.8% (4.6% at constant currency). Retail sales decreased by 20.0% (19.7% at constant currency) reflecting a reduced store portfolio reducing average operated space by 13.6% with net fifteen store/concession closures in the year as well as UK/Europe retail like-for-like sales³ decline of 2.5%.

Gross margin

Composite Group gross margin at 38.3% was 400bps lower than the prior period (2019: 42.3%) impacted by higher input prices including increased tariffs imposed by the US on imports from China, less favourable FX variances and the larger proportion of retail outlet sales and relatively fixed overheads as we continue to close full-price stores.

Wholesale

Group wholesale revenue from continuing operations of £73.2m was 4.8% (4.6% at constant currency) lower than the prior period (2019: £76.9m). Strong continued growth of 15.7% was generated from the core department store business in North America. However, this was offset by a decline in UK/Europe revenue of 18.0% due to reduction in clearance sales and change in phasing of year-end Spring product despatches.

The Rest of the World wholesale business contracted impacted by the closure of our joint venture partners in Asia.

Group wholesale gross margin deteriorated to 30.2% (2019: 32.5%) due to increased input prices as a result of continuing weak Sterling throughout the year and increased tariffs on Chinese imports imposed by the US.

The decline in overall wholesale sales and a softer margin resulted in a profitability decrease in underlying profit for the year to £13.2m (2019: £15.2m). Excluding the impact of IFRS 16, adjusted underlying wholesale profit was £11.7m (£15.2m).

Retail

Group retail revenue from continuing operations of £46.7m was 20.0% lower than the comparative period (2019: £58.4m) due to the continuing targeted reduction in the store portfolio and 2.5% decline in UK/Europe like-for-like sales. During the year, we closed fourteen non-contributing stores and four concessions, with another two concessions opening. Our Oxford Street store closed in the first half of the year but to maintain a Central London presence, we opened a new concept store nearby in Duke Street, called The Studio. Total operated locations at the year-end was 81 (2019: 96) reflecting a 26% reduction in total selling space.

Disappointingly, total ecommerce revenue also contracted by 8.1% across our websites. However, ecommerce still increased penetration of total Group retail sales, growing to 24.2% (2019: 21.1%). Mobile phone transactions as a proportion of ecommerce traffic also increased to 63.8% of all online transactions (2019: 56.8%) reflecting the continued focus and development of our CRM capability and targeted social media advertising.

The overall retail performance in the year was a marginal improvement in the underlying result to a loss of £(10.0)m (2019: £(10.3)m). Excluding the impact of IFRS 16, adjusted underlying retail loss was £(11.6)m (2019: £(10.3)m).

We continue to review the Group retail portfolio and opportunities available to renegotiate or terminate leases. However, we also continue to experience upward cost pressures from a combination of both rates and wages.

Geographical analysis

The continued strong performance in the North America wholesale business has contributed to the increase in North America share of Group revenue to 33.9% (2019: 27.2%) and the corresponding decrease in UK/Europe share to 64.7% (2019: 70.7%). The closure of the Asian joint ventures has resulted in fall in Rest of the World revenue to 1.4% (2019: 2.1%).

Underlying operating result from North America has improved to £5.5m (2019: £3.7m) as a result of the continued wholesale growth. UK/Europe underlying result has generated a loss of £(1.6)m (2019: profit of £2.1m) due to contracting wholesale and retail revenues. Rest of the World underlying loss increased to £(0.8)m (2019: £(0.6)m).

Licensing income

Global licensing of £5.5m (2019: £5.8m) was generated in the year. DFS continues to increase its licensing revenues with range expansion during the year. However, some of the UK historic licensing income has contracted in the year as a direct result of the challenging UK economic climate and the North America shoe licence closure.

FINANCIAL REVIEW

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Operating expenses

Total Group operating expenses, excluding adjusting items, of £52.8m (2019: £62.2m) were 15.1% lower than the prior period primarily due to store closure savings and a focus on cost control.

Total operating expenses including adjusting items were £57.2m (2019: £71.6m).

Adjusting items

Adjusting items of £4.4m (2019: £9.4m) have been recognised in the period relating to non-recurring items including bad debt provisions relating to wholesale export customers of £1.0m, store closure and dilapidation costs of £1.6m, right of use and fixed asset impairments of £1.4m and professional fees of £0.4m with regards to the conclusion of the strategic review.

Discontinued operations

The Group closed its joint venture operations in Asia in the second half of the year. The closure of all of our fourteen stores in China and Hong Kong generated a total loss of £(0.5)m. The joint venture trading result has been disclosed within discontinued operations.

The prior year trading loss of the joint ventures of £(0.7)m has been re-presented within discontinued operations in the Income Statement and consolidated with the prior year profit from disposal of our subsidiary, Toast (Mail Order) Limited, generating a total comparative discontinued operations profit of £8.6m.

Balance sheet

The Group balance sheet at 31 January 2020 remains strong with net assets of £29.1m (2019: £46.2m) including closing cash of £8.1m (2019: £16.2m) and no bank borrowings. Opening net assets at 1 February 2019 have been reduced by £8.3m following the implementation of IFRS 16 (see Note 34 'Impact of application of IFRS 16').

Inventory levels reduced to £26.8m (2019: £28.4m) due to the reduction in wholesale sales and the timing of Spring shipments. Similarly, trade and other receivables have decreased to £19.5m (2019: £24.1m) as a result of contracting wholesale revenues and increased provisions. Trade and other payables have reduced to £19.2m (£25.4m) reflecting the reduction in the retail portfolio.

Following the implementation of IFRS 16, the balance sheet at the year-end now includes a right of use asset of £17.9m and related lease liabilities of £30.0m relating to future discounted lease rentals.

Cash flow

The trading operations of the Group generated cash of £5.7m (2019: £(3.1)m outflow) reflecting the new cash flow presentation under IFRS 16. However, on a like-for-like presentational basis, excluding the impact of IFRS 16, adjusting items and discontinued operations in both the current and prior years, the Group consumed cash of £(5.7)m in the year (2019: £(2.6)m). The increase in cash consumption reflects the decrease in underlying profitability in the year tempered by tighter control of working capital.

Cash outflows from investing activities of £2.2m include capital expenditure of £1.1m (2019: £0.8m) relating to IT costs, investment in upgrading the ecommerce CRM platform and retail improvements including the shopfit of the new London

store. Store closure costs of £1.1m (2019: £0.9m) have been incurred in the period relating to the closure of fourteen stores.

We continue to target the closure of non-contributing stores and expect to close more in the current year. Prior year cash inflow from investing activities of £10.0m included the funds received from the disposal of the subsidiary, Toast (Mail Order) Limited. Cash outflows from financing activities of £(11.4)m in the current year relate to IFRS 16 lease liability rental payments and interest.

IFRS 16

The Group has implemented IFRS 16 'Leases' for the accounting year-ended 31 January 2020. The Group has adopted the 'modified retrospective' method and accordingly the comparative 2019 results under this methodology have not been restated on transition at 1 February 2019.

In summary, IFRS 16 aligns the presentation of leased assets more closely to owned assets resulting in historic operating leases being brought onto the Balance Sheet and part of what was previously reported as operating lease costs being recorded as a finance interest expense. Historic operating lease expenses are to be replaced by depreciation and interest.

The depreciation of the right-of-use asset will be charged on a straight line basis whilst the interest charged on the outstanding lease liability will be front-loaded and higher in the earlier years decreasing over the life of the lease. However, the total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard.

A right-of-use asset and lease liability have been presented on the Balance Sheet with the lease liability recognised at the present value of future lease payments. The right-of-use asset has been matched in value to the lease liability at inception subject to any rent-free or lease inducements. However, the respective assets and liabilities have been charged/(credited) independently over the life of the lease.

The adoption of the standard has had no impact on the daily operations or cash flows of the Group. However, there has been a material impact on the presentation of the financial statements including the Income Statement, Balance Sheet and Cash Flow Statement.

More details are available in Note 34 'Impact of application of IFRS 16'.

Taxation

The total Group tax charge for the year of £Nil (2019: £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 £15.3m, of which £13.6m has not been recognised in these financial statements. These tax losses can be utilised when the Group returns to profitability.

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.

Market capitalisation

It is noted that as at the financial year-end 31 January 2020, the net assets of the Group of £29.1m are in excess of the Company's

FINANCIAL REVIEW

Continued

market capitalisation. However, the Directors believe, based on the latest budget and long range plan, the current market price undervalues the future forecast profitability of the business and that the net asset position of the Group is a fairer representation. In accordance with accounting standards, the Company acknowledges that current market capitalisation is a potential indicator of impairment. A subsequent impairment review of the Group's net assets has been performed in the year with resulting right of use asset and tangible fixed asset impairments.

Brexit

The long term implications and full economic impact remain unclear. The Group considers the principal risk factors to be macro-economic uncertainty leading to a downturn in the UK economy, trading restrictions leading to friction at the borders, the imposition of tariffs, further exchange rate volatility and other recruitment concerns. Tariff increases or trading restrictions are mitigated through the Group's suppliers predominantly being located outside of the EU. The potential fall in the value of Sterling and further exchange rate volatility following Brexit is partly mitigated within the Group due to the proportion of our business which is transacted in US\$ and Euros. This leads to a relatively large natural hedge. For the remainder we hedge in advance. The likely contraction in the labour market is considered a minor risk to the Group, with no senior positions currently held by non-UK EU citizens and minimal disruption to retail staffing. The Group has communicated across the organisation the steps and procedures required to assist any EU citizens to take advantage of the EU Settlement Scheme to remain in the UK following any transition period. The Board will continue to monitor Brexit developments and assess the potential impact on the business when there is greater certainty and clarity over potential outcomes.

COVID-19 Coronavirus and Going Concern

Following the declaration of the COVID-19 pandemic by the World Health Organisation on 11 March 2020, the Group closed all its stores and concessions and our wholesale revenues have significantly declined. However, we have been able to continue to operate our own websites with sales up significantly.

We have been working hard planning for the stores to re-open ensuring they do so safely and in line with all Government guidance. The majority of the stores are now open and we intend that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. We look forward to returning to more normal levels of trade as the situation evolves, although we do not expect this for some time to come.

The Company has taken a number of actions to conserve cash and reduce costs given the significant reduction in sales, together with the delayed payments from many of our wholesale customers, particularly in the USA. The Company is in ongoing and generally constructive discussions with many of our key stakeholders including:

- all suppliers to confirm extending payment terms and discounts
- landlords with a view to agreeing rent holidays or deferred payments

- factories to manage the supply of future goods to match current requirements while reducing quantities to reflect the expected lower level of trade for the remainder of the year
- rescheduling payments to HMRC

We have attempted to participate in as many of the Government's support initiatives as is possible. The Job Retention Scheme for colleagues and rates relief for the store portfolio are now in place. It has however proved very challenging for us, in line with other retailers, to access any other Government funds due to the tight qualification constraints that have been imposed and to date we have been unable to access any further funding from these schemes. In the light of the Group's current cash position and the continued expected weak trading environment, we have been in active discussions with a number of potential funding partners. The Board is confident of raising sufficient funds to support the business until the return of trading levels that are able to support the ongoing operations. This process is proceeding well and we are making good progress with due diligence completed and legal documents in the final stages of the process. Without securing additional funding and should the current COVID impacted trading levels continue, the Company's cash resources will eventually be exhausted within the coming six months.

The Board is confident of securing additional funding and on this basis, the Directors believe that the financial statements for the year-ended 31 January 2020 should be prepared on a going concern basis.

The Directors, believe that material uncertainty exists over whether funding can be secured before the existing cash resources are eroded and due to the uncertainty on when normal trading will resume and the broader implications of the Covid-19 pandemic on the business that may cast significant doubt about the ability of French Connection Group PLC to continue as a going concern. However, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Refer to Note 36 'Post Balance Sheet Events' for additional disclosure.

The strategic report, from pages 2 to 17, has been reviewed and approved by the Board on 15 July 2020.

By order of the Board

Lee Williams

Chief Financial Officer
15 July 2020

Notes:

1. Underlying Operating result excludes adjusting items (Note 6) and discontinued operations (Note 3).
2. LFL or "Like-for-Like" sales growth is defined as the year-on-year sales growth for owned stores and concessions open more than one year, including ecommerce revenues, removing the impact of closed stores and reported in constant currency.
3. Constant Currency (CCY) is calculated by translating the year ending January 2020 and January 2019 at a consistent rate to remove the impact of exchange rate fluctuations (Note 30).
4. Adjusting items include provisions for bad debts, store closure and dilapidation costs, impairment provisions and other professional fees.
5. Continuing operations exclude the discontinued results from the disposed Hong Kong and China joint ventures (Note 3).

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

Continued

Segment revenue and results	2020 £m	Restated* 2019 £m
Revenue		
Retail	46.7	58.4
Wholesale	73.2	76.9
Group revenue	119.9	135.3
Gross profit	45.9	57.2
Retail	51.0%	55.1%
Wholesale	30.2%	32.5%
Group gross margin	38.3%	42.3%
Underlying operating (loss)/profit		
Retail	(10.0)	(10.3)
Wholesale	13.2	15.2
Licence income	5.5	5.8
Common and Group overheads	(10.1)	(9.9)
Finance expense	(1.5)	–
Underlying Group operating (loss)/profit**	(2.9)	0.8
Underlying operating margin		
Retail	(21.4)%	(17.6)%
Wholesale	18.0%	19.8%
Underlying Group operating margin	(2.4)%	0.6%
Geographical information	2020 £m	Restated* 2019 £m
Revenue		
UK/Europe	64.7%	70.7%
North America	33.9%	27.2%
Rest of the World	1.4%	2.1%
Divisional operating (loss)/profit		
UK/Europe	(1.6)	2.1
North America	5.5	3.7
Rest of the World	(0.8)	(0.6)
Group overheads and finance income	(6.0)	(4.4)
Underlying Group operating (loss)/profit**	(2.9)	0.8

* comparative results have been restated reflecting the re-presentation of continuing and discontinued operations

** excludes adjusting items (Note 9) and discontinued operations (Note 3)

NON-FINANCIAL INFORMATION STATEMENT

French Connection Group PLC aims to comply with the new Non-Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below sets out where relevant information can be found in the Annual Report together with an overview of our relevant policies and standards.

Reporting requirement	Relevant section	Page Reference	Policies and Standards
Business model	Our Business	10	
Principal risks	Principal risks and uncertainties Viability statement	13 21	
Environmental matters	Corporate Social Responsibility	16	Recycling Carbon emissions
Employees	Corporate Social Responsibility	17	Staff handbook Equal opportunities Whistleblowing Health and safety Staff training
Social matters	Corporate Social Responsibility	16	Charitable donations
Human rights	Corporate Social Responsibility	16	Supplier chain guide Modern slavery policy
Anti-corruption and anti-bribery matters	Corporate Social Responsibility	17	Anti-bribery policy

S172(1) STATEMENT

Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Directors of French Connection Group PLC consider that they have behaved in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole (with regards to the stakeholders and matters set out in s172 (1) (a) to f) of the Companies Act) in the decisions taken during the year ended 31 January 2020.

Specific matters detailed in s172 and the actions taken by the Directors with regards to these matters are summarised below:

Matters	Actions	Consideration and engagement	Reference
Likely consequences of any decision in the long term	Annually, the Board undertakes a review of the Company's strategy, including the budget for the forthcoming year and the long range plan for the next five years. Once approved, the plan and strategy form the basis for financial budgets and resource and investment decisions. Both input to the budgets and output in terms of decision making involves both the Board and senior management. In making decisions concerning the business plan and future strategy, the Board has regard to the interests of various stakeholders and the consequences of its decisions in the long-term.	Annual budget, longrange plan.	Viability statement (page 21)
Interests of the Group's employees	Our employees are fundamental to the success of the business. We aim to be a responsible employer in our approach to the pay and benefits that our employees receive and ensure that we adhere to all statutory employee health and safety standards.	Employee reviews and appraisals. Exit surveys. Bonus schemes. Gender pay reporting. Health and safety certification.	People (page 17)
Need to foster the Company's business relationships with suppliers, customers and others	We are committed to securing strong working relationships with both our suppliers and customers in order to accentuate the performance of the Group. We have published an internal 'Supplier Guide' which focuses on working with suppliers who adhere to acceptable employment, industry and environmental practices. Harboursing good retail and ecommerce customer relations is a key area of focus which is supported by regular retail employee training workshops and customer feedback surveys.	Supplier Guide. Modern slavery statement. Staff training. Customer surveys.	Supply chain (page 16)
Impact of the Company's operations on the community and the environment	Environmental issues are an important focus of the business. The Directors regularly review the raw materials sourced to manufacture the products and the related transportation and packaging. Recycling and reducing carbon footprint is widely encouraged throughout the supply chain and amongst employees.	Waste regulation membership. Recycling. Greenhouse gas emissions review.	Impact on the environment (page 16)
Desirability of the Group maintaining a reputation for high standards of business conduct	Our intention is to behave responsibly and ensure that management operate the business in a responsible manner and within high standards of business conduct and good governance.	Corporate governance compliance. Audit and remuneration committees. Nonexecutive Director Board appointments. FTSE market regulation compliance.	Corporate governance Board statements (page 24)
Need to act fairly as between members of the Company	The Board is committed to openly engaging with our shareholders, whether with institutional investors or private shareholders. It is important that shareholders understand our strategy and objectives.	Director meetings with shareholders.	Relations with shareholders (page 25)

OUR BUSINESS

Business objectives, strategy, and business model

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

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

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

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

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

Brands

Our principal brand is French Connection which accounts for 92% of the Group's revenues.

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

Our other brands include:

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

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

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

OUR BUSINESS

Worldwide operations

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

Retail locations

	31 January 2020		31 January 2019	
	Locations	sq ft	Locations	sq ft
Operated locations				
UK/Europe				
French Connection Stores	31	79,768	43	120,469
French Connection/Great Plains Concessions	45	40,418	47	43,214
YMC Stores	3	1,805	3	1,805
	79	121,991	93	165,488
North America				
French Connection US Stores	2	9,102	2	9,102
French Connection Canada Stores	-	-	1	2,350
	2	9,102	3	11,452
Total operated locations	81	131,093	96	176,940
French Connection licensed and franchised				
UK/Europe	2	2,553	4	4,142
North America	1	2,346	1	2,346
Middle East	7	11,678	10	15,686
Australia	148	75,013	140	72,553
Hong Kong	-	-	3	3,378
China	-	-	11	16,614
India	-	-	7	3,710
Other	15	11,446	19	14,242
Total licensed and franchised locations	173	103,036	195	132,671
Total branded locations	254	234,129	291	309,611

Our operations

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

OUR BUSINESS

Continued

Our design teams are based in London and we arrange for the products to be manufactured in specialist third party factories in Europe and Asia supervised by local buying offices. The main countries where manufacturing takes place are China, India and Turkey. More information regarding our supply chain, working practices and impact on the environment can be found the Corporate Social Responsibility statement.

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

To further extend retail distribution we have granted franchises and licences to quality retailers allowing them to operate French Connection branded retail stores in Europe, the Middle East, Asia and Australia. These customers are supplied through our wholesale channels in the UK and Hong Kong.

Brand extensions

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

Current trends

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

OUR BUSINESS

Continued

Principal risks and uncertainties

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

Risk	Impact	Mitigation
Fashion and design	Our success depends on our ability to produce ranges of garments which are attractive to potential customers.	<p>We seek to achieve this through retention of experienced and skilled designers and merchandisers and by remaining as operationally flexible as possible particularly in relation to our supply chain and up front commitments.</p> <p>Each year the brands produce two main seasonal fashion ranges and the success of each of these is largely dependent on the ability of our designers to reflect attractively the emerging trends in fashion. We utilise a mix of experience and fresh thinking in our design studios under the consistent guidance of the senior management to ensure continuity of the brand attitudes.</p>
Brand and reputational risk	Our brands and the way they are perceived in their respective markets is very important to us.	We are very protective of the brands and work to ensure that they are presented in appropriate ways and that they are not misused. A main driver for brand perception is the products themselves and therefore our reputational risk is closely linked to our sales success.
Macroeconomic factors	The nature of fashion retail means that it is not always possible to predict customers' reactions to each season's new ranges. Our customers' propensity to spend on clothing is also affected by their personal financial situation and other macroeconomic factors which impact the total size of the retail markets in which we operate.	We consider that as a small operator at the upper end of the middle market the impact on our business of macroeconomic elements is considerably smaller than the impact of the success of our designers in producing attractive products.
Brexit		<p>The UK left the EU on January 31st 2020 and is now in an implementation period which is due to end on December 31st 2020. Although negotiations for our trading arrangements with the EU and 3rd countries are still in their infancy, it is understood that there will be friction when it comes to crossing borders from Great Britain to Northern Ireland and the EU nations. However, the precise arrangements are still to be agreed. The long-term implications and full economic impact remain unclear. The Group considers the principal risk factors to be macro-economic uncertainty leading to a downturn in the UK economy, trading restrictions with friction at the borders, the imposition of tariffs, further exchange rate volatility, recruitment issues and other recruitment concerns. Tariff increases or trading restrictions are mitigated through the Group's suppliers predominantly being located outside of the EU. The potential fall in the value of sterling should a trade deal not be agreed is a concern, but is partly mitigated within the Group due to the proportion of our business which is transacted in US\$ and Euros. This leads to a relatively large natural hedge. For the remainder we hedge in advance. The likely contraction in the labour market is considered a minor risk to the group, with no senior positions currently held by non-UK EU citizens and only around 7% of store staff being EU employees. The Group has communicated across the organisation the steps and procedures required to assist any EU citizens to take advantage of the EU Settlement Scheme to remain in the UK following the transition period. The Board will continue to monitor Brexit developments and assess the potential impact on the business when there is greater certainty and clarity over potential outcomes.</p>

OUR BUSINESS

Risk	Impact	Mitigation
Supply chain	The Group is exposed to supply chain operational risk if product is not delivered in a timely fashion, to specification or in appropriate quantities.	The Group's supply chain is diversified across a number of suppliers in different countries. Our buying offices and production teams work closely with suppliers to mitigate these risks. These teams are updating us with specific focus on the COVID-19 Coronavirus.
Infrastructure	The design process and our retail businesses in particular have a significant proportion of fixed costs giving rise to operational gearing and this is exacerbated by upward-only rent reviews.	To mitigate cost pressures, we are constantly focused on store operating cost efficiencies, and have already achieved considerable savings by optimising our rostering timetables in store and actively managing our store estate, and exiting stores where the opportunity is economically available to us.
Financial risks	The Group is exposed to financial risks including currency, interest and liquidity.	<p>The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash position on a regular basis through the use of regularly updated cash flow forecasts, and believes that with the arrangements currently being finalised with lenders, there will be sufficient net funds and facilities available.</p> <p>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. We also insure certain overseas debt risk.</p> <p>Our experience of bad debts historically has been very low due to this close management. However, recent bad debt write offs have been due to the challenges facing all retailers around the globe and mainly relate to customers of many years standing who we have tried to support through the challenging times. Where there have been poor payment history we try to limit our exposure.</p> <p>The principal treasury risks to the Group arise from exchange rate fluctuations. The Board has approved policies for managing these risks, which are reviewed on a regular basis, including the use of financial instruments, principally forward foreign exchange contracts. However, the Group is naturally hedged for a significant part of its business and has limited exposure to foreign exchange rate fluctuations.</p>
IT	The Group is dependent on reliable IT systems for managing and controlling its business and for providing efficiency and speed in the supply chain.	Our IT function oversees all the systems and has a number of policies and procedures to protect the software, hardware and data and to prevent unauthorised access to the systems. Work is ongoing to bring the documentation relating to these processes up to date, though the basic procedures are believed to be sound having not suffered any catastrophic failures in the past 12 months.

OUR BUSINESS

Risk	Impact	Mitigation
COVID-19 Coronavirus	<p>The Group is exposed to risk on a number of levels:-</p> <p>Manpower – absence by a large number of employees due to sickness simultaneously may result in the inability to carry out day to day processes.</p> <p>Supply Chain – stock not being available to be sold due to delays in production.</p> <p>Customers – poor footfall in stores and with our Wholesale customers impacts demand and ultimately sales.</p>	<p>The full and continuing impact following the emergence of the global coronavirus is still unknown. We have engaged with employees to provide further information as we receive it and have also put in place materials to try and reduce the spread.</p> <p>As we closed our offices on March 23rd, we have enabled all office based colleagues to be able to work from home. As lockdown has progressed and we have moved towards unlocking we have reviewed all our workplaces in line with Government guidance and imposed revised ways of working to mitigate risk wherever possible. The closure of stores during lockdown has been offset to some extent by the movement of the business over recent years towards our Wholesale business and the strong online only customers that we have. We have continued to ship to these customers through the lockdown and have managed to redirect some of our stock for other customers. Now that the majority of our stores have reopened we will continue to monitor the situation closely. Refer to Note 36 'Post Balance Sheet Events' for additional disclosure.</p>

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

Key Performance Indicators

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Impact on the environment

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

Some of the initiatives we have implemented include:

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

Carbon emissions	Tonnes of CO ₂ e 2020	Tonnes of CO ₂ e 2019
Emissions from		
Scope 1 (vehicles, fugitive emissions, gas)	95	174
Scope 2 (electricity)	1,844	2,869
Total footprint	1,939	3,043
Group chosen intensity measurement	£m	£m
Turnover	119.9	138.6
Emissions reported above per £m of turnover	16	22

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

The mandatory requirement is for the disclosure of scope 1 and 2 emissions only. We have captured all material qualifying emissions from around the Group. Some extrapolation and estimation techniques have been used to calculate the Group CO₂e in respect of less than 5% of our stores and the final month of our data.

The reported sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. We have computed our emissions using the DEFRA

Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance issued in June 2013. Our total GHG footprint in line with these guidelines is 1,939 tonnes CO₂e (2019: 3,043 tonnes). The decrease in our footprint has been supported by our targeted reduction in our retail portfolio during the year including the closure of our flagship store in Oxford Street.

Supply chain

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

Continued

Modern Slavery

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

Tax

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

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

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

People

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

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

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

	Men Number 2020	Women Number 2020
Company Directors	4	1
Other senior managers	5	2
All other employees	238	762
Total	247	765

Notes:

Company Directors consist of the Company's Board.

Other senior managers is as defined in The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and includes:

i) persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors; and ii) any other Directors of undertakings included in the consolidated accounts.

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

BOARD OF DIRECTORS

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

DIRECTORS' REPORT

The Directors of French Connection Group PLC ("the Company") present their Annual Report for the year ended 31 January 2020.

Principal activity

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

Business review

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

The Companies Act requires that the Directors' Report contains a fair review of the business and a description of the principal risks and uncertainties facing the Group. A review of the business strategy and a commentary on the performance of the business is set out in the Strategic Report. The principal risks facing the business are detailed in the section entitled Our Business and the corporate and social responsibilities of the Group are outlined in the Corporate Social Responsibility Statement. The Corporate Governance Statement may be found on page 23. The disclosures contained in those reports form part of this Directors' Report.

Fair, balanced and understandable

The Board has considered the regulatory changes impacting corporate reporting and Executive remuneration and believes this Annual report and Accounts complies with these changes taking into account emerging best practice. Notably the Board has determined that the 2020 Annual Report and Accounts, taken as a whole is fair, balanced and understandable. In making this assessment the Board considered the following:

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

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

Dividend

The Directors are recommending that no dividend should be paid for the year (2019: £Nil).

Directors

The Directors of the Company are set out in the Board of Directors on page 18.

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

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

At 31 January 2020, none of the Directors or their families held any beneficial interests in the issued capital of the Company other than Stephen Marks whose shareholding is disclosed below in the Directors' Remuneration Report.

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

The Company maintains an appropriate level of Director and officer liability insurance cover and, through the Articles of Association and Directors' terms of appointment, has agreed to indemnify the Directors against certain liabilities to third parties and costs and expenses incurred as a result of holding office as a Director. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment (which were in force throughout the period and are in force as at the date of these financial statements, there are no qualifying third party indemnity provisions in force.

Significant shareholdings

As at 15 July 2020 the Company is aware of the following substantial interests in its ordinary shares:

	Shares	Percentage of Issued Share Capital
Stephen Marks	40,094,190	41.5%
of which:		
– held in family trusts	1,506,500	
– held by family members	775,000	
Sports Direct International plc	25,209,102	26.1%

Contractual arrangements

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

DIRECTORS' REPORT

Supplier payment

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

For the year ended 31 January 2020, the Group's average trade creditors represented 45 days purchases (2019: 42 days). The Company has minimal third party creditors.

Employees

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

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

Carbon emissions

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

Property, plant and equipment

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

Financial instruments

The financial instrument policies are set out in Note 30 to the Group accounts.

Joint Ventures and overseas branches

The Group's two 50:50 Joint Ventures, which operated retail stores in China and Hong Kong, ceased trading during the year. Both joint ventures were managed by committees with equal representation from the members. The Group's share of the results of these joint venture businesses are included in the financial statements within discontinued operations. The Group has trading branches in Ireland, Holland, Spain and Portugal and representative buying offices in India, Turkey and Poland. All of the operating activities of these operations are fully consolidated within the PLC financial statements.

Charitable and political donations

Charitable donations of £4,730 (2019: £15,505) were made during the year. No political donations were made in either current or prior years.

Share capital and control

The share capital of the Company comprises ordinary shares of 1p each; each share carries the right to one vote at general meetings of the Company. The issued share capital of the Company, together with movements in the Company's issued share capital during the year, are shown in Note 25.

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

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

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

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

Takeovers directive

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

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

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes, the Company's Memorandum and Articles of Association.

The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders each year at the AGM.

DIRECTORS' REPORT

Continued

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

Going concern

Following the declaration of the COVID-19 pandemic by the World Health Organisation on 11 March 2020, the Group closed all its stores and concessions and our wholesale revenues have significantly declined. However, we have been able to continue to operate our own websites with sales up significantly.

We have been working hard planning for the stores to re-open ensuring they do so safely and in line with all Government guidance. The majority of the stores are now open and we intend that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. We look forward to returning to more normal levels of trade as the situation evolves, although we do not expect this for some time to come.

The Company has taken a number of actions to conserve cash and reduce costs given the significant reduction in sales, together with the delayed payments from many of our wholesale customers, particularly in the USA. The Company is in ongoing and generally constructive discussions with many of our key stakeholders including:

- all suppliers to confirm extending payment terms and discounts
- landlords with a view to agreeing rent holidays or deferred payments
- factories to manage the supply of future goods to match current requirements while reducing quantities to reflect the expected lower level of trade for the remainder of the year
- rescheduling payments to HMRC

We have attempted to participate in as many of the Government's support initiatives as is possible. The Job Retention Scheme for colleagues and rates relief for the store portfolio are now in place. It has however proved very challenging for us, in line with other retailers, to access any other Government funds due to the tight qualification constraints that have been imposed and to date we have been unable to access any further funding from these schemes. In the light of the Group's current cash position and the continued expected weak trading environment, we have been in active discussions with a number of potential funding partners. The Board is confident of raising sufficient funds to support the business until the return of trading levels that are able to support the ongoing operations. This process is proceeding well and we are making good progress with due diligence completed and legal documents in the final stages of agreement. Without securing additional funding and should the current COVID impacted trading levels continue, the Group's cash resources will eventually be exhausted within the coming six months.

The Board is confident of securing additional funding and on this basis, the Directors believe that the financial statements for the year-ended 31 January 2020 should be prepared on a going concern basis.

The Directors believe that material uncertainty exists that may cast significant doubt about the ability of French Connection Group PLC to continue as a going concern. However, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Refer to Note 36 'Post Balance Sheet Events' for additional disclosure.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of five years which is deemed to be a more demanding period over which to provide the Group's viability statement. The period is consistent with the Group's forecasting process which considers annually and on a rolling basis a five year strategic plan. In making this statement, the Directors have carried out a robust assessment of the Group's current position and prospects, the principal risks facing the business, the impact of sensitivity analysis and stress-testing and the effectiveness of any mitigating actions. The principal risks are identified in the 'Principal risks and uncertainties' section within 'Our Business' of the Annual Report. The assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due for the term of the assessment period. Since lockdown the Board have held weekly meetings to review the impact on the business and have modelled a number of trading scenarios as the world recovers from the impact of COVID. These scenarios identified a number of pinch points in the Group's trading cycle which would require additional funding to see the Group through. The Board considers that the funding being secured, which is for an initial period of two years, will enable the Group in the most likely worst case scenario, to continue trading for at least 12 months from the date of signing. New funding will need to be renegotiated after the initial two year period. Refer to Note 36 'Post Balance Sheet Events' for additional disclosure.

Controlling shareholder

In order to comply with the Listing Rules 9.8.4R (14) (a) relating to controlling shareholders, a relationship agreement has been executed between French Connection Group PLC and Stephen Marks. The Directors confirm that the Company has complied with the independence undertakings set out in the relationship agreement during the period (9.8.4R (14) (c) (i)) and the Directors confirm that, so far as the Company is aware, Mr Marks and his associates have complied with the independence undertakings set out in the relationship agreement during the period (9.8.4R (14) (c) (ii)). This paragraph sets out all information required by Listing Rule 9.8.4R that is applicable to the Company during the period.

DIRECTORS' REPORT

Continued

Disclosure of information to auditors

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

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

Auditors

In line with auditor rotation rules, the Group carried out a formal tendering exercise for the appointment of new auditors with respect to the financial year ending 31 January 2020. The interview panel comprised the Chair of the Audit Committee, Chief Financial Officer and the Group Financial Controller. The panel identified Mazars LLP as new auditors of French Connection Group PLC and a resolution to appoint them was approved at the 2019 AGM. KPMG LLP resigned as auditors on 17 April 2019.

Resolutions to reappoint Mazars and to authorise the Directors to determine the auditor's remuneration will be proposed at the 2020 AGM.

AGM

The AGM of the Company will be held at 11.00 am on 26 August 2020 and a Notice of Meeting has been sent to shareholders setting out details of the business to be conducted.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 93 to 94 of this document.

By order of the Board

Lee Williams

Company Secretary

15 July 2020

CORPORATE GOVERNANCE STATEMENT

Chairman's Governance Overview

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

This part of the Annual Report outlines French Connection Group's corporate governance arrangements, the principal activities of the Board and its Committees throughout the year, how the Board has complied with the principles and provisions of the UK Corporate Governance Code 2018 which was released in July 2018 (the "Code"). The Board acknowledges that its corporate governance arrangements must be kept under constant review so as to reflect best practice and the changing nature of the business.

Compliance with the UK Corporate Governance Code

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

Except as identified and explained below, the Board considers that it has complied with all relevant principles and related provisions of the Code throughout the year ended 31 January 2020 and from that date up to the date of publication of this Annual Report.

Stephen Marks
Chairman

CORPORATE GOVERNANCE STATEMENT

Continued

Requirement	Board Statement
Compliance with the Code	<p>The principal corporate governance rules which applied to the Company in the year under review were those set out in the UK Corporate Governance Code 2018 published by the Financial Reporting Council ("FRC") in July 2018 (the "Code"), the UK Financial Conduct Authority ("FCA") Listing Rules and the FCA's Disclosure Guidance and Transparency Rules.</p> <p>The Board fully supports the principles of good governance as set out in the Code, which is publicly available on the FRC's website www.frc.org.uk, and its application of the Main Principles are set out on pages 23 to 27.</p> <p>Save as identified and explained in this report, the Board considers that throughout 2019 it complied with the principles and related provisions of the Code.</p>
Going Concern Basis	<p>The Directors, believe that material uncertainty exists over whether funding can be secured before the existing cash resources are eroded and due to the uncertainty on when normal trading will resume and the broader implications of the Covid-19 pandemic on the business that may cast significant doubt about the ability of French Connection Group PLC to continue as a going concern. However, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.</p>
Viability Statement	<p>The Directors confirm that, subject to the material uncertainty existing over whether additional funding can be secured, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.</p>
Robust assessment of the principal risks facing the Group	<p>The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.</p>
Annual review of systems of risk management and internal control	<p>The Board confirms that it has reviewed the effectiveness of the Company's risk management systems and internal controls and found them to be appropriate for the Group.</p>
Fair, balanced and understandable	<p>The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.</p>
Modern Slavery Statement	<p>The Board has implemented a Modern Slavery Policy which we have communicated to staff. The Board is confident that as a result of the Group's management and reporting structure, there are no such practices taking place.</p>
Health and Safety	<p>The Board recognises that the control of all health and safety matters arising from our activities is an essential feature of our operations and ensures it meets its civil and statutory obligations.</p>

Board meetings

During the year, the Board met 8 times; all meetings were fully attended by the Board members with the exception of one meeting at which Robin Piggott was absent and two meetings at which Stephen Marks was absent. Key strategic and operational matters considered and decisions taken by the Board during the year included the following:

- Approval of the 2020/21 annual budget and forecasts
- Approval of the 2019 Annual Report and associated responsibility statements
- Approval of the viability and going concern statements
- Review and approval of the Group's strategy, including the potential sale of the Group
- Review of the internal controls and risk management
- Approval of the Group's 2020 interim results

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

Principles A to E

(Board Leadership and Company Purpose)

Leadership

The Board is currently composed of the Chairman and Chief Executive Officer, two Executive Directors and two independent Non-Executive Directors. Each of the Non-Executive Directors chair one of the two Committees of the Board and therefore have specific responsibilities. A short biography for each Director is set out on page 18. There were no changes to the composition of the Board during the financial year to 31 January 2020.

Role of the Board

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

The Board is collectively responsible for promoting the long-term success of the Group by providing effective leadership and strategic direction to the Group as a whole. Additional details regarding actions taken by the Board to generate and preserve value over the long-term can be found in the s172 statement on page 9.

CORPORATE GOVERNANCE STATEMENT

Continued

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

Effectiveness

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

Culture

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

Accountability

The Board acknowledges its responsibility to provide a fair, balanced and understandable review of the business' financial position and prospects. The Board has reviewed the principal risks and has ensured that robust internal controls and effective risk management systems are in place to mitigate identified risks. The Board also provides a statement affirming the long-term viability of the Group which can be found on page 21.

Relations with shareholders

The Board remains committed to explaining our strategy, business model and performance to shareholders. Our Executive Directors meet regularly with investors and analysts and are supported, where appropriate by our Non-Executive Directors. The Company values its dialogue with both institutional and private investors. Communication with shareholders is generally conducted through one-to-one meetings with the Executive Directors and the Non-Executive Directors if requested. Meetings typically occur shortly after the announcements of half-year and full year results. The opinions expressed by shareholders are gathered by the Company Broker and passed directly to the Board.

The AGM and the resolutions proposed for consideration at the meeting are another focus of communication with shareholders. All shareholders have at least 20 working days' notice of the Annual General Meeting at which all Directors who are available to attend are introduced and are available for questions. All shareholders are welcome to attend the Company's Annual General Meeting and to arrange individual meetings by appointment. The views received at such meetings are fed back to the Board. The level of proxy votes received are considered carefully by the Board and published on the Group's website with details of any proposed Board action where significant votes were cast against a specific resolution. There were no resolutions at the most recent AGM in 2019 whereby 20% or more of the votes were cast against the Board recommendations.

Workforce policies and practices

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

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

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

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

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

Other key stakeholders

We are committed to securing strong working relationships with both our suppliers and customers in order to accentuate the performance of the Company. We have published an internal 'Supplier Guide' which focuses on working with suppliers who adhere to acceptable employment, industry and environmental practices. Harbours good retail and ecommerce customer relations is a key area of focus which is supported by regular retail employee training workshops and customer feedback surveys.

Conflicts of interest

There are effective procedures in place to monitor and deal with conflicts of interest, including those relating to significant shareholders and any influential customers or suppliers. Any changes to the time commitments and interests of its Directors are reported to and, where appropriate, agreed with the rest of the Board.

CORPORATE GOVERNANCE STATEMENT

Continued

Principles F to I (Division of Responsibilities)

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

Division of responsibilities

The Code recommends that the Chairman of a listed company should not hold executive powers, and should be 'independent upon appointment' (provision 9). Stephen Marks is both Chairman and Chief Executive Officer, he also founded the Company and is a major shareholder. The Board continues to believe that it is appropriate for Stephen to be both Chairman and Chief Executive Officer due to his in-depth knowledge of the business. Nevertheless, the Board is attentive to the implications of combining the roles and therefore has ensured that safeguards are in place to protect independence and ensure that proper process and controls are followed, these include: the independent judgement of the Non-Executive Directors, effective functioning committees, a schedule of matters reserved for the Board and robust internal controls.

Independence

The Board has two independent Non-Executive Directors, Robin Piggott and Sarah Curran, who were appointed on 19 September 2017. Each of the Non-Executive Directors chair one of the two Committees of the Board. The Board has concluded that there would be no benefit in nominating a senior independent Non-Executive Director at this time (provision 12). Both Non-Executive Directors are utilised as sounding boards for the Chairman and both are available to other Executive Directors or shareholders as necessary.

The Board has considered whether there are any factors that might compromise the judgement of the Non-Executive Directors at the year end and concluded there were none. The Board considers that both the Non-Executive Directors, Robin Piggott and Sarah Curran, continue to display all of the qualities of independence and are therefore independent of the Company and thus fulfil the requirements of provision 10 of the Code.

Information, support and development

The Company Secretary's responsibilities include ensuring relevant and timely information flows to the Board and between senior management and the Non-Executive Directors. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is responsible,

through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development.

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

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

Appointments

There were no new appointments or resignations from the Board during the financial year. Non-executive Directors perform a principal role in any changes to Executive Directors on the Board.

Principles J to L (Composition, Succession and Evaluation)

Board Committees

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

Nomination Committee

No Nomination Committee was formed during the year (provision 17) due to the size and composition of the Board.

CORPORATE GOVERNANCE STATEMENT

Continued

Re-election of Directors

In accordance with provision 18 of the 2018 UK Corporate Governance Code, all of the Directors will be seeking re-election at the forthcoming AGM, with the exception of Robin Piggott. The Board unanimously believes that each of the Directors continue to make effective contributions and therefore encourage shareholders to support their re-election.

Chair

The Code recommends that the Chairman of a listed company should not hold the post beyond nine years (provision 19). Stephen Marks is both Chairman and Chief Executive Officer, he also founded the Company and is a major shareholder. The Board continues to believe that it is appropriate for Stephen to be Chairman due to his in-depth knowledge of the business. Nevertheless, the Board is attentive to the implications of the length of appointment and therefore has ensured that safeguards are in place to ensure that proper process and controls are followed, these include: the independent judgement of the Non-Executive Directors, effective functioning committees, a schedule of matters reserved for the Board and robust internal controls.

Skills, experience and knowledge

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

Diversity

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

Monitoring and improving performance

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

Principles M to O (Audit, Risk and Internal Control)

Audit Committee

As recommended by the Code (provision 24), the Board has established an Audit Committee. The Audit Committee comprises the two Non-Executive Directors: Robin Piggott, who is Chair of the Committee, and Sarah Curran. The Company's auditors and the Chief Financial Officer attend by invitation. The Committee met three times during the year and each meeting was fully attended. The key role of the Audit Committee includes:

- monitoring the integrity of the financial statements including the review of significant financial reporting judgements
- advising on whether the Annual Report and accounts are fair, balanced and understandable
- reviewing the Company's internal financial controls and risk management systems
- considering annually whether there is a need for an internal audit function
- conducting audit tender process and approving external auditor remuneration and terms of engagement
- reviewing external auditor's independence
- reviewing effectiveness of external audit process
- approving external auditor non-audit services

Further details on the work of the Audit Committee is included in the Audit Committee Report on pages 29 to 31.

Internal control and risk management

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

The Board conducts an annual review of the major risks affecting the business and the effectiveness of the system of internal control. These principal risks and uncertainties are highlighted within 'Our Business' section of the Annual Report on pages 10 to 15. The Board is also closely monitoring the potential impact of Brexit and preparing for possible eventualities.

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

The Group does not have a separate internal audit function although during the year the Board considered whether there is a need for such a function, and concluded there are sufficient controls in place such that the benefits, when compared to the

CORPORATE GOVERNANCE STATEMENT

Continued

potential benefits of deploying additional resources in other areas, are not sufficiently clear. Certain elements of internal audit work are conducted or coordinated by the existing finance and accounting functions. These include reviews of financial controls internationally, externally facilitated reviews of procurement transactions and support for system developments between the separate accounting functions.

Tax

Board level oversight of tax matters is part of the Company's tax risk governance process. All significant tax matters are reported to the Board by the Chief Financial Officer and tax matters are governed by the Group tax strategy.

Fair, balanced and understandable

The Board has considered the regulatory changes impacting corporate reporting and Executive remuneration and believes this Annual report and Accounts complies with these changes taking into account emerging best practice. Notably the Board has determined that the 2020 Annual Report and Accounts, taken as a whole is fair, balanced and understandable. Further details are highlighted in the Directors' Report on page 19.

Going concern and viability statement

Having reviewed the cash forecasts and the sources of cash funding available to the Group, the Board has concluded that, subject to the material uncertainty existing over whether additional funding can be secured, the Group has a reasonable expectation to continue in operational existence for a period of one year from the date of this report. The Directors have also assessed the viability of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of five years which is deemed to be a more demanding period over which to provide the Group's viability statement. Based on this assessment, and subject to the material uncertainty existing over whether additional funding can be secured, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due for the term of the assessment period. Further details are highlighted in the Directors' Report on page 21.

Principles P to R (Remuneration)

Remuneration

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

Remuneration of Non-Executive Directors is determined by the Board.

Further details of the work of the Remuneration Committee and Directors' remuneration is included in the Directors' Remuneration Report on pages 32 to 38.

We were pleased to have received 95.66% of votes in favour of the Directors' Remuneration Report for the financial year ended 31 January 2019.

By order of the Board

Lee Williams

Company Secretary

15 July 2020

AUDIT COMMITTEE REPORT

Introduction from the Audit Committee Chair

I am pleased to present the Audit Committee Report for the year ended 31 January 2020.

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

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

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

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

In the previous financial year, the Committee carried out a formal tendering exercise for the appointment of new auditors. I would like to thank the Chief Financial Officer and Group Financial Controller for their assistance in the tendering process. The Committee identified Mazars LLP as the Group's new auditors and was satisfied that Mazars possessed the skills and expertise to fulfil its audit duties effectively and efficiently. A resolution to appoint Mazars as new auditors was proposed and passed by shareholder approval at the 2019 AGM. I welcome the openness of Mazars throughout this first year and look forward to a close and productive relationship in the future. Following KPMG's resignation as auditors in May 2019, I would also like to recognise the positive relationship that French Connection has experienced with KPMG for more than 20 years.

Robin Piggott

Chair of the Audit Committee

Membership and remit of the Audit Committee

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

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

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

In accordance with Code provision B1.1, at the date of the 2020 Annual Report, the Audit Committee comprises two independent Non-Executive Directors: Robin Piggott and Sarah Curran.

The Board understands that the UK Corporate Governance Code considers a Non-Executive Director to be independent if they have served on the Board for less than nine years. The Board acknowledges that both Robin Piggott and Sarah Curran are independent Non-Executive Directors. In accordance with Code provision C3.1, the Board considers that Robin Piggott has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their experience, are set out on page 18 of these accounts.

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

Since lockdown the Board have held weekly meetings to review the impact on the business of COVID, including discussions with the Audit Committee regarding going concern and the Group's financial reporting and relevant disclosures. The Committee is satisfied with the current reporting and disclosures within the Annual Report.

Terms of reference

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

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

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

AUDIT COMMITTEE REPORT

Continued

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

Significant issues considered by the Audit and Risk Committee

The Committee considered the significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 January 2020. As part of the half-year and full year reporting process, management present a Financial Review to the Committee, and the external auditors are asked to also comment on the key areas of accounting judgement and disclosure. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards. After discussion with both management and the external auditor, the Committee determined that the significant accounting issues in relation to the Group's financial statements related to:

Accounting developments

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

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

Store closures and impairment provisions

The Group implemented an extensive review of the UK retail business in 2012 targeting the disposal of loss making stores where economically viable. The Audit Committee required the Financial Controller to present a summary of the store disposal costs expensed during the current year and accrued at the end of the financial period. In addition, a summary of the store dilapidations provision provided on the balance sheet and explanation of the calculation methodology was presented.

During the year, the Group assessed and calculated the right of use asset impairment provision required in relation to the stores whereby the unavoidable costs of meeting the obligations under the lease contract exceeded the anticipated economic benefits. The Audit Committee required the Group Financial Controller to summarise the stores for which a right of use asset impairment provision had been booked and the accounting treatment for all of these costs.

The Committee interrogated management's key assumptions and was satisfied that the significant assumptions were sufficiently robust. The Committee agreed that the review process was ongoing and that loss making stores continued to be actively marketed for disposal. The Committee acknowledged that the initial retail review had taken longer than expected to implement and that the Group continued to rationalise the store portfolio to an acceptable size. The

Committee therefore advocated the accounting treatment of these costs as separately identifiable to trading revenue and expenses and to be reported separately from the underlying operating result.

Discontinued operations

During the second half of the year, the Group's joint venture operations in Asia ceased trading and closed. The Group Financial Controller highlighted to the Audit Committee the proposed accounting disclosure of the joint venture business as a discontinued operation on the Income Statement in accordance with IFRS 5 'Non-current Assets held for Sale and Discontinued Operations'. The Committee interrogated management's key assumptions and was satisfied that the joint venture operation was correctly identified as a separate major line of business and should therefore be disclosed as a single amount in the statement of comprehensive income within discontinued operations.

COVID-19 Coronavirus

Since lockdown the Board have held weekly meetings to review the impact on the business of COVID, including discussions with the Audit Committee regarding going concern and the Group's financial reporting and relevant disclosures. The Committee interrogated management's key assumptions and is satisfied with the current reporting and disclosures within the Annual Report.

Risk management framework

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

A predominantly new IT team was appointed during the financial year. The Head of IT presented a Business Systems Risk Review report to the Audit Committee detailing for all business systems the IT risk register, risk ranking, risk mitigation and investment plans. Current issues were identified and proposed resolution plans were highlighted and updates will be communicated to the Committee at future meetings. The Audit Committee supported the approach taken by management to identify and mitigate IT risks.

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

Confidential reporting

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

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

No issues have been reported in the current year.

AUDIT COMMITTEE REPORT

Continued

Other matters considered

The Audit Committee strategy and timetable was considered and agreed.

Reporting of other matters

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

There have been no significant incidents during the year.

External auditor appointment

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

The Audit Committee understands that this will be relevant for all listed companies from 2016. With regards to this guidance, the Group carried out a formal tendering exercise for the appointment of new auditors with respect to the financial year ending 31 January 2020. The interview panel comprised the Chair of the Audit Committee, Chief Financial Officer and Group Financial Controller. The tendering exercise involved an invitation to tender to several identified parties (including auditors outside of the ‘Big Four’), a review of written tender submissions and formal interviews and presentations. Based on evaluation criteria including industry expertise, quality of business advice and competitive pricing, the panel identified Mazars LLP as the Group’s new auditors. A resolution to appoint Mazars as new auditors was proposed and passed by shareholder approval at the 2019 AGM. KPMG LLP resigned as current auditors in May 2019.

External auditor’s independence

The Committee has adopted a policy in relation to the appointment of the external auditors to conduct non-audit services for the Group. Following the introduction of new auditor independence rules, the policy has now changed such that the majority of services including tax planning and compliance are now not permitted to be performed by the external auditor. The services prohibited ceased prior to the year ended 31 January 2017. Following the appointment of Mazars LLP as external auditors, no non-audit services have since been provided.

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

In 2019/2020 the ratio of audit to non-audit fees was £1: Nil.

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

External audit annual assessment

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

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

DIRECTORS' REMUNERATION REPORT

Annual Statement by the Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2020. In my report as Chairman of the Remuneration Committee, I set out the Committee's approach to Directors' remuneration. The Committee's objective is to set a remuneration policy that is clearly understood by our shareholders and employees, and that drives the right behaviour in terms of incentivising Executive Directors to deliver growth in long-term shareholder value.

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

The remuneration of Non-Executive Directors is determined by the Board. The Remuneration Committee considered and approved the contract of employment and remuneration package for both myself and Robin Piggott in accordance with the Group remuneration policy and the details of both are contained within this report.

We are happy to discuss any remuneration matters with shareholders and hope that we can enjoy your support on the remuneration-related resolutions at the 2020 AGM.

Sarah Curran

Chairman, Remuneration Committee

Directors' Remuneration Report

The Directors' Remuneration Report sets out details of the remuneration policy (Section 1) for Executive and Non-Executive Directors, describes the implementation of that policy (Section 2) and discloses the amounts paid relating to the year ended 31 January 2020.

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

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

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

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

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

DIRECTORS' REMUNERATION REPORT

Continued

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

Terms of reference for the Remuneration Committee

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

Section 1: Remuneration Policy

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

The Company's policy is:

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

Structure of remuneration

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Salary and fees	To provide the core reward for the role Sufficient to attract, retain and motivate high calibre Executives	Basic salaries are reviewed annually, with changes effective from February 1st Salaries are typically set having regard to competitive market practice, each Director's contribution to the business, general inflation rates and the conditions within the Group Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group Salary levels for current incumbents for the 2020 financial year are as follows: Chairman/CEO: £378,184 Chief Operating Officer: £276,271 Chief Financial Officer: £209,927	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy No recovery provisions apply to salary
Benefits in kind	In line with the Company's strategy to keep remuneration simple and consistent with practices in the market	Executive Directors receive car benefit, medical cover and life cover in line with other senior management Executive Directors also receive personal accident and sickness cover The cost to the Company of providing these benefits may vary from year to year depending on the cost of insuring the benefit	Not applicable No recovery provisions apply to benefits
Pension	To provide post-retirement remuneration and market typical benefits to ensure that the overall remuneration package is competitive	Defined contribution plan with up to 10% monthly employer contributions A cash alternative may be considered	Not applicable No recovery provisions apply to pension benefits
Annual Bonus	To incentivise and recognise execution of the business strategy on an annual basis Rewards the achievement of annual financial, operational and individual goals	Bonuses are capped at 100% of basic salary Bonus payments are proposed to the Board after the end of each financial year and approved by the Committee for payment in March The bonus is calculated using pro-rata base salary if the Director joined the Company during the year If the Director resigns or has his/her employment terminated before the payment date, no bonus will normally be payable	The annual grant of bonuses is based on the financial performance of the Group in relation to initial budgets, prior year performance and market conditions, as well as operational and individual goals No recovery provisions apply to the Annual Bonus as no award has been made in the current year.

DIRECTORS' REMUNERATION REPORT

Continued

Structure of remuneration continued

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Long-term incentive plans (LTIPs)	<p>To align the interests of the Executive Directors with the performance of the business and the interests of the shareholders through the use of share option schemes</p> <p>To incentivise and recognise execution of the business strategy over the longer term</p> <p>Rewards strong financial performance</p>	<p>At the discretion of the Board and approval of the Remuneration Committee the Company may issue share options to Directors up to a maximum of two times salary in each year</p> <p>In exceptional circumstances the Board has the discretion to issue options up to four times salary although this power has not been used for more than ten years</p> <p>Options will normally be granted at market value on the date of grant unless otherwise stated in a Service Agreement</p> <p>Options may be granted at a discount to the market value only in circumstances where the grant of options is agreed as part of a recruitment package in which case the exercise price of the option may be determined by reference to the market value on the date on which the individual's employment commenced</p> <p>The share option schemes include an upper limit on the number of shares which can be issued of 10% of the total share capital in any ten year period</p>	<p>Share Awards vest based on three year performance against a challenging range of financial targets</p> <p>Recovery provisions do not apply to the LTIP as they only relate to share options which have now lapsed. Any provisions will be considered in 20/21 in line with provision 37 of the 2018 Corporate Governance code.</p>

The Committee has not applied its discretion during the financial year outside the stated Remuneration Policy.

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

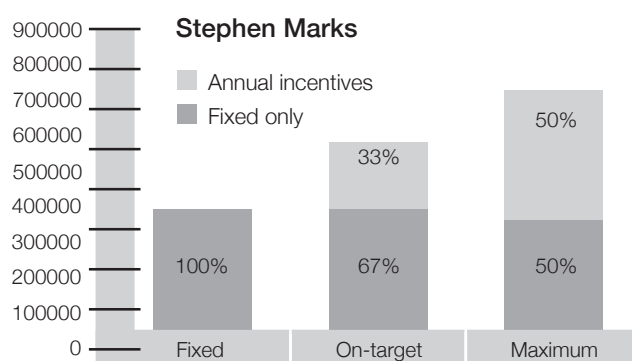
The performance metric that is used for our annual bonus and LTIP is 'Profit before Tax'.

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

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

Illustration of application of policy

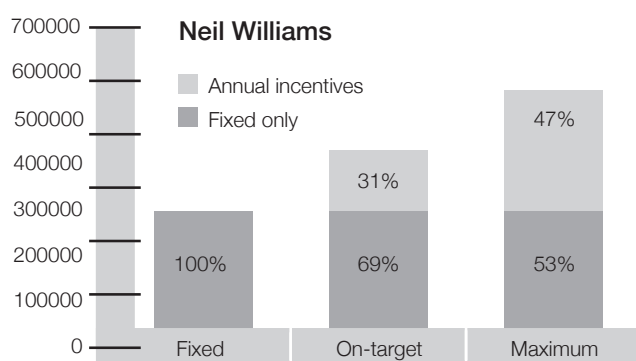
The tables below represent the variations in remuneration at different levels of performance for the first year application of the remuneration policy for the Executive Directors.



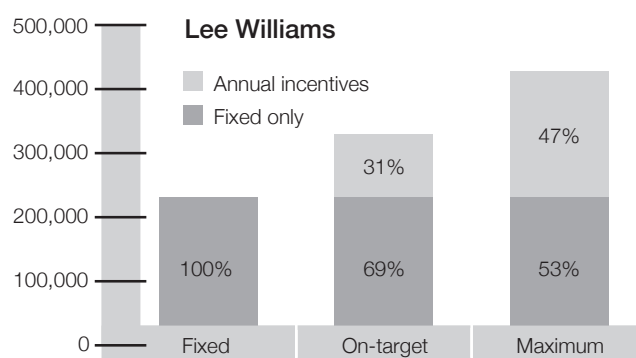
	Base	Benefit	Pension	Total
Fixed (£)	378,184	6,266	0	384,450
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			

DIRECTORS' REMUNERATION REPORT

Continued



	Base	Benefit	Pension	Total
Fixed (£)	276,271	19,417	10,000	305,688
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			



	Base	Benefit	Pension	Total
Fixed (£)	209,927	11,719	13,308	234,954
On-target	On-target is assumed to be an annual bonus equal to 50% of maximum			
Maximum	Full payout of annual variable pay i.e. 100% of base salary			

Executive Director's terms of employment

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

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

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

Stephen Marks has no service contract.

Non-Executive Directors

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

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

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

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

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

Section 2: Application of the remuneration policy for 2020

The Executive Directors' salaries were reviewed on 1 April 2020 and were not changed.

The annual bonus for the 2020 financial year will operate on the same basis as for the 2019 financial year and will be consistent with the policy detailed in the Remuneration policy section of this report in terms of the maximum bonus opportunity. The measures have been selected to reflect goals that support the key strategic objectives of the Company.

The Remuneration Committee will exercise their discretion to grant share options according to the Remuneration Policy during the Financial Year 2020 dependent upon the financial position of the Group and the personal contribution of each Executive Director. Currently no share grant is contemplated for the forthcoming year.

DIRECTORS' REMUNERATION REPORT

Continued

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 January 2020 and 2019:

Director's earnings

Directors' emoluments

Year ended 31 January 2020	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Pension £000	Total £000
Executive Directors					
Stephen Marks	378	6	–	–	384
Neil Williams	276	19	–	10	305
Lee Williams	210	12	–	13	235
Non-Executive Directors					
Robin Piggott	30	–	–	–	30
Sarah Curran	30	–	–	–	30
	924	37	–	23	984
Year ended 31 January 2019	Salary & fees £000	Benefits in kind £000	Annual bonus £000	Pension £000	Total £000
Executive Directors					
Stephen Marks	371	24	–	–	395
Neil Williams	269	19	–	10	298
Lee Williams	200	11	–	20	231
Non-Executive Directors					
Robin Piggott	30	–	–	–	30
Sarah Curran	30	–	–	–	30
	900	54	–	30	984

Percentage change in remuneration of Chief Executive

The Chief Executive received a 2% pay increase in 2020 in line with the rest of the eligible Group employees. There was no Group increase in benefits in kind or pension contributions. No annual bonus was paid to the Chief Executive in 2020 (2019: £Nil). Employee annual incentives have not been finalised at the signing date of the Annual Report.

Relative importance of spend on pay

Remuneration paid to all employees of the Group during 2020 was £25.7m which represented 49% of the total overheads (excluding adjusting items) of the Group (2019: £29.6m (45%)).

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

	2020 £m	2019 2019	% change
Employee costs	25.7	29.6	(13.2)%
Dividends	–	–	–

DIRECTORS' REMUNERATION REPORT

Continued

Directors' shareholding and share interests (audited)

Directors' share options

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

	1 February 2019 No. of options	Lapsed during the year	31 January 2020 No. of options	Exercise price (p)	Dates of grant	Dates from which exercisable	Dates of expiry
Lee Williams	537,736	(537,736)	–	35.33	4 Jul 2016	4 Jul 2019	4 Jul 2026

No options were exercised during the year.

The market price of the shares at 31 January 2020 was 24.1p and the range during the year was 24.1p to 47.4p. The average market share price during the year was 38.4p.

Statement of Directors' shareholding and share interests (audited)

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

There are no Director remuneration incentives linked to changes in share price.

Statement of shareholding voting

The results of the vote on the Remuneration Report at the 2019 AGM are set out in the table below.

	Votes for		Votes against		Votes withheld	
	Number	%	Number	%	Number	%
Remuneration Report	67,489,674	95.66	3,059,615	4.34	0	0.00

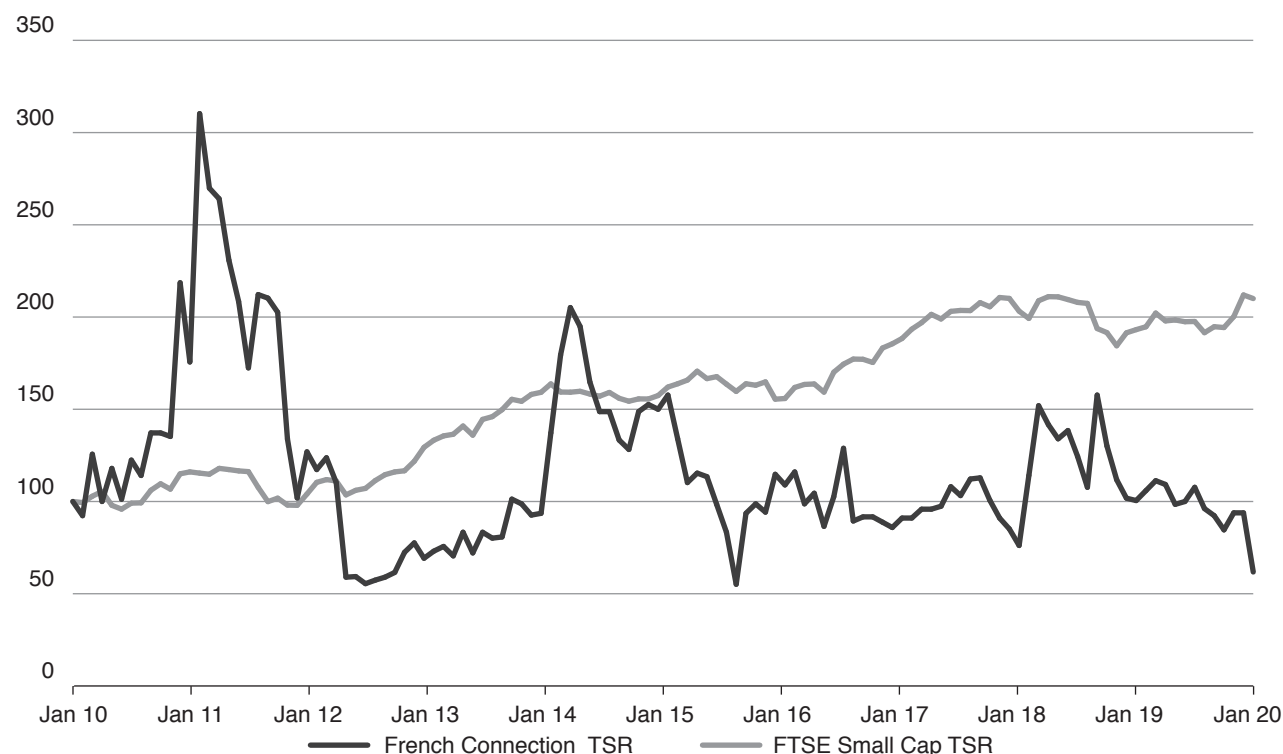
DIRECTORS' REMUNERATION REPORT

Continued

Review of past performance and total shareholder return

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

Total cumulative shareholder return for the ten-year period to 31 January 2020



	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Total CEO remuneration	505	342	352	402	361	371	380	389	395	384
Annual variable element award rates against maximum opportunity	62%	0%	0%	17%	0%	0%	0%	0%	0%	0%

CEO Pay Ratio

Total Remuneration 2020		
P25 (lower quartile)	P50 (median)	P75 (upper quartile)
23:1	21:1	14:1

The 2020 total remuneration for the employee identified at P25, P50 and P75 are as follows: £16,933, £18,695, £26,658. The P25, P50 and P75 employee were determined on 31 January 2020 based on calculating total remuneration for all UK employees for the 2020 financial year. Payroll data from 1 February 2019 to 31 January 2020 has been used. Methodology option A has been adopted and was selected on the basis that it provided the most accurate means of identifying the median, lower and upper quartile employee. Employee total remuneration has been calculated in line with the single total figure of remuneration which has been calculated for each of the 674 UK colleagues and is inclusive of full time equivalent base pay, bonus, commission, overtime, pension, car allowance and private medical benefit. Prior year ratio has not been calculated but is believed to be consistent with current year calculation.

Approval

This report was approved by the Board of Directors on 15 July 2020 and signed on its behalf by:

Lee Williams

Company Secretary
Company Number: 1410568

15 July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and the Financial Statements

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

By order of the Board

Neil Williams
Chief Operating Officer

Lee Williams
Chief Financial Officer

15 July 2020

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

Opinion

We have audited the financial statements of French Connection Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1a) in the Group financial statements, which sets out the Directors' view on the impacts of the COVID-19 coronavirus on the sector in which the Group and Parent Company operates and on the Group and Parent Company itself. As stated in note 1a) to the Group financial statements these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Explanation of material uncertainty

Since 31 January 2020 there has been a global pandemic from the outbreak of the COVID-19 coronavirus. The potential impact of the COVID-19 coronavirus became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world.

While the situation is still evolving, the Directors have assessed the impact of the COVID-19 coronavirus on the Group and Parent Company based on the information available up to 15 July 2020.

The key matters which have resulted in a material uncertainty related to going concern arising from COVID-19 are:

- the significant decline in demand for products or services following the lockdown imposed in the UK and internationally;
- the significant erosion of profits as a result of the lack of sales; and
- the measures being undertaken by the Directors to raise funding to meet the liquidity shortfall in the forecasts which cover a period of at least 12 months from the date of approval of the financial statements.

As a result of this assessment, the Directors have concluded that there is a material uncertainty related to going concern.

What audit procedures we performed

In forming our conclusion that there is a material uncertainty related to going concern, we evaluated how the Directors' going concern assessment considered the impacts arising from the COVID-19 coronavirus as follows:

- we reviewed the Directors' going concern assessment, including the implications of the COVID-19 coronavirus, based on their stress tests which included a combination of severe but plausible scenarios, as approved by the Board of Directors on 17 June 2020;
- we made enquiries of the Directors to understand the period of assessment considered by them, the completeness of the adjustments taken into account and the implications of those when assessing the "base case" scenario and the "stress tested scenarios" on the Group's and Parent Company's future financial performance.
- we evaluated the key assumptions in the "base case" forecast and the "reverse stress tested scenario" forecast and considered whether these appeared reasonable;
- we examined the minimum cash flow under the "base case" monthly cash flow forecasts and evaluated whether the Directors' conclusions were reasonable;
- we made enquiries of the Directors to understand the funding options being negotiated, as disclosed in the financial statements, reviewed the documents for these funding options and evaluated whether the Directors' conclusions were reasonable; and

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

- we evaluated the adequacy and appropriateness of the directors' disclosures in respect of the implications of the COVID-19 coronavirus, in particular disclosures within going concern on page 51 and post balance sheet events on page 80.

Conclusions relating to principal risks, going concern and viability statement

Other than the material uncertainty in relation to going concern arising as a result of COVID-19 referred to above, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report, set out on page 13, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 39, in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 39 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 28, in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material uncertainty related to going concern" section of our report, we summarise below the key audit matters we addressed in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures. These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Revenue recognition (Group only)

Description of the key audit matter

The Group's accounting policy in respect of revenue recognition is set out in the accounting policy notes on page 55.

For French Connection Group Plc, we identify the risk around revenue recognition as being principally in relation to cut off, due to the potential to inappropriately shift the timing and basis of revenue recognition. Due to revenue being a key benchmark in a user's assessment of the performance of the Group, we consider revenue recognition to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, but were not restricted to:

- Review of the design and implementation of the systems and controls in place surrounding revenue recognition, in particular cut-off;
- Obtaining management's reconciliation of cash received in bank statements to revenue recognised in the trial balance in respect of Retail stores. We agreed a sample of items to bank receipts and tested reconciling items to underlying supporting documentation;
- Third party confirmations were obtained for a sample of wholesale and licensing customers to agree revenue earned in the year from that respective customer;
- Substantive sample testing for transactions either side of year end. For each item selected, we assessed the timing of revenue recognition by reference to delivery documentation; and
- Reviewing the level of returns post year end to the returns provision to ensure that the returns provision in place against revenue was appropriate. We also reviewed the historical accuracy of the returns provision in prior year.

Key observations

Based on the results of our procedures performed, we consider that revenue recognition is appropriate, in line with the accounting policy described in note 1k) to the Group financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

Key audit matters continued

IFRS 16 - Leases

Description of the key audit matter

The Group's accounting policy in respect of the adoption of IFRS 16 Leases is set out in the accounting policy notes on page 51.

The adoption of IFRS 16 resulted in French Connection Group Plc recognising right of use assets and lease liabilities on its Statement of Financial Position; the carrying values as at 31 January 2020 were £17.9m (note 15) and £30.0m (note 21) respectively. For the Parent Company, the carrying values as at 31 January 2020 of the right of use assets and lease liabilities were £5.1m (note 4) and £8.6m (note 8) respectively. Due to the significant judgements and estimates that are applied in calculating lease liabilities on adoption, the identified risk is principally in relation to the valuation of the right of use assets and lease liabilities recognised and this is considered to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, but were not restricted to:

- Obtaining management's transition policy and calculation of the impact of IFRS 16 as at 1 February 2019. This included reviewing and corroborating their decisions and assumptions to supporting third-party documentation;
- Agreeing a sample of leases to third party contracts, assessing whether they meet IFRS 16's definition of a lease and checking the mathematical accuracy of the right of use asset and lease liability at the date of transition;
- Reviewing the discount rate applied to assess whether the rate implicit in the lease or the Group's incremental borrowing rate ("IBR") had been used;
- Reviewing any assumptions made in the IBR calculation;
- Reviewing the reconciliation from the operating lease commitment in the prior year financial statements to the opening IFRS 16 position to ensure completeness of leases in the model;
- Agreeing a sample of leases omitted from the IFRS 16 transition calculation to assess whether they meet the definition of low value or short term leases;
- Reviewing the initial journals posted to ensure they complied with the Group's chosen transition approach, being the modified retrospective approach;
- Recalculating the depreciation and interest expense expected to be recognised during the year; and
- Reviewing the adequacy of disclosures included in the financial statements.

Key observations

Based on the procedures performed, we are satisfied that the methodology and assumptions used to value the lease liabilities and associated right of use assets to be appropriate.

Recoverability of the Parent Company's investments in subsidiaries

Description of the key audit matter

The Group's accounting policy in respect of the valuation of investments is set out in the accounting policy notes on page 84.

The carrying value of French Connection Group Plc's investments in subsidiaries is £29.1m (2019: £36.0m), representing 81% of the Parent Company's total assets (2019: 96%). The recoverability of investments is at risk due to the continuing weak retail environment and is subjective due to the estimation uncertainty involved in predicting future profitability of subsidiary companies.

As a result, and due to the significance of this balance in the context of the Parent Company financial statements and indicators of impairment in subsidiaries being present, this is considered to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, but were not restricted to:

- Obtaining and reviewing management's impairment review;
- Assessing the underlying assumptions behind the impairment review to ensure these are reasonable;
- Reviewing the Parent Company valuation of investments with reference to the market capitalisation of the Group;
- Testing individual investments for further indicators of impairment by comparing the carrying amount of the investment to the net assets/liabilities of the relevant subsidiary (being an approximation of their minimum recoverable amount) to confirm fair value; and
- Reviewing the disclosures made in the financial statements to assess whether they cover the requirements of IAS 36.

Key observations

Based on the procedures performed, we are satisfied that the valuation of investments in the Parent Company appears reasonable. We concur with management's assessment in note 36 to the Group accounts that the impact of COVID-19 on the recoverability of the Parent Company's investment in subsidiaries is considered to be a non-adjusting post balance sheet event.

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Group financial statements:	£1.2m
	Parent Company financial statements:	£0.55m
How we determined it	Group materiality has been calculated by reference to total revenue, of which it represents 1%.	
	Materiality for the Parent Company financial statements was set with reference to total assets, of which it represents 1.5%.	
Rationale for benchmark applied	Revenue has been identified as the principal benchmark within the Group financial statements as it is considered to be the focus of shareholders at this time due to the Group being historically loss making.	
	Total assets has been identified as the principal benchmark within the Parent Company financial statements as it is considered to be the focus of shareholders due to being a holding company with no trade.	
Performance materiality	Group financial statements:	£0.78m
	Parent Company financial statements:	£0.35m
Reporting threshold	Group financial statements:	£36k
	Parent Company financial statements:	£17k

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and parent company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006. We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

Our group audit scope included an audit of the group and parent financial statements of French Connection Group Plc. Based on our risk assessment, of the Group's 15 reporting components, 7 were subject to full scope audit (6 UK components and 1 US component). For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Total Group Revenue	Total profits and losses that made up Group loss before tax	Total Group Assets
Full scope audits	6	94%	93%	95%
TOTAL	6	94%	93%	95%

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

The UK components, including the audit of the parent company, were covered by the Group team. The Group audit team instructed component auditors in the US as to the significant areas in respect of the US component, including where relevant the risks detailed above and the information to be reported back. The Group audit team approved the components' materiality levels which ranged from £0.1m - £0.9m having regard to the size and risk profile of the Group across the components. The Group team held telephone conference meetings with the US component auditor at both the planning and completion stage. At these meetings, the Group team discussed the audit strategy and the findings reported to the Group audit team, with any further work then required by the Group audit team being then performed by the US component auditor.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 28 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** set out on page 30 – the section describing the work of the audit committee does appropriately address matters communicated by us to the audit committee and the annual report does include a section describing the work of the audit committee which is materially consistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 23 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and
- Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

INDEPENDENT AUDITOR'S REPORT

To the members of French Connection Group PLC

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the shareholders in May 2019 to audit the financial statements for the year ending 31 January 2020 and subsequent financial periods. This is the first year of our audit engagement.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of the audit report

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

Samantha Russell (Senior Statutory Auditor)

For and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

16 July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2020

		Year ended 31 January 2020			Restated* Year ended 31 January 2019		
	Note	Before adjusting items £m	Adjusting items and discounted operations** £m	Total £m	Before adjusting items £m	Adjusting items and discounted operations** £m	Total £m
Continuing operations							
Revenue	2	119.9	–	119.9	135.3	–	135.3
Cost of sales		(74.0)	–	(74.0)	(78.1)	–	(78.1)
Gross profit	2	45.9	–	45.9	57.2	–	57.2
Operating expenses	5	(52.8)	(4.4)	(57.2)	(62.2)	(9.4)	(71.6)
Other operating income	6	5.5	–	5.5	5.8	–	5.8
Finance expense	8	(1.5)	–	(1.5)	–	–	–
(Loss)/profit before taxation	9	(2.9)	(4.4)	(7.3)	0.8	(9.4)	(8.6)
Taxation	10	–	–	–	–	–	–
(Loss)/profit for the year from continuing operations		(2.9)	(4.4)	(7.3)	0.8	(9.4)	(8.6)
Discontinued operations							
(Loss)/profit from discontinued operations, net of tax	3	–	(0.5)	(0.5)	–	8.6	8.6
(Loss)/profit for the year		(2.9)	(4.9)	(7.8)	0.8	(0.8)	–

*The comparative statement has been restated re-presenting discontinued operations and continuing operations.

** Adjusting items (Note 9). Discontinued operations (Note 3).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 January 2020

	Note	2020 £m	Restated* 2019 £m
(Loss)/profit for the year		(7.8)	–
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences for overseas operations		(0.1)	0.5
Currency translation differences on foreign currency loans, net of tax		(0.2)	(0.2)
Recycling of translation differences due to disposal of discontinued operation		(0.7)	–
Effective portion of changes in fair value of cash flow hedges		–	0.1
Other comprehensive income for the year, net of tax		(1.0)	0.4
Total comprehensive income for the year		(8.8)	0.4
(Loss)/profit attributable to:			
Equity holders of the Company		(7.9)	0.1
Non-controlling interests		0.1	(0.1)
(Loss)/profit for the year		(7.8)	–
Total comprehensive income attributable to:			
Equity holders of the Company		(8.9)	0.5
Non-controlling interests		0.1	(0.1)
Total income and expense recognised for the year		(8.8)	0.4
(Losses)/earnings per share			
Basic and diluted (losses)/earnings per share	12	(8.2)p	0.1p
Continuing operations			
Basic and diluted losses per share	12	(7.7)p	(8.9)p
Discontinued operations			
Basic and diluted (losses)/earnings per share	12	(0.5)p	9.0p

* The comparative statement has been restated re-presenting continuing and discontinued operations (Note 3).

The notes on pages 51 to 80 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 January 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	13	0.2	0.2
Property, plant and equipment	14	2.0	2.5
Right-of-use asset	15	17.9	–
Investments in joint ventures	16	–	1.8
Deferred tax assets	24	4.5	4.3
Total non-current assets		24.6	8.8
Current assets			
Inventories	17	26.8	28.4
Trade and other receivables	18	19.5	24.1
Cash and cash equivalents	19	8.1	16.2
Total current assets		54.4	68.7
Total assets		79.0	77.5
Non-current liabilities			
Lease liabilities	21	20.9	–
Provisions	22	0.3	3.5
Total non-current liabilities		21.2	3.5
Current liabilities			
Trade and other payables	20	19.2	25.4
Lease liabilities	21	9.1	–
Provisions	22	0.4	2.4
Total current liabilities		28.7	27.8
Total liabilities		49.9	31.3
Net assets		29.1	46.2
Equity			
Called-up share capital	25	1.0	1.0
Share premium account		9.8	9.8
Translation reserve		6.4	7.4
Retained earnings		11.8	28.0
Total equity attributable to equity holders of the Company		29.0	46.2
Non-controlling interests		0.1	–
Total equity		29.1	46.2

The notes on pages 51 to 80 form part of these accounts.

These accounts were approved by the Board of Directors on 15 July 2020 and were signed on its behalf by:

Neil Williams

Director

Lee Williams

Director

Company Number: 1410568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 31 January 2018	1.0	9.6	(0.1)	7.1	27.9	45.5	1.2	46.7
Profit/(loss) for the year ended 31 January 2019					0.1	0.1	(0.1)	–
Other comprehensive income								
Currency translation differences for overseas operations				0.5		0.5		0.5
Currency translation differences for on foreign currency loans, net of tax				(0.2)		(0.2)		(0.2)
Effective portion of changes in fair value of cash flow hedges			0.1			0.1		0.1
Transactions with owners recorded directly in equity								
Share options exercised		0.2				0.2		0.2
Transactions with non-controlling interests, recorded directly in equity								
Dividends							(0.5)	(0.5)
Disposal of discontinued operation							(0.6)	(0.6)
Balance at 31 January 2019, as previously reported	1.0	9.8	–	7.4	28.0	46.2	–	46.2
Impact of change in accounting policy of IFRS 16 (Note 34)					(8.3)	(8.3)		(8.3)
Adjusted balance at 1 February 2019	1.0	9.8	–	7.4	19.7	37.9	–	37.9
(Loss)/profit for the year ended 31 January 2020					(7.9)	(7.9)	0.1	(7.8)
Other comprehensive income								
Currency translation differences for overseas operations				(0.1)		(0.1)		(0.1)
Currency translation differences on foreign currency loans, net of tax				(0.2)		(0.2)		(0.2)
Disposal of discontinued operation (Note 3)				(0.7)		(0.7)		(0.7)
Balance at 31 January 2020	1.0	9.8	–	6.4	11.8	29.0	0.1	29.1

Share capital and premium reserve

Share capital is the nominal value of shares issued. Share premium represents the difference between the market price and nominal value.

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.

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 £0.2m (2019: £0.4m) deferred tax.

Retained earnings

Earnings available for distribution to shareholders under the Companies Act 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 January 2020

	Note	2020 £m	2019 £m
Operating activities			
(Loss)/profit for the period		(7.8)	–
Adjustments for:			
Depreciation of property, plant and equipment		1.2	1.2
Depreciation of right-of-use asset		6.6	–
Share of loss of joint ventures	3	0.5	0.7
Finance expense		1.5	–
Profit on sale of subsidiary	3	–	(9.7)
Adjusting items	9	4.4	9.4
Income tax credit		–	(0.1)
Operating cash flows before changes in working capital and provisions		6.4	1.5
Decrease in inventories		1.6	0.4
Decrease/(increase) in trade and other receivables		2.7	(2.0)
(Decrease) in trade and other payables		(5.0)	(3.0)
Cash flows from operations		5.7	(3.1)
Income tax (paid)/received		(0.1)	0.2
Cash flows from operating activities		5.6	(2.9)
Investing activities			
Investment in joint ventures		–	–
Acquisition of property, plant and equipment		(1.1)	(0.8)
Disposal of subsidiary	3	–	11.7
Net costs from store closures		(1.1)	(0.9)
Cash flows from investing activities		(2.2)	10.0
Financing activities			
Payment of lease liabilities	21	(9.9)	–
Interest paid	21	(1.5)	–
Proceeds from exercise of share options		–	0.2
Dividends paid	11	–	(0.5)
Cash flows from financing activities		(11.4)	(0.3)
Net (decrease)/increase in cash and cash equivalents	27	(8.0)	6.8
Cash and cash equivalents at 1 February	27	16.2	9.5
Exchange rate fluctuations on cash held	27	(0.1)	(0.1)
Cash and cash equivalents at 31 January	27	8.1	16.2

The notes on pages 51 to 80 form part of these accounts.

NOTES TO THE GROUP ACCOUNTS

1 Accounting policies

a) Basis of preparation

French Connection Group PLC (the “Company”) is a Company domiciled in the United Kingdom and registered in England and Wales, limited by shares which are publicly traded on the London Stock Exchange. These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (“adopted IFRS”). The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice; these are presented on pages 81 to 89.

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

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition Note 30 to the financial statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The preparation of the financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these assumptions. The estimates and assumptions are based on historical experience and are reviewed on an ongoing basis and are disclosed in Note 33. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Going concern

The Group ended the year with £8.1m (2019: £16.2m) of net cash and no borrowings, total loss of £(7.8)m (2019: £0.0m) for the year and net assets of £29.1m (2019: £46.2m).

Following the declaration of the COVID-19 pandemic by the World Health Organisation on 11 March 2020, the Group closed all its stores and concessions and our wholesale revenues have significantly declined. However, we have been able to continue to operate our own websites with sales up significantly.

We have been working hard planning for the stores to re-open ensuring they do so safely and in line with all Government guidance. The majority of the stores are now open and we intend that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. We look forward to returning to more normal levels of trade as the situation evolves, although we do not expect this for some time to come.

The Company has taken a number of actions to conserve cash and reduce costs given the significant reduction in sales, together with the delayed payments from many of our wholesale customers, particularly in the USA. The Company is in ongoing and generally constructive discussions with many of our key stakeholders including:

- all suppliers to confirm extending payment terms and discounts
- landlords with a view to agreeing rent holidays or deferred payments
- factories to manage the supply of future goods to match current requirements while reducing quantities to reflect the expected lower level of trade for the remainder of the year
- rescheduling payments to HMRC

We have attempted to participate in as many of the Government’s support initiatives as is possible. The Job Retention Scheme for colleagues and rates relief for the store portfolio are now in place. It has however proved very challenging for us, in line with other retailers, to access any other Government funds due to the tight qualification constraints that have been imposed and to date we have been unable to access any further funding from these schemes. In the light of the Group’s current cash position and the continued expected weak trading environment, we have been in active discussions with a number of potential funding partners. The Board is confident of raising sufficient funds to support the business until the return of trading levels that are able to support the ongoing operations. This process is proceeding well and we are making good progress with due diligence completed and legal documents in the final stages of completion. Without securing additional funding and should the current COVID impacted trading levels continue, the Group’s cash resources will eventually be exhausted within the coming six months.

The Board have prepared forecasts for the next eighteen months which form the basis from which they have assessed going concern. The forecasts also include a stress test. Both of these forecasts show the business will require funding within the period of the forecasts. The Board are at advanced stages of negotiation with legal documents prepared. The Board is confident of

NOTES TO THE GROUP ACCOUNTS

Continued

1 Accounting policies continued

securing additional funding and on this basis, the Directors believe that the financial statements for the year-ended 31 January 2020 should be prepared on a going concern basis.

The Directors, believe that material uncertainty exists over whether funding can be secured before the existing cash resources are eroded and due to the uncertainty on when normal trading will resume and the broader implications of the Covid-19 pandemic on the business that may cast significant doubt about the ability of French Connection Group PLC to continue as a going concern. However, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Refer to Note 36 'Post Balance Sheet Events' for additional disclosure.

Adoption of IFRS 16

The Group has implemented IFRS 16 'Leases' for the accounting year-ended 31 January 2020 and has applied IFRS 16 in these financial statements for the twelve-month period ended 31 January 2020.

The Group has adopted the 'modified retrospective' method and accordingly the comparative 2019 results under this methodology have not been restated on transition at 1 February 2019.

In summary, IFRS 16 aligns the presentation of leased assets more closely to owned assets resulting in historic operating leases being brought onto the Balance Sheet and part of what was previously reported as operating lease costs being recorded as a finance interest expense. Historic operating lease expenses are to be replaced by depreciation and interest. The depreciation of the right-of-use asset will be charged on a straight line basis whilst the interest charged on the outstanding lease liability will be front-loaded and higher in the earlier years decreasing over the life of the lease. However, the total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard.

A right-of-use asset and lease liability have been presented on the Balance Sheet with the lease liability recognised at the present value of future lease payments. The right-of-use asset has been matched in value to the lease liability at inception subject to any rent-free or lease inducements. However, the respective assets and liabilities have been charged/(credited) independently over the life of the lease. The Group has adopted the option not to recognise right-of-use assets and liabilities for short-term property leases that have a remaining lease term of less than twelve months and low-value asset leases. Leases with variable rent payments, notably turnover rents, are outside the scope of IFRS 16 and have also been excluded. These costs have been expensed to the Income Statement on a straight-line basis over the lease term.

The adoption of the standard has had no impact on the daily operations or cash flows of the Group. However, there has been a material impact on the presentation of the financial statements including the Income Statement, Balance Sheet and Cash Flow Statement as discussed in more detail in Note 34.

There is no significant financial impact on the Group financial statements of the following new standards, amendments and interpretations that are in issue and mandatory for the financial year ending 31 January 2020:

- IFRS 9 Financial Instruments (Amendment): Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 19 Employee Benefits (Amendment): Plan Amendment, Curtailment or Settlement
- IAS 28 Investments in Associates and Joint Ventures (Amendment): Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRSs (2015 – 2017 Cycle)

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

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform
- Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 3 Business Combinations (Amendment): Definition of a Business
- IFRS 17 Insurance Contracts
- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

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

b) Basis of consolidation

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

NOTES TO THE GROUP ACCOUNTS

Continued

1 Accounting policies continued

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

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

c) Goodwill

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

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

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

d) Foreign currency

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

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

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

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

e) Derivative financial instruments

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

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

f) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

NOTES TO THE GROUP ACCOUNTS

Continued

1 Accounting policies continued

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

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

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

g) Property, plant and equipment

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

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

Leasehold improvements : period of the lease

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

h) Leased assets

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. In the current reporting period, in relation to leases where the Group assumes substantially all the risks and rewards of ownership, the Group has recognised on the balance sheet a right of use asset and a lease liability at the lease commencement date. The lease liability is measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The right of use asset is matched in value to the lease liability at inception subject to any lease inducements. The right of use asset is depreciated on a straight line basis over the life of the lease whilst the interest charged on the outstanding lease liability is front-loaded and higher in the earlier years decreasing over the life of the lease.

The Group has adopted the option not to recognise right-of-use assets and liabilities for short-term property leases that have a remaining lease term of less than twelve months and low-value asset leases. Leases with variable rent payments, notably turnover rents, are outside the scope of IFRS 16 and have also been excluded. These costs have been expensed to the Income Statement on a straight-line basis over the lease term.

In the comparative period, leases in terms of which the Group assumes substantially all the risks and rewards of ownership were classified as finance leases. Finance lease assets were stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Finance leased assets were depreciated over the shorter of the lease term and their estimated useful lives unless it was reasonably certain that the Group would obtain ownership by the end of the lease term.

Operating leases were leases where control of use of an identified asset has not been transferred. Operating lease rentals were charged to the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the income statement on a straight-line basis over the term of the lease.

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

i) Inventories

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

j) Impairment

The carrying amount of the Group's assets, other than deferred tax assets, are reviewed each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. For tangible fixed and right of use assets, the recoverable amount is determined with reference to the cash generating unit to which the asset belongs. The impairment calculations use cash flow projections based on actual operating results extrapolated forward for five years. An appropriate pre-tax discount rate has been used in discounting the projected cash flows based on the weighted average cost of capital applicable to the individual assets concerned. Further details are provided in Note 14 'Property, plant and equipment' and Note 15 'Right of use asset'.

NOTES TO THE GROUP ACCOUNTS

Continued

1 Accounting policies continued

It is noted that as at the financial year-end 31 January 2020, the net assets of the Group of £29.1m are in excess of the Company's market capitalisation. However, the Directors believe, based on the latest budget and long range plan, the current market price undervalues the future forecast profitability of the business and that the net asset position of the Group is a fairer representation. In accordance with accounting standards, the Company acknowledges that current market capitalisation is a potential indicator of impairment. A subsequent impairment review of the Group's net assets has been performed in the year with resulting right of use asset and tangible fixed asset impairments.

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

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods sold to external customers, less returns and value added tax. The revenue arises from the sale of fashion clothing and accessories. Under IFRS 15, revenue from the sale of goods is recognised in the statement of comprehensive income when the Group transfers control over the goods to its customer.

With regards to the nature and timing of satisfaction of performance obligations, for retail sales, this occurs at the point of sale of a product to the customer. Concession revenues are recognised gross at the point of sale of a product to the customer on the basis that the vendor acts as principal. Wholesale and ecommerce revenues are recognised at the point that control of the inventory has passed to the customer, which depends on the specific terms and conditions of sales transactions and which is typically when goods are despatched from the warehouse.

Invoices are generated and revenue is recognised at that point in time. The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data. Provisions are made for own store, concession and ecommerce returns based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned. Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction.

Revenues are recognised at full sales consideration where the Group acts as the principal in relation with the customer. For consignment and sale or return wholesale customers, where the Group does not act as the principal, revenue is reported net of commission. Revenue from contracts with customers is assessed based on the contractual relationship incorporating a review of key factors including control of stock before transfer to the customer, control over pricing, margin and cost of sales calculation and any contribution towards staffing, fitout installation, insurance and shrinkage.

l) Other operating income

Licensing revenue is included within other operating income as it does not relate to consideration for goods supplied to customers. Licence income receivable from licensees are accrued as earned on the basis of the specific performance obligations of the relevant licence agreement, which is typically on the basis of a variable amount based on turnover.

m) Income Tax

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

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

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

n) Pensions

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

o) Share-based payment

The Group operates share option incentive schemes for Directors and key employees. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement is adjusted at each balance sheet date to reflect the number of

NOTES TO THE GROUP ACCOUNTS

Continued

1 Accounting policies continued

share options that are expected to vest revised for expected leavers and estimated achievement of non-market based vesting conditions. The Group adopted the exemption to apply IFRS 2 only to equity instruments granted after 7 November 2002.

p) Segment reporting

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

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

q) Capital management

Details of capital risk management are set out in Note 30 to the Group accounts.

r) Financial risk management

Details of financial risk management are set out in Note 30 to the Group accounts.

s) Guarantees

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

t) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the present value of the expenditure expected to settle the Group's liability using a discounted rate that reflects current market assessments of the time value of money. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

u) Alternative performance measures

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

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

2 Operating segments

a) Segment reporting

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

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

NOTES TO THE GROUP ACCOUNTS

Continued

2 Operating segments continued

b) Segment revenue and results

Income Statement	2020 £m	Restated* 2019 £m
Revenue		
Retail	46.7	58.4
Wholesale	73.2	76.9
Group revenue	119.9	135.3
Gross profit	45.9	57.2
Retail	51.0%	55.1%
Wholesale	30.2%	32.5%
Group gross margin	38.3%	42.3%
Underlying operating (loss)/profit		
Retail	(10.0)	(10.3)
Wholesale	13.2	15.2
Licence income	5.5	5.8
Common and Group overheads	(10.1)	(9.9)
Finance expense	(1.5)	-
Underlying Group operating (loss)/profit**	(2.9)	0.8
Underlying operating margin		
Retail	(21.4)%	(17.6)%
Wholesale	18.0%	19.8%
Underlying Group operating margin	(2.4)%	0.6%

c) Geographical information

	2020 £m	Restated* 2019 £m
Revenue		
UK/Europe	64.7%	70.7%
North America	33.9%	27.2%
Rest of the World	1.4%	2.1%
Divisional operating (loss)/profit		
UK/Europe	(1.6)	2.1
North America	5.5	3.7
Rest of the World	(0.8)	(0.6)
Group overheads and finance income	(6.0)	(4.4)
Underlying Group operating (loss)/profit**	(2.9)	0.8

* comparative results have been restated reflecting the re-presentation of continuing and discontinued operations

** excludes adjusting items (Note 9) and discontinued operations (Note 3)

NOTES TO THE GROUP ACCOUNTS

Continued

2 Operating segments continued

d) Revenue from external customers

	2020 £m	2019 £m
UK	68.7	85.1
US	36.8	32.5
Canada	4.2	4.3
Other	10.2	13.4
	119.9	135.3

£25.2m (2019: £22.4m) of revenue relates to one single customer, which represents more than 10% of total revenues of £119.9m (2019: £135.3m). This is included in the total wholesale revenue segment of £73.2m (2019: £76.9m).

e) Non-current assets

	2020 £m	2019 £m
Written down value		
UK/Europe	21.3	7.2
North America	3.1	0.1
Rest of the World	0.2	1.5
	24.6	8.8
Additions		
UK/Europe	2.6	0.7
North America	–	0.1
Rest of the World	0.3	–
	2.9	0.8

f) Depreciation by segment

	2020 £m	2019 £m
Owned assets		
Retail	0.7	0.7
Wholesale	0.2	0.3
Group	0.3	0.2
	1.2	1.2
Right of use assets		
Retail	4.3	–
Wholesale	2.3	–
Group	–	–
	6.6	–

3 Discontinued operations

The Group closed its entire joint venture operation in Asia during the current financial year. The closure of all of the eleven retail stores in China was completed by October 2019 and similarly the closure of all of the three retail stores in Hong Kong was completed by August 2019. This division was not classified as discontinued operations in the prior year and the comparative statement of comprehensive income has been restated to highlight the discontinued operations separately from continuing operations. The closure of the Asian joint venture operation generated a total loss in the current year of £(0.5)m (2019: £(0.7)m). This division is reported within the Rest of the World geographical segment.

NOTES TO THE GROUP ACCOUNTS

Continued

3 Discontinued operations continued

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

At 30 April 2018, the Toast subsidiary comprised net assets of £2.1 million, of which French Connection Group PLC directly owned £1.5 million being 75% of the net assets. Further, French Connection will support the transition of the Toast business into new ownership by providing support office functions and other transitional services for up to two years at no cost to the Purchaser. £0.4 million has been provided in relation to these future costs. Transactional costs of £1.1 million comprising legal and other advisory fees have been expensed by French Connection Group PLC as part of the profit on disposal. The transaction has generated a total profit on sale of £9.7 million in the prior year. Inclusive of operating loss of £(0.4)m, the sale of the Toast subsidiary generated a total profit in the comparative year of £9.3m.

	Year ended 31 Jan 2020 £m	Year ended 31 Jan 2019 £m
Results of discontinued operations		
Revenue	–	3.3
Expenses	–	(3.8)
Share of loss of joint ventures, net of tax	(0.4)	(0.7)
Currency translation differences	0.7	–
Results from operating activities before tax	0.3	(1.2)
Taxation	–	0.1
Results from operating activities, net of tax	0.3	(1.1)
(Loss)/profit on disposal of discontinued operations	(0.8)	9.7
Effect on (loss)/profit for the period	(0.5)	8.6
	31 Jan 2020 £m	31 Jan 2019 £m
Effect of disposal on the financial position of the Group		
Investments in joint ventures	(1.4)	–
Fixed assets	–	(0.2)
Deferred tax	–	(0.3)
Inventories	–	(3.4)
Trade and other receivables	(0.6)	(0.8)
Cash	–	(0.2)
Trade and other payables	–	2.8
Net assets and liabilities	(2.0)	(2.1)
Minority interest (25%)	–	0.6
Net assets and liabilities disposed	(2.0)	(1.5)
Goodwill on acquisition of subsidiary written off	–	(0.1)
Cash consideration net of costs of disposal	1.2	11.7
Provisions for cost of transitional services	–	(0.4)
(Loss)/profit on disposal	(0.8)	9.7
	Year ended 31 Jan 2020 £m	Year ended 31 Jan 2019 £m
Cash flows used in discontinued operations		
Net cash from operating activities	–	(1.4)
Net cash from financing activities	–	(2.0)
Net cash utilised in discontinued operations	–	(3.4)

NOTES TO THE GROUP ACCOUNTS

Continued

3 Discontinued operations continued

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

4 Revenue and gross margin

	Continuing operations		Discontinued operations*		Consolidated operations	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Sale of goods						
Revenue	119.9	135.3	–	3.3	119.9	138.6
Gross margin	45.9	57.2	–	2.4	45.9	59.6

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

* see discontinued operations (Note 3).

5 Operating expenses

	2020 £m	2019 £m
Selling and distribution costs	49.1	63.1
Administration costs	8.1	8.5
	57.2	71.6

Operating expenses exclude discontinued operations (Note 3). Included within discontinued operations are £Nil (2019: £2.9m) of operating expenses.

Included within selling and distribution costs are adjusting items of £4.4m (2019: £9.4m) (Note 9).

6 Other operating income

	2020 £m	2019 £m
Licensing income	5.5	5.8

7 Staff numbers and costs

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

	2020 Number	2019 Number
Selling, distribution and retail	857	1,073
Design, development and production management	137	148
Administration	98	109
	1,092	1,330

The aggregate payroll costs of these people were as follows:

	2020 £m	2019 £m
Wages and salaries	23.4	27.0
Social security costs	1.9	2.2
Defined contribution pension costs	0.4	0.4
	25.7	29.6

Included within the total staff cost above is the remuneration of the Directors totalling £1.0m (2019: £1.0m). Details of Directors' remuneration, share options and pension entitlements are disclosed in the Directors' Remuneration Report. Details of pension costs are disclosed in Note 32 to the Group accounts.

NOTES TO THE GROUP ACCOUNTS

Continued

8 Finance income and expense

Recognised in the income statement	2020 £m	2019 £m
Finance expense	1.5	–

9 (Loss)/profit before taxation

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

	2020 £m	2019 £m
Fees payable to the Company's auditors and its associates in respect of the audit of the Group's annual accounts	0.1	0.1
the audit of the Company's subsidiaries, pursuant to legislation	0.1	0.1
Depreciation of owned assets	1.2	1.2
Depreciation of right of use asset	6.6	–
Impairment of owned assets	0.4	–
Right of use asset impairment	1.0	5.2
Store disposal and dilapidation costs	1.6	1.4
Bad debt provisions	1.0	2.8
Other professional fees	0.4	–
Operating lease rentals		
Plant and machinery	0.2	0.3
Leasehold properties	1.3	16.7
Rent receivable	(0.4)	(2.7)

The auditor's remuneration in respect of the audit of the Company was £15,000 (2019: £37,000).

During the year, the fees payable to the auditors and their associates for non-audit services was £Nil (2019: £178,000) in respect of advisory services (£Nil (2019: £175,000)) and royalty and turnover reviews (£Nil (2019: £3,000)).

	Year ended 31 Jan 2020 £m	Year ended 31 Jan 2019 £m
Reconciliation of loss before tax to underlying operating (loss)/profit		
(Loss)/profit before tax	(7.8)	–
Adjusting items:		
Provisions for bad debts and bad debt write-offs	1.0	2.8
Fixed asset impairments (Note 14)	0.4	–
Right of use asset impairment (Note 15)	1.0	–
Onerous lease provision (Note 22)	–	5.2
Store disposal and dilapidation costs	1.6	1.4
Other professional fees	0.4	–
	4.4	9.4
Discontinued operations (Note 3)	0.5	(8.6)
Underlying operating (loss)/profit	(2.9)	0.8

Provisions for bad debts, net of VAT recoverable, of £1.0m have been expensed in the period relating to unpaid contractual debt due from wholesale export customers. Prior year charge of £2.8m related to unpaid debt from our Indian licensing partner and a UK concession partner in administration.

Right of use asset impairment of £1.0m (2019: onerous lease provision of £5.2m) has been expensed relating to UK stores whereby the future contractual obligation costs exceed the economic benefits forecast to be received. Current year charge of £0.9m (2019: £0.7m) has been expensed in the period relating to store closure costs. Provisions for store disposal and dilapidation costs of £0.7m (2019: £0.7m) (see Note 22) have been recognised in the period.

Other professional fees in the current year of £0.4m (2019: £Nil) relate to fees incurred in relation to the conclusion of the strategic review.

NOTES TO THE GROUP ACCOUNTS

Continued

10 Taxation

a) Recognised in the statement of comprehensive income

	2020 £m	2019 £m
Current tax		
Overseas tax	–	–
Adjustment in respect of previous periods	–	–
	–	–
Deferred tax – origination and reversal of		
UK temporary differences	–	–
Effect of change in tax rates	–	–
	–	–
Tax on (loss)/profit (Note 10b)	–	–

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

b) Factors affecting (credit)/charge for year

The tax (credited)/charged for the year is different to the standard 19% (2019: 19%) rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
(Loss)/profit before taxation	(7.8)	–
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19.00%)	(1.5)	–
Effects of :		
Expenses not deductible	0.1	0.1
Profit on sale of subsidiary	–	(1.8)
Share of joint venture tax credit which has been netted off within share of loss of joint ventures	0.1	0.1
Difference in effective tax rates on overseas earnings	–	(0.1)
Trading losses carried forward not recognised	1.3	1.7
Total tax (credit)/charge for the year (Note 10a)	–	–

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

c) Income tax recognised in other comprehensive income

	Before tax 2020 £m	Tax credit 2020 £m	Net of tax 2020 £m	Before tax 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m
Currency translation differences on foreign overseas operations	(0.1)	–	(0.1)	0.5	–	0.5
Currency translation differences on foreign currency loans	(0.4)	0.2	(0.2)	(0.2)	–	(0.2)
Recycling of translation differences due to disposal of discontinued operation	(0.7)	–	(0.7)	–	–	–
Effective portion of changes in fair value of cash flow hedges	–	–	–	0.1	–	0.1
	(1.2)	0.2	(1.0)	0.4	–	0.4

NOTES TO THE GROUP ACCOUNTS

Continued

11 Dividends – equity

The Board is proposing that no dividend should be paid for the year (2019: £Nil). Dividends of £Nil were paid during the year to the minority shareholders of a subsidiary undertaking of the Group (2019: £0.5m).

12 (Losses)/earnings per share

Basic and diluted (losses)/earnings per share are calculated on 96,612,634 (2019: 96,404,508) shares being the weighted average number of ordinary shares during the year.

Basic and diluted losses per share of (8.2) pence per share (2019: earnings of 0.1 pence) is based on losses of £(7.9)m (2019: profit of £0.1m) attributable to equity shareholders.

On continuing operations the basic losses per share of (7.7) pence per share (2019: (8.9) pence) is based on losses of £(7.4)m (2019: £(8.6)m) relating to continuing operations.

On discontinued operations the basic losses per share of (0.5) pence per share (2019: earnings of 9.0 pence) is based on losses of £(0.5)m (2019: profits of £8.7m) relating to discontinued operations.

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

	2020 £m	2020 pence per share	2019 £m	2019 pence per share*
(Loss)/profit attributable to equity shareholders	(7.9)	(8.2)p	0.1	0.1p
Adjusting items (Note 9)	4.4	4.6p	9.4	9.7p
Discontinued operations (Note 3)	0.5	0.5p	(8.7)	(9.0)p
Adjusted (loss)/profit attributable to equity shareholders	(3.0)	(3.1)p	0.8	0.8p

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.

* The comparative has been restated reflecting the representation of discontinued operations in the prior year Income Statement.

13 Intangible assets

Goodwill	2020 £m	2019 £m
Cost		
At 1 February	14.1	14.3
Disposal	(0.8)	(0.2)
At 31 January	13.3	14.1
Impairment		
At 1 February	13.9	13.9
Disposal	(0.8)	–
At 31 January	13.1	13.9
Net book value at 31 January	0.2	0.2

Disposal costs of £0.8m in the current year relate to the closure of franchise stores. Prior year disposal cost was in relation to the sale of the subsidiary, Toast (Mail Order) Limited. No impairment review has been performed during the year due to materiality.

NOTES TO THE GROUP ACCOUNTS

Continued

14 Property, plant and equipment

2020	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2019	5.6	34.6	40.2
Currency movements	–	(0.1)	(0.1)
Additions	–	1.1	1.1
Disposals	(1.2)	(8.4)	(9.6)
At 31 January 2020	4.4	27.2	31.6
Depreciation			
At 1 February 2019	5.4	32.3	37.7
Currency movements	–	(0.1)	(0.1)
Charge for year	–	1.2	1.2
Impairment	–	0.4	0.4
Disposals	(1.2)	(8.4)	(9.6)
At 31 January 2020	4.2	25.4	29.6
Net book value			
At 31 January 2020	0.2	1.8	2.0
2019	Short leasehold property £m	Plant equipment fixtures and fittings £m	Total £m
Cost			
At 1 February 2018	6.0	41.4	47.4
Currency movements	0.2	0.3	0.5
Additions	–	0.8	0.8
Disposals	(0.6)	(7.9)	(8.5)
At 31 January 2019	5.6	34.6	40.2
Depreciation			
At 1 February 2018	5.7	38.5	44.2
Currency movements	0.2	0.3	0.5
Charge for year	0.1	1.1	1.2
Disposals	(0.6)	(7.6)	(8.2)
At 31 January 2019	5.4	32.3	37.7
Net book value			
At 31 January 2019	0.2	2.3	2.5

Impairments of £0.4m (2019: £Nil) have been recognised during the year within adjusting items in operating expenses (Note 9) within the UK/Europe Retail operating segment. The recoverable amount of tangible fixed asset net book values has been assessed against the forecast future operating cash flows of each separate cash generating unit and any identified impairment booked. Refer to Note 1 j) with regards to impairment accounting policy. The discount rate applied ranges from 4% to 6% for the various geographical segments. The recoverable amount of the tangible net assets has been calculated based on its value in use.

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

NOTES TO THE GROUP ACCOUNTS

Continued

14 Property, plant and equipment continued

Property, plant and equipment with a net book value of £Nil was disposed of during the year (2019: £0.3m including £0.2m net book value relating to the sale of the Toast subsidiary (see discontinued operations Note 3)). The residual net book value was disposed of for £Nil proceeds (2019: £Nil) resulting in a loss on disposal of £Nil (2019: £0.1m) which was expensed to store closure costs.

The Group has £25.7m (2019: £33.3m) of gross assets with a £Nil net book value.

15 Right of use asset

Properties and leased vehicles	2020 £m
Cost	
At 1 February, on IFRS16 transition (Note 34)*	24.2
Currency movements	(0.2)
Additions	1.6
Disposal	(0.2)
At 31 January	25.4
Depreciation	
Currency movements	–
Charge for year	6.6
Impairment	1.0
Disposal	(0.1)
At 31 January	7.5
Net book value at 31 January	17.9

* right of use asset calculated on a 'modified retrospective' approach, net of working capital adjustments

Impairments of £1.0m (2019: £Nil) have been recognised during the year within adjusting items in operating expenses (Note 9) within the UK/Europe Retail operating segment. The recoverable amount of right of use assets have been assessed against the forecast future operating cash flows of each separate cash generating unit and any identified impairment booked. Refer to Note 1 j) with regards to impairment accounting policy. The discount rate applied ranges from 4% to 6% for the various geographical segments. The recoverable amount of the tangible net assets has been calculated based on its value in use.

Right of use assets with a net book value of £0.1m were disposed of during the year relating to store closures. The residual net book value resulted in a loss on disposal of £(0.1)m which was expensed to the income statement.

16 Investments

The Group's investments in joint ventures were disposed of during the year following cessation of trading. The trading results during the current and prior year have been reported within discontinued operations (Note 3).

	2020 £m	2019 £m
Share of current assets	–	2.0
Share of non-current assets	–	0.2
Share of current liabilities	–	(0.4)
	–	1.8
Share of revenue	1.2	2.0
Share of expense	(1.6)	(2.7)
	(0.4)	(0.7)

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

NOTES TO THE GROUP ACCOUNTS

Continued

17 Inventories

	2020 £m	2019 £m
Raw materials and work in progress	0.1	0.1
Finished goods	26.7	28.3
	26.8	28.4

During the year, inventory write-downs of £2.3m (2019: £2.4m) were expensed within cost of sales. The amount of inventory recognised as an expense within cost of sales during the current year is £60.1m (2019: £66.9m).

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

18 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	11.9	15.7
Other receivables	2.1	0.8
Prepayments	2.3	3.9
Accrued income	3.2	3.7
	19.5	24.1

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

Included within trade and other receivables is a bad debt provision of £3.5m (2019: £2.5m) including £2.0m (2019: £2.0m) unpaid contractual debt due from our Indian licensing partner. During the year £1.0m (2019: £0.8m) of bad debts were provided relating to wholesale export customers.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 30.

19 Cash and cash equivalents

	2020 £m	2019 £m
Cash and cash equivalents in the balance sheet and cash flow	8.1	16.2

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 30.

20 Current trade and other payables

	2020 £m	2019 £m
Trade payables	9.9	13.4
Other taxation and social security	2.0	1.3
Accruals	7.1	10.5
Deferred income	0.2	0.2
	19.2	25.4

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30.

NOTES TO THE GROUP ACCOUNTS

Continued

21 Lease liabilities

	2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	10.2
One to five years	18.6
More than five years	4.5
Total undiscounted lease liabilities at 31 January 2020	33.3
Lease liabilities included in the statement of financial position at 31 January 2020	
Current	9.1
Non-current	20.9
	30.0
Lease liabilities reconciliation	
Lease liabilities (undiscounted)	33.3
Interest	(3.3)
Total discounted lease liabilities at 31 January 2020	30.0
Amounts charged/(credited) in the Income Statement	
Interest on lease liabilities	1.5
Variable payments not included in the measurement of lease liabilities	–
Expenses relating to short-term leases	1.3
Expenses relating to leases of low-value assets	0.2
Income from sub-leasing right-of-use assets	(0.4)
	2.6
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	11.4

22 Provisions

	Store disposals 2020 £m	Onerous leases 2020 £m	Dilapidations 2020 £m	Total 2020 £m	Total 2019 £m
Balance at 1 February	0.7	5.2	–	5.9	0.3
Reclassified to right of use asset on IFRS 16 transition (Note 34)	–	(5.2)	–	(5.2)	–
Utilised during the year	(0.7)	–	–	(0.7)	(0.3)
Charged during the year	–	–	0.7	0.7	5.9
Balance at 31 January	–	–	0.7	0.7	5.9

Current year provision relates to future dilapidation costs with regards to contractual obligations to reinstate stores to their original condition. The associated costs are forecast to be incurred over the remaining lease period of the respective stores. Total charge during the year has been expensed to adjusting items (Note 9) within operating expenses in the income statement. Closing provision of £0.7m (2019: £5.9m) includes non-current liabilities due after more than one year of £0.3m (2019: £3.5m).

In the prior year, provisions were recorded to reflect the estimated committed closure costs of identified underperforming retail stores including onerous leases whereby the future contractual obligations exceeded the forecast economic benefits. Onerous lease provision was reclassified to the right of use asset on IFRS 16 transition.

NOTES TO THE GROUP ACCOUNTS

Continued

23 Current tax payable

	2020 £m	2019 £m
Overseas tax	–	–

24 Deferred tax

Deferred tax assets are attributable to the following:

Recognised	2020 £m	2019 £m
Trading losses	1.7	2.0
Property, plant and equipment	1.3	2.2
Other timing differences	1.5	0.1
	4.5	4.3

£0.2m tax credit was processed through the statement of comprehensive income (Note 10c) offsetting the £0.2m tax charge relating to the movement in the deferred tax asset. £Nil net movement was processed through the income statement in the current year. The deferred tax asset in the prior year was reduced by £0.3m relating to the sale of the Toast subsidiary (see discontinued operations Note 3).

In addition, the Group has unused tax trading losses with a potential value of £13.6m (2019: £10.5m), which have not been recognised as a deferred tax asset. As the Group returns to profit, these tax losses can be utilised. Additional information is available in the 'Viability statement' in the Directors' Report and in Note 33 'Accounting estimates and judgements'.

	Gross value 2020 £m	Asset 2020 £m	Gross value 2019 £m	Asset 2019 £m
Not recognised				
Trading losses	74.4	13.6	56.6	10.5
Property, plant and equipment	–	–	1.4	0.3
Other timing differences	0.4	0.1	10.4	2.0
	74.8	13.7	68.4	12.8

25 Share capital and share options

Ordinary shares of 1 pence each	2020 Number	2020 £m	2019 Number	2019 £m
Allotted, called up and fully paid shares at the beginning and end of the year	96,612,934	1.0	96,612,934	1.0

Ordinary shareholders have rights to dividends.

At 31 January 2020, no options remain outstanding in respect of ordinary shares of 1p each in the Company. Share options granted are subject to detailed performance conditions. Options which do not vest following the application of the performance conditions lapse and become unavailable for exercise. More details of the share option scheme can be found in the Directors' Remuneration Report.

	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Outstanding at the beginning of the period	34.72p	687,736	48.97p	2,044,236
Lapsed during the period	34.72p	(687,736)	56.20p	(996,700)
Exercised during the period	–	–	56.20p	(359,800)
Outstanding at the end of the period	–	–	34.72p	687,736

NOTES TO THE GROUP ACCOUNTS

Continued

25 Share capital and share options continued

The number of share options exercisable at the year-end is £Nil (2019: 150,000).

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

26 Reconciliation of decrease in cash to movement in net funds

	2020 £m	2019 £m
Change in net funds from cash flows	(8.0)	6.8
Translation differences	(0.1)	(0.1)
Net funds at beginning of year	16.2	9.5
Net funds at end of year	8.1	16.2

27 Analysis of net (debt)/funds

2020	1 February £m	Transition to IFRS 16 £m	Cash flow £m	Non cash changes £m	31 January £m
Cash and cash equivalents	16.2	–	(8.0)	(0.1)	8.1
Lease liabilities	–	(38.5)	11.4	(2.9)	(30.0)
Net debt	16.2	(38.5)	3.4	(3.0)	(21.9)

2019	1 February £m	Cash flow £m	Non cash changes £m	31 January £m
Cash and cash equivalents	9.5	6.8	(0.1)	16.2

28 Commitments

Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2020 for which no provision has been made in these accounts, were as follows:

Leasehold property and vehicles	2020 £m	2019 £m
Operating leases which expire:		
Within one year	–	12.9
Within two to five years	–	25.0
After five years	–	7.3
	–	45.2

Following the adoption of IFRS 16 'Leases' in the current accounting period, future rental commitments are now included on the balance sheet within 'Lease liabilities' due within one year and after more than one year respectively (Note 34).

Aggregate future rentals receivable under non-cancellable operating leases at 31 January 2020 for which no accrual has been made in these accounts were as follows:

Leasehold property	2020 £m	2019 £m
Operating leases which expire:		
Within one year	0.2	0.7
Within two to five years	–	1.3
	0.2	2.0

Rentals receivable relate to sublet operating leases where only a minority of the total property has been sublet.

At 31 January 2020 the Group had contracted capital commitments not provided for in the accounts of £0.1m (2019: £0.1m).

NOTES TO THE GROUP ACCOUNTS

Continued

At 31 January 2020 the Group had commitments on foreign exchange contracts amounting to £Nil (2019: £Nil). In addition, the Group had commitments in respect of letters of credit of £Nil (2019: £Nil).

29 Contingent liabilities

The Group has a number of sublet and assigned properties. In the event that the tenants of these properties default, the Group may be liable. At the year end, the total annual commitment amounted to £0.5m (2019: £0.5m).

30 Financial instruments

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

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises primarily from its trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

The Group applies the simplified approach to providing for expected credit losses which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on a very low credit risk characteristic, representing management's view of the risk, and the days past due. The expected credit losses incorporate forward looking information. Expected irrecoverable amounts on balances with indicators of impairment are provided for based on past default experience adjusted for expected behaviour.

The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. At the balance sheet date, there were no significant concentrations of credit risk by customer or by geography.

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

NOTES TO THE GROUP ACCOUNTS

Continued

30 Financial instruments continued

Exposure to credit risk

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

	Carrying amount	
	2020 £m	2019 £m
Trade and other receivables	14.0	16.5
Cash and cash equivalents	8.1	16.2
	22.1	32.7

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

	Carrying amount	
	2020 £m	2019 £m
UK/Europe	11.7	13.2
North America	1.9	2.1
Hong Kong	0.4	1.2
	14.0	16.5

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

	2020 £m	2019 £m
Wholesale customers	11.9	15.7

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

	Gross 2020 £m	Impairment 2020 £m	Gross 2019 £m	Impairment 2019 £m
Current	8.1	–	12.4	–
30 days	1.4	–	1.4	–
60 days	1.1	–	0.9	–
More than 60 days	3.5	(2.2)	2.2	(1.2)
	14.1	(2.2)	16.9	(1.2)

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

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

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

	Trade		Other	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 February	1.2	0.2	1.3	–
Movement during the year	1.0	1.0	–	1.3
At 31 January	2.2	1.2	1.3	1.3

Included within accrued income is an impairment provision of £1.3m (2019: £1.3m) (see Note 18).

NOTES TO THE GROUP ACCOUNTS

Continued

30 Financial instruments continued

Interest rate profile of financial assets

The interest rate profile of the financial assets of the Group at 31 January 2020 was as follows:

	Financial assets on which no interest is received		Floating rate financial assets		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Sterling	0.1	0.1	4.5	8.6	4.6	8.7
US Dollar	–	–	1.2	5.2	1.2	5.2
Hong Kong Dollar	–	–	0.2	0.6	0.2	0.6
Other	–	–	2.1	1.7	2.1	1.7
Total	0.1	0.1	8.0	16.1	8.1	16.2

Financial assets comprise cash and short term deposits. The effective interest rate on floating rate financial assets during the year was 0.1% (2019: 0.1%).

There were no fixed rate or floating rate financial liabilities at the end of the current or prior year. There was no effective interest rate on floating rate financial liabilities during the year (2019: 10.6%).

Contractual maturities of financial liabilities

	Group carrying amount 2020 £m	Group contractual cash flows 2020 £m	Group carrying amount 2019 £m	Group contractual cash flows 2019 £m
Trade payables	9.9	9.9	13.4	13.4
Other taxation and social security	2.0	2.0	1.3	1.3
Accruals	7.1	7.1	10.5	10.5
Provisions	0.7	0.7	5.9	5.9
	19.7	19.7	31.1	31.1

Maturity analysis of lease liabilities is included in Note 21.

There are no contracted hedging contracts as at the year-end.

NOTES TO THE GROUP ACCOUNTS

Continued

30 Financial instruments continued

Currency exposure

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

31 January 2020 Net foreign currency monetary assets/(liabilities)	Sterling £m	US Dollar £m	Canadian Dollar £m	Hong Kong Dollar £m	Euro £m	Other £m	Total £m
Trade and other receivables	1.4	0.2	-	-	0.7	0.1	2.4
Cash and overdraft	0.1	0.5	-	-	1.2	-	1.8
Trade and other payables	(0.1)	(2.1)	-	-	(0.4)	-	(2.6)
Intercompany balances	(0.1)	(1.5)	12.1	(4.9)	8.1	-	13.7
Total	1.3	(2.9)	12.1	(4.9)	9.6	0.1	15.3

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

Forward foreign exchange contracts have not been taken into consideration above. As at 31 January 2020, the Group has committed forward foreign exchange contracts of £Nil (2019: £Nil).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
US Dollar	1.280	1.327	1.319	1.315
Canadian Dollar	1.694	1.728	1.744	1.728
Hong Kong Dollar	10.018	10.403	10.246	10.322
Euro	1.145	1.130	1.191	1.146

Sensitivity analysis

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

	Equity 2020 £m	Profit and loss 2020 £m	Equity 2019 £m	Profit and loss 2019 £m
US Dollar	-	0.3	-	-
Canadian Dollar	(1.1)	-	(1.1)	(0.1)
Hong Kong Dollar	0.4	(0.1)	0.4	0.1
Euro	(0.5)	(0.4)	(0.5)	(0.4)
	(1.2)	(0.2)	(1.2)	(0.4)

NOTES TO THE GROUP ACCOUNTS

Continued

30 Financial instruments continued

Borrowing facilities

Working capital and letter of credit facilities of £Nil were available to the Group at 31 January 2020 (31 January 2019: £0.8m). The facilities are subject to an annual review and were most recently renewed in January 2019. The Group also has bank guarantees of £0.9m at 31 January 2020 (2019: £0.7m) which are secured by a fixed and floating charge over the assets of the Company.

Fair values

The fair value of the Group's financial instruments at 31 January 2020 were as follows:

	31 January 2020		31 January 2019	
	Carrying amount £m	Estimated fair value £m	Carrying amount £m	Estimated fair value £m
Primary financial instruments used to finance the Group's operations:				
Cash and cash equivalents	8.1	8.1	16.2	16.2
Trade receivables	11.9	11.9	15.7	15.7
Trade payables	(9.9)	(9.9)	(13.4)	(13.4)
Derivative financial instruments	-	-	-	-

The fair value of forward exchange contracts outstanding as at 31 January 2020 is £Nil (2019: £Nil). £Nil (2019: £0.1m) has been credited to the hedging reserve during the year.

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

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

Capital management

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

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

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

At the year end, employees, including the Chairman, hold 41.5% (2019: 41.5%) of ordinary shares. There are no share options issued at the year-end (2019: 0.7% of the issued share capital).

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

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

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

31 Directors' interests and related party transactions

The Group made sales of £0.1m (2019: £0.1m) to FCUK IT Company and £0.2m (2019: £0.2m) to FCIT China Limited during the year, both of which are joint ventures. The closing liabilities due from the respective joint ventures are £Nil (2019: £0.3m) and £Nil (2019: £0.1m). The Group closed its entire joint venture operation in Asia during the current financial year. The results of the joint venture operations are reported within discontinued operations (Note 3).

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

The Group was invoiced for property costs relating to 202 Westbourne Grove, London and recharged these costs to SAM Corporation Limited. Stephen Marks, Chairman and Chief Executive of French Connection Group PLC is a Director of French Connection Group PLC and is the sole shareholder of SAM Corporation Limited. The total cost invoiced and recharged during the year was £464,506 and was conducted at arm's length. The total amount due to French Connection Group PLC at 31 January 2020 from SAM Corporation Limited was £870,770.

The Group made sales of £579,540 to Sportsdirect.com Retail Limited, £13,580 to Cruise Clothing Limited, £6,891 Van Mildert (Lifestyle) Limited. And £7,009,056 to House of Fraser during the year which were conducted at arm's length. The ultimate

NOTES TO THE GROUP ACCOUNTS

Continued

31 Directors' interests and related party transactions continued

controlling party of these companies is M J W Ashley, who is also a majority shareholder of Sports Direct International PLC. Sports Direct International PLC has a 26% shareholding in French Connection Group PLC. The total amount due to/(from) French Connection Group PLC at 31 January 2020 was £487,447 from Sportsdirect.com Retail Limited, £5,753 from Cruise Clothing Limited, £3,066 from Van Mildert (Lifestyle) Limited, and £622,339 from House of Fraser Limited.

At 31 January 2020, Stephen Marks, Chairman and Chief Executive had an interest in 40,094,190 ordinary shares (2019: 40,094,190) of which 2,281,500 shares (2019: 2,281,500) were held by family members or in family trusts, representing in aggregate 41.5% (2019: 41.5%) of the total issued ordinary share capital of the Company. Details of the Directors' remuneration, being the key management personnel, are disclosed in the Directors' Remuneration Report.

32 Pension costs

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

The pension cost charge for the year was £0.4m (2019: £0.4m). At 31 January 2020 and 31 January 2019 there were no outstanding amounts payable to the schemes.

33 Accounting estimates and judgements

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

a) Judgements

The following accounting judgements have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities:

Revenue recognition – revenues are recognised at full sales consideration where the Group acts as the principal in relation with the customer or at the commission earned if the Group acts as the agent. The Group has reviewed IFRS 15 'Revenue from contracts with customers' and assessed its contractual relationship with its sale or return customers. The Group has reviewed key factors in the relationship including control of stock before transfer to the customer, control over pricing, margin and cost of sales calculation and any contribution towards staffing, fitout installation, insurance and shrinkage. The Group has deemed French Connection to be the agent in this relationship and reported revenue net of contribution. The impact of treating French Connection as the principal would be to increase revenue and gross margin by £1.8m and net operating expenses by £1.8m.

Going concern – refer to Note 36 'Post Balance Sheet Events' for additional disclosure.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 January 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are included below:

Deferred tax asset – the Directors have used their knowledge and experience of the fashion industry to prepare budgets and forecasts to support the recognition of the deferred tax asset to the extent that is probable that future taxable profits will be available against which the asset can be utilised. The support of the deferred tax asset has been tested in conjunction with the Group's budget, long range plan and relevant sensitivity analyses. The total deferred tax asset recognised of £4.7m within non-current asset (£4.5m) and within other reserves (£0.2m) is equivalent to £27.6m of future taxable profits at the current effective tax rate of 17%. The attainment of these future profits is dependent on numerous growth assumptions across the wholesale, retail, ecommerce and licensing divisions within the Group. Each £1m decline in forecast future taxable profits is equivalent to a reduction in the recognised deferred tax asset of £0.17m. The amount of deferred tax recognised and unrecognised is presented in Note 24.

Right of use asset impairment provision (comparative year onerous lease provision) – the Directors have used their knowledge and experience of the retail industry in determining the level and rates of impairment provisioning required. Individual stores have been identified as separate cash generating units and the recoverable amount of the right of use asset of each store has been assessed against the forecast future operating cash flows of each respective store. The latest annual budget and long range plan have been used to identify the onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the forecast economic benefits.

The annual budget for leasehold retail stores assumes flat like-for-like growth in the next financial year. A like-for-like decline of 1% in the year-ended January 2021, assuming no alternative actions are taken, would require an additional £2m current year right of use asset impairment provision.

A significant assumption implicit with regards to the onerous stores identified is with regards to the estimation regarding the sublet rent that could be attained as a percentage of the current market rent paid. The Directors have used their knowledge of the retail property market and current economic climate to estimate an attainable sublet income of 40% of the current market value paid. Each 10% reduction below the estimated sublet percentage would equate to an additional £0.7m right of use impairment provision

NOTES TO THE GROUP ACCOUNTS

Continued

33 Accounting estimates and judgements continued

with a maximum additional required provision of £2.8m if no sublet income was achievable. The right of use asset impairment provision recognised is disclosed in Note 15.

Dilapidations – the Directors have used historical data to calculate the dilapidations provision recognised at the year-end. The calculation methodology determines the average pound per square foot incurred for each retail location that has borne a dilapidations cost at the end its leasehold life in the last three years. In addition, the percentage of stores that have incurred an actual dilapidations cost is calculated as a proportion of all of the properties that have closed in this three year period. The average pound per square foot multiplied by the estimated proportion of stores that will bear dilapidations is extrapolated across the whole retail portfolio. If 100% of the locations incurred dilapidation costs at the end of their respective leaseholds, an additional £0.7m dilapidations provision and corresponding right of use asset would be recognised on the balance sheet. The dilapidation provision recognised is disclosed in Note 22.

34 Impact of application of IFRS 16

i) Transition

At the date of transition, 1 February 2019, the Group has adopted the 'modified retrospective' approach and has accordingly reviewed significant individual leases on a lease-by-lease basis. For these respective leases, the Group has recalculated the 'right-of-use' assets from lease commencement date as if IFRS 16 'fully retrospective' method had been adopted. For all other leases previously classified as operating leases, a corresponding 'right-of-use' asset has been matched at an amount equal to the lease liability for the remaining lease payments discounted using the incremental borrowing rate as at the transition date.

The Group has a portfolio of leased properties, including stores and warehouses, in addition to leased vehicles. At 31 January 2019, the Group lease commitment with regards to future lease commitments under non-cancellable operating leases, as reported in the Annual Report for the year ended 31 January 2019, (Note 26 to the Group Accounts 'Commitments') was £45.2m.

Furthermore, onerous lease provisions of £5.2m* and net working capital assets/liabilities of £0.8m** as at 31 January 2019 have been reclassified on the Balance Sheet within right-of-use assets and equity reserves on transition at 1 February 2019.

The impact to the financial statements upon the adoption of IFRS 16, with regards to the above lease portfolio, is as follows:

a) Right-of-use asset

The Group has recognised a 'right-of-use' asset of £24.2m, (net of reclassification of onerous lease provisions and working capital adjustments (rent payments in advance or arrears at transition date)).

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases and leases of low-value assets. Payments associated with those assets will be recognised as an expense on a straight-line basis. Turnover rents are outside the scope of IFRS 16 and therefore continue to be expensed as incurred.

	Group £m	Parent £m
Right-of-use asset		
Right-of-use asset (asset = liability)	15.4	-
Right-of-use asset recalculated, on lease-by-lease basis	13.1	5.9
Right-of-use asset recalculated on a 'modified retrospective' approach	28.5	5.9
Onerous lease provision*	(5.2)	-
Working capital adjustments**	0.9	-
Right-of-use asset at 1 February 2019	24.2	5.9

* reclassification from current and non-current liabilities on the balance sheet as at 31 January 2019

** reclassification from current assets and current liabilities on the balance sheet as at 31 January 2019

b) Lease liabilities

The Group has recognised a total lease liability of £38.5m, being the discounted present value of the lease commitment as at 31 January 2019.

The Group has used a portfolio approach to determine a single discount rate for the portfolio of leases within each separate geographical operating segment reported. The Group believes that this approach would not differ materially from calculating discount rates for each individual lease. The discount rates have been determined using local borrowing rates in each geographic territory. The discount rate applied for each geographical segment ranges from 4% to 6%. The weighted average incremental borrowing rate applied is 4.4%.

NOTES TO THE GROUP ACCOUNTS

Continued

34 Impact of application of IFRS 16 continued

Lease liabilities	Group £m	Parent £m
Total lease commitments as at 31 January 2019 (per Note 26 to the 2019 Annual Report)	45.2	10.4
Short term leases and low value assets excluded	(3.0)	(0.3)
Working capital adjustments*	0.9	1.2
Lease commitment (undiscounted)	43.1	11.3
Interest	(4.6)	(1.5)
Lease liabilities discounted at 1 February 2019	38.5	9.8

* working capital adjustments relate to reconciling variance between prior year operating lease profit and loss rental commitments and IFRS 16 undiscounted lease liability cash commitments recognised on transition

c) Reserves

Reserves adjustment	Group £m	Parent £m
Right-of-use asset recalculated, on lease-by-lease basis	10.0	3.9
Working capital adjustments**	(1.7)	(1.2)
Adjustment to retained earnings at 1 February 2019	8.3	2.7

** reclassification from current assets and current liabilities on the balance sheet as at 31 January 2019

ii) Current accounting period

The impact of the adoption of IFRS 16 is as follows:

Consolidated Statement of Comprehensive Income

- Operating expenses include depreciation of the right-of-use asset, replacing the lease expense that was previously charged to the Income Statement
- Finance expense includes the interest charge on the outstanding lease liabilities
- Earnings/(losses) per share is adversely impacted in the earlier years of adoption due to the combination of depreciation and interest expensed to the Income Statement being higher than the previous charge due to the front-loading of the respective interest charge.

Reconciliation of underlying result before tax to underlying result pre-IFRS 16	Underlying result 2020 £m	IFRS 16 impact 2020 £m	Adjusted underlying result 2020 £m
Revenue	119.9	–	119.9
Gross profit	45.9	(1.4)	44.5
Operating expenses	(52.8)	(1.7)	(54.5)
Other operating income	5.5	–	5.5
Finance expense	(1.5)	1.5	–
Underlying operating loss	(2.9)	(1.6)	(4.5)

NOTES TO THE GROUP ACCOUNTS

Continued

34 Impact of application of IFRS 16 continued

Consolidated Statement of Financial Position

- Non-current assets include a 'right-of-use' asset, representing the value of the lease liabilities at IFRS 16 inception, adjusted for any rent-free or lease inducements. In addition, in accordance with the 'modified retrospective' approach applied, on a 'lease by lease' basis, significant individual lease 'right-of-use' assets have been recalculated as if IFRS 16 'fully retrospective' method had been adopted. The 'right-of-use' asset is net of the onerous lease provision brought forward at the previous financial year-end that was previously disclosed within current and non-current liabilities.
- Current and non-current liabilities include 'Lease liabilities' representing the net present value of future lease payments due within one year and after more than one year respectively.
- Provisions within current and non-current liabilities included 'onerous lease' provision for the comparative financial year-ended 31 January 2019. The onerous lease provision is now netted off against the 'right-of-use' asset reported within non-current assets.

Consolidated Statement of Cash Flows

The adoption of IFRS 16 has no impact on actual cash flows. However, the presentation of the Cash Flow Statement is changed as follows:

i) Operating activities

- Add-back adjustment for 'right-of-use' asset depreciation representing straight-line amortisation of the 'right-of-use' asset
- Finance expense add-back adjustment includes the interest charged on the outstanding lease liability. The interest expense will be front-loaded and higher in the earlier years decreasing over the life of the lease.

ii) Financing activities

- Payment of lease liabilities reported representing the 'capital' element of the cash lease payments within the reporting period
- Interest paid relates to 'financing' element of the actual cash lease payments during the period

NOTES TO THE GROUP ACCOUNTS

Continued

35 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 January 2020 is disclosed below. Unless otherwise stated, each of the subsidiary undertakings is wholly owned through ordinary shares by French Connection Group PLC. All of the subsidiary undertakings are included within the consolidated financial statements. All trading companies are engaged in the principal activities of the Group, as defined in the Director's report.

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

* Shares are held by subsidiary undertakings

+ Joint ventures accounted for using the equity method

NOTES TO THE GROUP ACCOUNTS

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36 Post Balance Sheet Events

On 11 March 2020, the World Health Organization declared COVID-19 a pandemic. In line with Government advice all French Connection head office staff were encouraged to work from home where this was possible, from 18 March 2020. Our retail stores were closed on Sunday 22 March 2020 and our concessions were closed on Monday 23 March 2020. These closures have not been limited to the UK. All our stores and concessions in Ireland, the Netherlands, Spain, Portugal, France and the USA have been closed and our operations in the USA, Hong Kong, India, Turkey and Portugal are all restricted by national government measures to contain the Coronavirus (COVID-19) virus.

These closures and restrictions, together with the squeeze on our wholesale business from customers who are in a challenging financial position, has led to a drastic reduction in our daily cash income in a dramatically short period of time.

The economic impact of this global health crisis on French Connection, at a time when we were focused on doing all we could to return our business to a sustainable level of profitability, has resulted in some significant decisions to secure the financial stability of the business.

From 24 March 2020, we have asked all store and concession staff to accept the "furloughing" of their employment at a reduced level of pay so that we can sign up to the UK Coronavirus Job Retention Scheme and are implementing similar measures in our retail operations around the world.

In addition, from 7 April 2020, we have asked those head office staff, both in the UK and globally, who have a significant reduction in their regular work load either due to the nature of their role, or because they are unable to perform their role effectively remotely to accept the "furloughing" of their employment and a reduced level of pay.

In accordance with IAS 10 'Events after the Reporting Period, the amounts recognised in the financial statements as at 31 January 2020 have not been adjusted to reflect the events occurring after the reporting period that are caused by the COVID-19 outbreak. These events have been considered as non-adjusting because the Group and its core customer and supplier markets have limited exposure.

However, in accordance with IAS 1 'Presentation of Financial Statements', when assessing the appropriateness of the use of the going concern assumption, entities are required to consider events both before and after the reporting date, up till the date of authorisation for the issue of the financial statements, irrespective of whether those events are adjusting or non-adjusting events according to IAS 10. Management has therefore assessed whether the Company is able to continue as a going concern, and whether the going concern assumption is an appropriate basis for preparation of these financial statements.

In this assessment, the following factors have been reviewed including their actual and foreseeable impact:

- i) Significant decline in demand for products or services
- ii) Significant erosion of profits
- iii) Liquidity shortfalls

Our global retail outlets have been closed since the end of March and our retail revenues have effectively ceased. Our ecommerce business continues to operate, initially at reduced levels to those before the outbreak although with online sales significantly up. Our wholesale customers, in particular, the 'bricks and mortar' customers are in a similar position and revenues have significantly declined. However, the impact has been mitigated by our large wholesale 'pure play' customer base which continues to trade.

We have been working hard planning for the stores to re-open ensuring they do so safely and in line with all Government guidance. The majority of the stores are now open and we intend that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. We look forward to returning to more normal levels of trade as the situation evolves, although we do not expect this for some time to come.

All of the above factors have had significant impact on the short-term cash income stream of the business. Internally, we are focused on a '13-week' rolling cash flow and are reviewing and revising this on a daily basis as we continue to have evolving discussions with key customers and suppliers as well as monitoring ever developing government initiatives. We are also reviewing the longer term cash needs of the business over an 18 month period stress tested under various recovery scenarios post COVID-19 to ensure that there is ample opportunity for the business to continue trading once the initial lock down has ceased. We are taking advantage of all Governmental schemes where possible to enable the business to continue as a Going Concern.

- iv) Risk of material adjustments to the carrying amounts of assets within the next financial year

Management have identified the following assets at risk of material adjustments:

- Right of use asset
- Deferred tax assets
- Inventories
- Trade debtors
- Investments (parent company only)

The financial impact of any such adjustment on these assets is not able to be estimated based on the uncertainty regarding the long-term economic impact and the timing of the cessation of the pandemic.

However, as a direct consequence of the above, we have enacted some of the following to safeguard the continued future of the Company and ensure that the business remains a going concern.

- furloughing of all global retail staff and a substantial proportion of global head office employees whose workload has been significantly impacted. We are in the process of registering for applicable national schemes to enable us to recoup employment salaries and taxes where applicable.
- liaising with our retail and head office landlords with regards to the attainment of rent payment holidays. We are in continued discussions about the payment arrangements of future rent quarter payments and the settlement profile of these deferred amounts.
- discussions with product suppliers regarding renegotiation of existing payment terms and agreed reductions in future Winter orders in anticipation of reduced demand in the second half of the year.
- dialogue with key wholesale customers, including agreement on early payment settlement discounts to ensure continued wholesale revenue cash income.
- correspondence with the relevant government authorities in order to defer any due local or national taxes including business rates, duty, employment and VAT related taxes.

In light of the Company's current cash position and the continued expected weak trading environment, we have been in active discussions with a number of potential funding partners. The Board is confident of raising sufficient funds to support the business until the return of trading levels that are able to support the ongoing operations. This process is proceeding well and we are making good progress with due diligence completed and agreement of terms at the final stages. Without securing additional funding and should the current COVID impacted trading levels continue, the Company's cash resources will eventually be exhausted within the coming six months.

The Board is confident of raising sufficient funds and on this basis, the Directors believe that the financial statements for the year-ended 31 January 2020 should be prepared on a going concern basis. The Directors, believe that material uncertainty exists over whether funding can be secured before the existing cash resources are eroded and due to the uncertainty on when normal trading will resume and the broader implications of the Covid-19 pandemic on the business that may cast significant doubt about the ability of French Connection Group PLC to continue as a going concern. However, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

COMPANY BALANCE SHEET

At 31 January 2020

	Note	2020 £m	2019 £m
Non-current assets			
Tangible assets	3	0.5	0.5
Right of use asset	4	5.1	–
Investments	5	29.1	36.0
Deferred tax assets	9	0.5	0.3
Total non-current assets		35.2	36.8
Current assets			
Debtors	6	0.7	0.6
Cash at bank and in hand		–	–
Total current assets		0.7	0.6
Total assets		35.9	37.4
Non-current liabilities			
Lease liabilities	8	(7.2)	–
Total non-current liabilities		(7.2)	–
Current liabilities			
Creditors	7	(15.3)	(10.2)
Lease liabilities	8	(1.4)	–
Total current liabilities		(16.7)	(10.2)
Total liabilities		(23.9)	(10.2)
Net assets		12.0	27.2
Capital and reserves			
Called-up share capital	10	1.0	1.0
Share premium account	10	9.8	9.8
Profit and loss account	10	1.2	16.4
Hedging reserve	10	–	–
Equity shareholders' funds		12.0	27.2

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's loss for the year was £12.5m (2019: profit of £5.5m).

The notes on pages 83 to 89 form part of these accounts.

These accounts were approved by the Board of Directors on 15 July 2020 and were signed on its behalf by:

Neil Williams

Director

Lee Williams

Director

Company Number: 1410568

COMPANY STATEMENT OF CHANGES IN EQUITY

At 31 January 2020

	Share capital £m	Share premium £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 31 January 2018	1.0	9.6	(0.1)	9.4	19.9
Profit for the year ended 31 January 2019				5.5	5.5
Dividends received during the year from subsidiaries				1.5	1.5
Effective portion of changes in fair value of cash flow hedges			0.1		0.1
Share options exercised		0.2			0.2
Balance at 31 January 2019, as previously reported	1.0	9.8	–	16.4	27.2
Impact of change in accounting policy of IFRS 16				(2.7)	(2.7)
Adjusted balance at 1 February 2019	1.0	9.8	–	13.7	24.5
Loss for the year ended 31 January 2020				(12.5)	(12.5)
Balance at 31 January 2020	1.0	9.8	–	1.2	12.0

NOTES TO THE COMPANY ACCOUNTS

1 Accounting policies

a) Basis of preparation

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

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

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

The results of the Company are included in the consolidated financial statements of French Connection Group PLC. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

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

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

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

b) Basis of accounting

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

Going Concern

Refer to Group accounting policies Note 1.

c) Depreciation

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

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

d) Taxation

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

e) Foreign exchange

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

f) Leased assets

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. In the current reporting period, in relation to leases where the Group assumes substantially all the risks and rewards of ownership, the Group has recognised on the balance sheet a right of use asset and a lease liability at the lease commencement date. The lease liability is measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group’s incremental borrowing rate. The right of use asset is matched in value to the lease liability at inception subject to any lease inducements. The right of use asset is depreciated on a straight line basis over the life of the lease whilst the interest charged on the outstanding lease liability is front-loaded and higher in the earlier years decreasing over the life of the lease.

The Group has adopted the option not to recognise right-of-use assets and liabilities for short-term property leases that have a remaining lease term of less than twelve months and low-value asset leases. Leases with variable rent payments, notably turnover rents, are outside the scope of IFRS 16 and have also been excluded. These costs have been expensed to the Income Statement on a straight-line basis over the lease term.

NOTES TO THE COMPANY ACCOUNTS

Continued

1 Accounting policies continued

f) Leased assets continued

In the comparative period, leases in terms of which the Group assumes substantially all the risks and rewards of ownership were classified as finance leases. Finance lease assets were stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Finance leased assets were depreciated over the shorter of the lease term and their estimated useful lives unless it was reasonably certain that the Group would obtain ownership by the end of the lease term.

Operating leases were leases where control of use of an identified asset has not been transferred. Operating lease rentals were charged to the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the income statement on a straight-line basis over the term of the lease.

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

g) Pension cost

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

h) Non-derivative financial instruments

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

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

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

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

i) Investments

Investments are stated at cost less provision for impairment.

j) Share capital

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

k) Dividends on shares presented within shareholders' funds

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

l) Guarantees

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

2 Staff numbers and operating costs

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

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

NOTES TO THE COMPANY ACCOUNTS

Continued

3 Property, plant and equipment

2020	Plant equipment fixtures and fittings £m
Cost or valuation	
At 1 February 2019	3.1
Additions	0.3
Disposals	(0.1)
At 31 January 2020	3.3
Depreciation	
At 1 February 2019	2.6
Charge for year	0.3
Disposals	(0.1)
At 31 January 2020	2.8
Net book value	
At 31 January 2020	0.5

NOTES TO THE COMPANY ACCOUNTS

Continued

3 Property, plant and equipment continued

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

4 Right of use asset

Properties and leased vehicles	2020 £m
Cost	
At 1 February, on IFRS16 transition * and 31 January	5.9
Impairment	
Charge for year	0.8
At 31 January	0.8
Net book value at 31 January	5.1

* right of use asset calculated on a 'modified retrospective' approach, net of working capital adjustments (Note 34 to the Group accounts)

Of the £0.8m depreciation, £0.1m was borne by the Company and the balance recharged to other Group Companies.

NOTES TO THE COMPANY ACCOUNTS

Continued

5 Investments

	2020 £m	2019 £m
Investments in subsidiary undertakings		
Cost		
At 1 February and at 31 January	157.2	157.2
Provision		
At 1 February	121.2	120.0
Charge for year	6.9	1.2
At 31 January	128.1	121.2
Carrying amount		
At 31 January	29.1	36.0

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

It is noted that as at the financial year-end 31 January 2020, the Company's investments of £29.1m are in excess of the Company's market capitalisation. However, the Directors believe, based on the latest budget and long range plan, the current market price undervalues the future forecast profitability of the business and that the carrying amount of the investment is a fairer representation. In accordance with accounting standards, the Company acknowledges that current market capitalisation is a potential indicator of impairment. A subsequent impairment review of the Group and Company's net assets has been performed in the year with resulting impairments.

An impairment of £6.9m (2019: £1.2m) relating to the Group's investment in subsidiary company, French Connection (UK) Limited, has been recognised in the current year. The impairment loss was due to the current trading conditions and a resulting decline in the value of the company net asset position. The recoverable amount of the net assets of the subsidiary has been calculated based on its fair value less costs of disposal. The net assets of the subsidiary principally comprise fixed assets, stock, trade creditors and cash. The fair value of these assets have been calculated using Level 3 measurements to the extent that Level 1 and 2 market inputs are not observable. The measurements have been based on internal calculations of the net realisable value of each of the subsidiary company's assets and liabilities in line with the Group accounting policies (Note 1) relating to property, plant and equipment (1 (g)), inventories (1 (i)), and other working capital items subject to any related impairments (1 (j)) and provisions (1 (t)).

In accordance with its accounting policy, the Company states its investments in subsidiaries at cost less provision for impairment. However, the net asset value of its subsidiaries is £38.7m (2019: £45.5m).

Management have identified the risk of material adjustment to the carrying amounts of investments within the next financial year as a result of Covid-19. However, this post balance sheet event has been classified as a non-adjusting event. The financial impact of any such adjustment on these assets is not able to be estimated based on the uncertainty regarding the long-term economic impact and the timing of the cessation of the pandemic.

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

6 Debtors

	2020 £m	2019 £m
Other debtors	0.2	0.2
Prepayments	0.5	0.4
	0.7	0.6

Included within debtors are amounts due within one year of £0.7m (2019: £0.6m).

NOTES TO THE COMPANY ACCOUNTS

Continued

7 Creditors: amounts falling due within one year

	2020 £m	2019 £m
Trade creditors	0.8	0.3
Amounts owed to subsidiary undertakings	14.2	9.3
Accruals	0.3	0.6
	15.3	10.2

8 Lease liabilities

	2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	1.7
One to five years	6.7
More than five years	1.3
Total undiscounted lease liabilities at 31 January 2020	9.7
Lease liabilities included in the statement of financial position at 31 January 2020	
Current	1.4
Non-current	7.2
	8.6
Lease liabilities reconciliation	
Lease liabilities (undiscounted)	9.7
Interest	(1.1)
Total discounted lease liabilities at 31 January 2020	8.6
Amounts charged/(credited) in the Income Statement	
Interest on lease liabilities	0.4
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	1.7

£0.4m interest on lease liabilities was borne by the Company and was recharged to other Group Companies

Additional IFRS 16 notes for the Company are disclosed in Note 34 a), b) and c) to the Group accounts 'Impact of application of IFRS 16'.

9 Deferred tax

	2020 £m	2019 £m
Deferred tax asset		
Deferred capital allowances and short-term timing differences	0.5	0.3

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

NOTES TO THE COMPANY ACCOUNTS

Continued

10 Reserves

	Hedging reserve £m	Share premium account £m	Profit and loss account £m
2020			
At 1 February 2019	–	9.8	16.4
Impact of change in accounting policy of IFRS 16			(2.7)
Loss for the financial year			(12.5)
At 31 January 2020	–	9.8	1.2

The loss for the year before taxation, intercompany dividends and provisions for impairment was £5.8m (2019: profit of £6.7m). The loss before taxation dealt within the accounts was £12.7m (2019: profit of £7.0m).

Share capital and share option information is set out in Note 25 in the Group accounts.

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

11 Commitments

Aggregate future rental commitments payable under non-cancellable operating leases at 31 January 2020 for which no provision has been made in these accounts, were as follows:

	2020 £m	2019 £m
Leasehold property and vehicles		
Operating leases which expire:		
Within one year	–	1.7
Within two to five years	–	5.9
After five years	–	2.8
	–	10.4

Following the adoption of IFRS 16 'Leases' in the current accounting period, future rental commitments are now included on the balance sheet within 'Lease liabilities' due within one year and after more than one year respectively (Note 34 to Group accounts).

At 31 January 2020 the Company had commitments on foreign exchange contracts amounting to £Nil (2019: £Nil). The fair value of forward exchange contracts outstanding as at 31 January 2020 is £Nil (2019: £Nil). £Nil (2019: £0.1m) has been credited to the hedging reserve during the year.

12 Contingent liabilities

The Company raises finance for and guarantees the bank borrowings of certain subsidiary undertakings which, at 31 January 2020, amounted to £Nil (2019: £Nil).

13 Related party disclosures

There are no related party transactions between the Company and the non-controlling interest subsidiary undertakings. The Group provided services of £0.1m (2019: £0.1m) to YMC Limited (75% subsidiary) during the year. The closing liability due from the subsidiary is £0.6m (2019: £0.5m).

Details of Director related party transactions are disclosed in Note 31 to the Group accounts.

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

14 Post balance sheet events

Refer to Group Note 36.

FIVE YEAR RECORD

Years ended 31 January	2016 £	2017 £	2018 £	2019 £	2020 £
Revenue	164.2m	153.2m	135.0m	135.3m	119.9m
(Loss)/profit before taxation	(3.5)m	(5.3)m	(2.3)m	0.0m	(7.8)m
Basic (losses)/earnings per share	(3.4)p	(5.8)p	(2.7)p	0.1p	(8.2)p
Adjusted losses per share	(4.7)p	(4.2)p	(0.9)p	0.8p*	(3.1)p
Dividends per share	–	–	–	–	–
Net assets	54.6m	50.0m	46.7m	46.2m	29.1m
Operated retail trading space 000 sq ft	238	212	193	177	131

* restated reflecting the re-presentation of discontinued operations in the year.

ADVISERS

HEAD OFFICE First Floor, Centro 1, 39 Plender Street, London NW1 0DT	STOCKBROKERS WH Ireland, 24 Martin Lane, London EC4R 0DR	PRINCIPAL BANKERS Barclays Bank Plc, London Corporate Banking, 1 Churchill Place, London E14 5HP
SECRETARY AND REGISTERED OFFICE Lee Williams, First Floor, Centro 1, 39 Plender Street, London NW1 0DT	AUDITORS Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD.	REGISTRARS AND TRANSFER OFFICE Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
REGISTERED NUMBER 1410568, England		

FINANCIAL CALENDAR

2020

26 August	Annual General Meeting
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13 October <i>(provisional)</i>	Half-Year Statement
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2021

31 January	Financial Year End
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13 April <i>(provisional)</i>	Preliminary Announcement of Results
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NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial adviser. If you sell or transfer, or have sold or transferred, all of your shares in French Connection Group plc, please send this document and the accompanying form of proxy as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

FRENCH CONNECTION GROUP PLC

(Incorporated in England and Wales with registered number 01410568)

NOTICE OF ANNUAL GENERAL MEETING 2020

11.00 am on Wednesday 26 August 2020

Your attention is drawn to the letter from the Chairman of French Connection Group plc (the "Company") on pages 2 and 3 of this document, which sets out how the meeting will be conducted in light of the current COVID-19 pandemic and also recommends voting in favour of the resolutions to be proposed at the 2020 Annual General Meeting referred to below.

Notice of the Annual General Meeting of the Company to be held at 11.00 am on Wednesday 26 August 2020 is set out on pages 4 and 5 of this document.

27 July 2020

French Connection Group plc

1st Floor Centro 1
39 Plender Street
London
NW1 0DT

Dear Shareholder,

Annual General Meeting ("AGM")

This year's AGM will be held at 11.00 am on Wednesday 26 August 2020. Set out in this document is an explanation of the business to be considered at this year's AGM, the Notice of Meeting ("Notice") and explanatory notes.

As a consequence of the COVID-19 pandemic, we are making changes to the way in which we conduct this year's AGM. French Connection understands and respects the importance of the AGM to shareholders and the Board greatly values the opportunity to meet shareholders in person. However, the health and safety of our shareholders, employees and the broader community is of paramount importance.

In light of the UK Government's current guidance on public gatherings, and the new regulations set out in Schedule 14 of the Corporate Insolvency and Governance Act, **the Board has concluded that shareholders cannot be permitted to attend the AGM in person this year.**

The AGM will be held by electronic means and will be kept as concise and efficient as possible with the minimum necessary quorum of two shareholders in order to conduct the business of the meeting. The format of the meeting will be purely functional to comply with relevant legal requirements.

Instead of attending this year's AGM, shareholders are asked to exercise their votes by submitting their proxy electronically or by post as soon as possible, and these must be received by no later than 11.00 am on Monday 24 August 2020. Shareholders who wish to appoint a proxy are recommended to appoint the Chair of the meeting as their proxy. As a result of the current Government restrictions, if a shareholder appoints someone else as their proxy, that proxy will not be able to attend the meeting in order to cast the shareholder's vote.

Your votes do matter. Proxy instructions (which include the ability to lodge proxies electronically) are set out below.

Shareholders are also invited to submit questions in advance of the meeting via email at investorrelations@frenchconnection.com by no later than 11.00 am on Monday 24 August 2020. We will endeavour to answer questions received in advance, by publishing responses on thematic topics on our website either prior to, or shortly after, the AGM.

We will continue to monitor the evolving impact of the pandemic and, if it becomes appropriate or necessary to make changes to the proposed format of the 2020 AGM, we will inform shareholders as soon as we can.

We would like to thank all shareholders for their co-operation and understanding.

Voting

There are two ways you can vote on the resolutions proposed at the AGM:

1. appoint a proxy to participate and vote on your behalf by logging on to www.sharevote.co.uk (to use this service you will need your Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy); or
2. appoint a proxy to participate and vote on your behalf, using the form of proxy accompanying the Notice or (for shares held through CREST) via the CREST proxy voting system.

The accompanying form of proxy invites you to vote in one of three ways for each resolution: for, against or vote withheld. As noted above, the Board recommends that shareholders appoint the Chair of the meeting as their proxy. At the AGM itself, the votes will be taken by poll rather than on a show of hands. This approach has been chosen as, in accordance with the UK Government's current guidance on public gatherings, there will be no physical meeting at which a show of hands can be taken. The results will be published on our website (www.frenchconnection.com.co.uk) following the AGM and will be released to the London Stock Exchange. Further details are available in the Notes section of this Notice on pages 7 and 8.

Types of resolutions

Resolutions 1 to 10 are proposed as ordinary resolutions and resolutions 11 and 12 are proposed as special resolutions. For each ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution and for each special resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

NOTICE OF MEETING

Continued

Explanatory notes to the Annual General Meeting Notice

Resolution 1 – Approval of the annual report and accounts

The Board asks that shareholders receive the directors' and auditor's reports and the accounts for the 52 week period ended 31 January 2020 ("2019/20 annual report").

Resolution 2 and 3 – Approval of the Directors' Remuneration Report and Directors' Remuneration Policy

Resolution 2 is the ordinary resolution to approve the Directors' Remuneration Report. The vote of this resolution is advisory and no Director's remuneration is conditional upon the passing of this resolution. Resolution 3 deals with the Directors' Remuneration Policy which is set out in the Directors' Remuneration Report. The Policy sets out the Company's forward looking policy on Directors' remuneration and is subject to a binding shareholder vote at least every three years following approval except to the extent that a change to the Policy is proposed or the advisory vote on the Remuneration Report is not passed in any year subsequent to the approval of the Policy.

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 24 May 2017 and is therefore subject to binding approval by shareholders at the 2020 AGM. If Resolution 3 is passed, the Policy will take effect from the date of the AGM (the Effective Date) and will have a binding effect on the Company from that date.

Resolutions 4 to 7 – Re-election of Directors

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

Resolutions 8 and 9 – Appointment and remuneration of auditors

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. The Audit Committee has recommended, and the Board has approved the resolution to re-appoint Mazars LLP as auditor of the Company.

Resolution 10 – Authority to allot shares

Under section 551 of the Act, Directors require shareholders' authority for the allotment of shares. Shareholders last granted such general authority to the Directors at the annual general meeting of the Company held in 2019. Such authority will expire at the end of this AGM and Resolution 10 seeks to renew it (although the Directors have no current plans to utilise the authority, except in relation to the issue of new shares pursuant to the Company's share incentive schemes). Accordingly, Resolution 10 would renew this authority until the next AGM by authorising the Directors to allot shares up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

Resolution 11 – Disapplication of statutory pre-emption rights

This resolution seeks to disapply the pre-emption rights provisions of section 561 of the Act, which requires Directors wishing to allot shares to offer them in the first instance to existing ordinary shareholders in proportion to their ordinary shareholding. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing ordinary shareholders. Shareholders last granted authority to Directors to dis-apply pre-emptive rights at the AGM held in 2019. Such authority will expire at the end of this AGM and Resolution 11 seeks to renew it. Except in relation to rights issues or any other pre-emptive offer concerning equity securities, the authority contained in this resolution will be limited to the issue of shares for cash. The Directors have no present intention of issuing any shares pursuant to this disapplication. The Directors will continue to seek to renew this authority at each AGM, in accordance with current best practice.

Resolution 12 – Notice of general meetings

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

Recommendation

Your Board considers that the resolutions proposed are in the best interests of the Company and its shareholders as a whole. Accordingly, the directors unanimously recommend that shareholders vote in favour of all resolutions, as they intend to do in respect of their own shareholdings.

Stephen Marks
Chairman

NOTICE OF 2020 ANNUAL GENERAL MEETING

French Connection Group plc

Notice is hereby given that the Annual General Meeting ("AGM") of French Connection Group plc (the "Company") will be held at 11.00 am on Wednesday 26 August 2020 to transact the following business:

To propose and, if thought fit, to pass resolutions 1 to 10 (inclusive) as ordinary resolutions and resolutions 11 to 12 (inclusive) as special resolutions, as set out below.

Resolution 1. To receive and adopt the Directors' Report and audited accounts for the financial year ended 31 January 2020.

Resolution 2. To approve the Directors' Remuneration Report for the financial year ended 31 January 2020.

Resolution 3. To approve the Directors' Remuneration Policy in the form set out in the Directors' Remuneration Report in the Company's annual report and accounts for the financial year ended 31 January 2020.

That the following be elected:

Resolution 4. Sarah Curran as a director.

Resolution 5. Stephen Marks as a director.

Resolution 6. Lee Williams as a director.

Resolution 7. Neil Williams as a director.

Resolution 8. To re-appoint Mazars LLP as auditor and to authorise the Directors to determine their remuneration.

Resolution 9. That Mazars LLP be reappointed as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid.

Resolution 10. That the Audit Committee be authorised to determine the remuneration of the auditor on behalf of the Board.

Resolution 11. To disapply pre-emption rights.

Resolution 12. That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

Lee Williams

Chief Financial Officer & Company Secretary

27 July 2020

Registered Office: 1st Floor Centro 1, 39 Plender Street, London NW1 0DT
Registered in England and Wales No. 01410568.

NOTICE OF MEETING

Continued

Notes:

1. A member entitled to vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to vote at the meeting. As set out in the Chairman's introduction, in light of the current situation regarding the COVID-19 pandemic, we strongly encourage members to appoint a proxy in accordance with the instructions set out below in order to vote in advance of the meeting. A proxy need not be a member of the Company, however the Board recommends that members appoint the Chair of the meeting as your proxy as this will ensure that your votes are cast in accordance with your wishes. As a result of the current Government restrictions, if a member appoints someone else as their proxy, that proxy will not be able to attend the meeting in order to cast the shareholder's vote. If a member appoints more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at www.signalshares.com.

2. To be effective, the proxy vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars, not less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. By registering on the Signal shares portal at www.signalshares.com, you can manage your shareholding, including:

- cast your vote
- change your dividend payment instruction
- update your address
- select your communication preference.

If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

3. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Link (ID RA10) not later than 48 hours before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same shares.

5. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in Note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

7. As at 24 July 2020, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 96,612,934 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 July 2020 are 96,612,934.

8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members on 24 August 2020 or, if the meeting is adjourned, shareholders entered on the Company's register of members on the day two days before the date of any adjournment shall be entitled to vote at the AGM.

9. Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This approach has been chosen as, in accordance with the UK Government's current guidance on public gatherings, there will be no physical meeting at which a show of hands can be taken. As soon as practicable following the AGM, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website: www.frenchconnection.com.co.uk

10. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the member(s) requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

11. Any member and their proxy has the right to ask questions in advance of the meeting. Members are requested to submit any questions via email at investorrelations@frenchconnection.com by no later than 11.00 am on Monday 24 August 2020. The Company will endeavour to answer questions received in advance, by publishing responses on thematic topics on our website either prior to, or shortly after, the meeting. The Company must cause to be answered any question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. A copy of this Notice, and other information required by s311A of the Companies Act 2006, can be found at www.frenchconnection.com.co.uk.

13. Any website or electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided either in this Notice or in any related documents (including the Chairman's letter and the form of proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

14. Copies of the executive director's service contracts and the non-executive directors' letters of appointment will be available for inspection at [the registered office of the Company] during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this Notice until the close of the AGM.

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ANNUAL REPORT 2020

FINCH GROUP