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DON'T STAPLE

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form to r[...] an alteration of manner of co[...] with accounting requirements

SATURDAY

AA6Ø40PD
A06 05/06/2021 #243
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	THE QUARTO GROUP INC
UK establishment number	B R 0 1 0 7 8 1

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

*All fields are mandatory unless specified or indicated by **

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	COMPANIES ACT 2006

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No. Go to Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸	UK GAAP

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	IFRS (as adopted by the EU)	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X [signature] X
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

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Contact name

Company name

Address

Post town

County/Region

Postcode

Country

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- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

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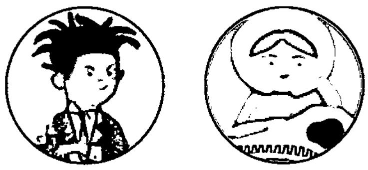
This Is **Quarto's** Annual Report 2020



THE QUARTO GROUP

Contents

Highlights

FINANCIAL

A STRONG PERFORMANCE AGAINST THE BACKDROP OF THE PANDEMIC, WITH ENHANCED PROFITABILITY AND COMPLETION OF THE SUCCESSFUL TURNAROUND OF THE BUSINESS

REVENUE ($M)

2020	126.9
2019	135.8

OPERATING PROFIT ($M)

2020	9.3
2019	8.8

EBITDA ($M)

2020	13.0
2019	12.5

PROFIT BEFORE TAX ($M)

2020	6.6
2019	3.8

ADJUSTED[1] BASIC EARNINGS PER SHARE (CENTS)

2020	14.1
2019	19.0

BASIC EARNINGS PER SHARE (CENTS)

2020	11.7
2019	14.1

1 Adjusted measures are stated before amortization of acquired intangible assets and exceptional items. Management believes this is a better reflection of our trading performance.

OPERATIONAL

- Swift and prudent management action to minimize the impact of Covid 19
- Clear focus on enhanced profitability and cash generation
- Increase in Adjusted Operating Profit of 6% driven by improved margins and cost reductions
- Profit Before Tax up 71% at $6.6m with interest charges down $2.2m
- Net debt down 61% at $19.7m[2]
- "This Book is Anti-Racist" by Tiffany Jewell and Aurelia Durand became a #1 New York Times Bestseller ($1.2m)
- Open offer successfully completed in January 2020 raising $17.0m, net of expenses
- New banking facilities signed in February 2021 to 16 July 2024

2. Net debt excludes lease liabilities relating to right-of-use assets (IFRS16)

Quarto at a Glance

WE CREATE A WIDE VARIETY OF BOOKS AND INTELLECTUAL PROPERTY PRODUCTS WITH A MISSION TO INSPIRE LIFE'S EXPERIENCES FOR THE WHOLE FAMILY

GLOBAL CREATIVE AND SALES FORCE IN GROWTH SEGMENTS

- Unmatched global sales platform
- Over 100 sales & marketing professionals and representatives

DE-LEVERAGED BALANCE SHEET WITH STRONG CASHFLOW

- Net bank debt at 0.3 times EBITDA
- Strong free cash flow from operations of $16.6m

TREASURE TROVE OF IP GENERATES STEADY INCOME

- c. 15,000 backlist titles generating steady sales
- Focused effort to 're-mint' backlist contents

ENABLED BY TECHNOLOGY AND DATA ANALYTICS

- Continuous efficiency improvement from IT modernization and automation
- AI platform to aid decision making

c. 15,000
TITLES IN OUR CATALOG

c. 300
TALENTED EMPLOYEES IN 7 OFFICES (UK, US & CHINA)

c. 623
INTERNATIONAL PUBLISHING PARTNERS

c. $20.3m
ANNUAL INTELLECTUAL PROPERTY INVESTMENT

50
COUNTRY MARKETS THAT WE SELL INTO

c. 69%
OF ANNUAL SALES FROM BACKLIST TITLES

How a Book is Made

A case study on *This Book is Anti-Racist*

"To make a book, you must first have an idea. Sometimes, this idea comes from an agent, or even our slush pile. But more often, it comes from our brilliant creative team.

Three years ago, one of our editors suggested doing a book on anti-racism. It is easy to look back now and think it was obvious. But at that point, few knew what 'anti-racism' actually meant.

Luckily, Quarto has always been a company that trusts its creatives. When we had the go-ahead to commission, we found a brilliant author. Then the editing process began. A lot of people think this is just about correcting spelling: it's not. It's a long, back-and-forth of suggestions that makes the book better. Alongside this, the designer was working with the illustrator on the

IDEA – – → COMMISSIONED – – → WRITTEN – – → ILLUSTRATED – – →

images: looking at rough sketches, placing final art, and coming up with the iconic cover design.

We're all in the business of selling books. Alongside making This Book is Anti-Racist, the editor and I were selling it internally to our colleagues in Sales at conferences. They then went and sold it to the outside world. At about the time we were delivering the final layouts to our colleagues in Production, who handled the printing, and the Marketing team sprang into action.

We received a starred review from Kirkus and people started talking on social media. About 10,000 copies were sold in the first month of publication in January 2020, which is what we call a good start.

Then, nearly six months later, George Floyd was sadly killed and anti-racism became something families were talking about all over the world. We had the book that they needed and it became a No. 1 New York Times bestseller. "By understanding the world, and its fault lines, by trusting our creatives and taking risks, and by working together to publish the best book possible as best we knew how, we managed to have the right book at the right time"

Katie Cotton,
Group Publisher, Children's

EDITED – – → DESIGNED – – → PRINTED – – → MARKETED – – → SOLD

Chairman's Statement

"A year of robust performance and creation of a strong financial base."

Andy Cumming
Chairman

Against the backdrop of the Covid 19 pandemic, the Board has maintained a focus on the successful completion of the turnaround plan initiated in 2018, with a clear emphasis on the following areas:

- focusing on the Group's core strengths;
- maintaining a disciplined business model; and
- pursuing a path of further bank debt reduction.

During 2020, the Group performed considerably ahead of expectations, following the outbreak of Covid-19, and the robust trading performance, combined with the excellent support from shareholders, resulted in a further reduction in bank debt and the creation of a strong financial base.

The position in relation to bank debt has been further improved in Q1 2021 following the successful negotiation of a new US$20m three year and five-month facility which will be provided by two supportive banks. In addition, the Group will continue to be supported by shareholders 1010 Printing Limited and C.K. Lau who have agreed to extend their existing US$13m unsecured and subordinated loans to the Group with 1010 Printing Limited providing a further US$10m loan.

The new banking facility, coupled with shareholder support, has allowed the existing bank facility to be fully repaid. The new US$20m facility represents a significant achievement for the Group with bank facilities having been reduced from US$80m in 2018.

The Board's vision remains for the Group to become the dominant publisher of illustrated books worldwide and to expand on the use of the Group's intellectual property in as many ways as possible. The Board remains focused on a product offering which brings the highest value to consumers and on operating an efficient publishing company which excels at the delivery of quality content in a cost effective way.

I reiterate my previous comments that Quarto is a great business, with great people and great products. I am proud to be chairing a Board which is fully committed to the business and to maintaining the positive momentum which has been achieved.

Dividend

The Board has not recommended a payment of a final dividend, given the need for further investment in the business and the turnaround plan having only recently been completed. The dividend policy will, however, remain under review in consultation with shareholders and other stakeholders.

Corporate Governance

In February 2020, as the Group's turnaround continued, the experienced publisher, Polly Powell, joined the Board as CEO for the Group's UK operations, and Andrea Giunti Lombardo of publisher Giunti Editore S.p.A, joined the Board as a Non Executive Director. At the same time, to keep the Company within the authorized number of directors, Michael Mousley, kindly stepped down from the Board. Michael has, however, been retained as an advisor to the Board. In September 2020, Polly Powell became Group CEO.

The strong team spirit displayed by the talented staff within Quarto has allowed the business to react quickly and positively to the Covid-19 challenges and, coupled with the significantly improved balance sheet, I look forward with confidence to an exciting future.

Andy Cumming
Chairman
21 March 2021

Group Chief Executive Officer's Statement

US

ANZ

RoW

UK

"Book Publishing is a perennial business that has remained resilient in 2020. Quarto's range of children's books and adult hobby titles has provided a much-needed resource of education and entertainment, particularly during lockdown."

Polly Powell
Group Chief Executive Officer

Introduction

I joined Quarto's Board in February 2020 and became Group CEO in September 2020. Managing the Company through the extraordinary circumstances of the Covid-19 pandemic has been a challenge, but has reaffirmed my belief that Quarto is a robust company, with exceptional people, producing extraordinary books. Its proactive commitment to encouraging diversity in the workplace, and in its publications, and to investigating sustainable alternatives has put Quarto at the forefront of the book industry. The Company was justly rewarded in the summer of 2020 when its title This Book Is Anti-Racist became a No 1 New York Times Bestseller. I would like to thank the Quarto Board for its support and guidance over the past year.

Business Review

The Company returned to profitability in 2019, and the emphasis for the Board and Senior Management in 2020 was to maintain that position whilst focusing on cash generation in order to further improve the Company's financial position. During 2020, the closure of high street outlets at various points in the year meant that the Company had a greater reliance on on-line retailers for both print and electronic books. In response, the publishing program was refined, in order to concentrate the Company's sales and marketing efforts on digital sales and those customers still able to trade such as the grocery supermarkets. Tight cost controls were in place throughout the Company and the procurement of print, Quarto's biggest single expense, was under scrutiny.

Consequently, the Company ended the year with net debt at \$19.7m, down 61% vs prior year (2019: \$50.5m). As previously detailed, the success of the open offer of \$17.0m allowed the Company to further stabilize its financial position. It was decided that a dividend would not be appropriate, until debt was further reduced.

Revenue declined by 7% to \$126.9m (2019: \$135.8m), operating profit increased by 6% to \$9.3m (2019: \$8.8m). Company profit increased to \$4.6m after tax (2019: \$2.9m). The strength of the balance sheet improved to \$43.7m (2019: \$21.1m)

The success of the Little People, Big Dreams series continues unabated. Over 3.7 million copies have now been sold, with standout titles in 2020 being David Attenborough and Captain Tom. This Book is Anti-Racist reached number 1 on the New York Times Bestseller lists and produced over \$1 million dollars of revenue. The Company reacted to its success by donating all revenue from the sales of its ebook edition of the book over the summer months to charity. Squishy Human Body continues to perform worldwide, with over 200,000 copies sold. Quarto's strongest selling titles in the US were Beautiful Boards and Modern Sourdough; in ANZ Epic Airfryer with over 67,000 copies sold was the Company's bestselling book.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Key Strategies

PUBLISHING STRATEGY

The Company will continue to pursue its path towards becoming a significant trade publisher in North America, the UK and ANZ. Its co-edition business remains an important firm-sale part of the business with long-standing publishing partnerships throughout the world. The realignment in 2020 of the children's imprints to create a complementary one-stop-shop of children's books – from baby books to educational titles for older learners – will become apparent in 2021. Among a number of initiatives, the new imprint Happy Yak will be launched, focusing on playful, mass-market children's books. The advent of home-learning during the pandemic has provided impetus to QED, the Quarto children's 'soft' educational imprint, with significant growth potential for on-line, high street and subscription box sales. IVY Kids is rebranded as the home of children's sustainable publishing, including the introduction of carbon offsetting, and is launching in 2021 with the book When We Went Wild by Isabella Tree. The Frances Lincoln imprint has always been at the forefront of diverse publishing, and will continue to challenge with titles such as This Book is Anti-Racist and I Am Not A Label.

The relaunch of the adult list Aurum, will allow Quarto to broaden its publishing remit out of the confines of purely illustrated books to include a new list of narrative non-illustrated non-fiction books. This development will also provide the opportunity to increase Quarto's ebook offering as well as the impetus to launch audio books in 2021. In the US, bestsellers including Modern Sourdough and Beautiful Boards, have strengthened Quarto's position in the market as a significant trade publisher. The niche imprints have benefited in particular from the popularity of hobbies during lockdown and will continue to focus on specific areas of home interest including gardening, cooking, craft and well-being. Becker & Mayer, the Quarto imprint that produces licensed books, will now publish its own titles, rather than selling properties onto third parties, thereby increasing flexibility and profitability. Smart Lab, the home of Squishy Human Body, has developed a number of new products that will be launched in 2021, and this area is targeted for significant growth.

Quarto's co-edition and custom businesses remained resilient in 2020 and will continue to be a significant part of the Company's international offering in 2021 and beyond. These parts of the business focus on generating new and re-use books for specific customers - both publishers and retailers. With new business opportunities, such as the growth of subscription boxes, this side of the business is in a good position to expand. Bright Press, based in the Brighton office, has introduced Bright Kids in order to capitalise on the growth of parental teaching which has become important in lockdown and beyond.

ENHANCING OUR IT INFRASTRUCTURE

We are enhancing our IT infrastructure to facilitate the transformation of Quarto. One of our key initiatives is to leverage AI platform to quickly identify trending topics. Traditionally, book publishing has been a creative business based on "gut instinct" and experience, but we believe the emergence of AI could complement Quarto's creative force and enable our editorial team to produce contents that are highly relevant to our customers.

Our digital transformation in the areas of print procurement and process automation has been a great success with significant savings made improving our bottom-line. We will continue to expand our transformation into other areas of our business including inventory, title & content management, and supply chain management.

IMPROVING OUR SUPPLY CHAIN

Supply chain is often overlooked but is a crucial part of the business. It will play an even more critical part in 2021, as Covid-19 has negatively impacted the global supply chain. The disruption of freight shipping has led to shipment delays and 300% increase in shipping costs. To counter further disruptions, we will take a flexible holistic supply chain approach and work closely with our logistics suppliers and network of onshore and offshore printers.

Top 10 Adult Titles

Beautiful Boards
New World Sourdough
The Bucket List
How to Draw Cute Stuff
Witchcraft
All New Square Foot Gardening
Mexican Home Kitchen
Ultimate Guide to Tarot
Kawaii Doodle Class
Complete Fiction of H. P. Lovecraft

Top 10 Kids Titles

Squishy Human Body
This Book Is Anti-Racist
LPBD David Attenborough
ABC for Me: ABC What Can She Be?
Smart Circuits: Electronics Lab
Shine a Light: Human Body
50 States
Tiny Baking!
National Parks of the USA
LPBD Martin Luther King Jr.

'BOLT-ON' ACQUISITIONS

Quarto has built its business through organic growth and a series of acquisitions. Our acquisition objective is to increase our market share in the six key categories: Cookery, Home and Garden, Art and Craft, Heritage, Children's, and Wellbeing. We will focus on 'bolt-on' acquisitions of publishers or imprints that could generate synergistic value by leveraging Quarto's procurement, operations, and sales platform.

COVID-19

The effects of Covid-19 on the book industry have been significant. As expected, we saw a move to online book sales, and the Company's sales and marketing teams adapted well to this move. Our experience indicated that books have been identified as an essential aid to education and entertainment during lockdown and most of those sales lost as a result of the closure of retail outlets have been replaced by on-line sales. The industry has remained solid in unpredictable times.

In light of the uncertainties presented by the Covid-19 pandemic, the 2020 publishing program was reduced as we focused on titles that would maximize revenue but also allow us to conserve cash. Through the prompt action of the board, the business was able to react to the changing environment and navigate our way through the challenge ahead.

During the year, the Group received financial support from the Governments in UK and USA. Any monies received or receivable are initially held as liabilities on the balance sheet. Grants are subsequently recognized in profit and loss when there is reasonable assurance that the grant will be received through compliance with grant conditions. Grants will be recognized net in the profit and loss account, on a systematic basis, over the same period during which the expenses, for which the grants were intended to compensate are recognized. Additional information is disclosed in Note 6 and Note 18.

Quarto's staff have adapted well to working from home and there has been little interruption to workflow when the offices have had to close. The Company has taken the view that keeping the offices open, when allowed, is important for maintaining staff morale and wellbeing.

OUTLOOK

Quarto is in a good position to grow in 2021. The gradual return of the high-street bookshop, gift outlets and heritage sites from Easter onwards will revive bricks-and-mortar retail sales, whilst on-line sales are not expected to diminish from their already high levels.

The supply chain remains a challenge for books being imported from the Far East. However, it is likely that once ships and containers are in the right place, from late spring onwards, both supply and price will edge towards normal levels. Quarto's continuing shift towards profitable trade publishing, and the ever-present appetite for children's books in particular, puts the Company on firm footing for the future. With an emphasis on technology, and what it can do for book publishing in particular, the Company's outlook is bright.

Polly Powell
21 March 2021

Divisional Review

US Publishing

US Publishing adjusted operating profit was down 28% to \$3.2m (2019: \$4.5m) due to a combination of factors:

- A reduction in the number of new titles published following a review of the publishing program due to Covid-19 and the continuing pandemic, with total revenue falling by 12% from \$71.5m to \$63.1m. Backlist revenues, a key part of our business, dropped following reduced investment in 2019 and retail lockdowns.
- Ebook revenue continues to grow with revenues up 56%.
- Print margins improved by 1.3%
- Our Becker & Mayer imprints, with their stronger focus on novelty products, struggled this year, leading to a downward reappraisal of the useful economic lives of these lists.
- Overhead savings amounted to \$2.3m, with a significant reduction in Sales and Marketing costs, but not enough to reverse the decline in gross profit.
- Without the one-off charges resulting from the Becker & Mayer UEL appraisal, operating profits would have been on a par with 2019.

UK Publishing

UK Publishing performed strongly, with adjusted operating profit up 29% to \$8.4m (2019: \$6.5m) due to the following factors:

Strong trade revenues, with the success of This Book is Anti-Racist & our best-selling Little People Big Dreams series. For instance, the David Attenborough title in this series recorded sales of \$620k. Revenue growth of \$1.7m (6%). For instance, the David Attenborough title in this series recorded sales over 135,000. Revenue growth of \$1.7m (6%).

Gross margins increased with an improvement in print margins and a reduction in our product development costs.

Overhead costs were broadly flat.

Group Overhead

Group overhead, or corporate costs, were flat.

Adjusted Operating Profit (\$m)	2020	2019
US Publishing	3.2	4.5
UK Publishing	8.4	6.5
Group overhead	(1.0)	(1.0)
Total adjusted operating profit	**10.6**	**10.0**
Amortization of acquired intangible assets	(0.9)	(0.8)
Exceptional items	(0.4)	(0.4)
Operating profit	**9.3**	**8.8**

Market Overview

US Trade Sales

We expect continued strong sales growth in digital retail, catalog and subscription accounts and in-house specialty this year and a rebound in the trade, toy, and gift markets when we get into Q2 and stores start opening in full. Our goals in 2021 are about maximizing our backlist sales, increasing sell through and opening more national and regional accounts.

- **ONLINE RETAIL** – We are budgeting double digit percentage growth in online sales channels that include Amazon, online catalog, subscription box accounts and flash sale websites such as Zulily and Groupon. We believe that customers are increasingly more comfortable in the digital space and the shift to digital navigation and shopping is here to stay.
- **PHYSICAL RETAIL** – Disruption will persist in markets that are experiencing lock-down related requirements. The mandates vary state-to-state, but we expect lessening degrees of sales suppression as we move through late fall to early summer. The independent bookstore channel continues to pose significant risk of continued closures.
- **WHOLESALE** – This channel, like physical retail, suffered disproportionately during lockdowns and closures. The library market was down 36% last year as schools were closed. We do not expect to see a full rebound until schools open in full across the country in Autumn.
- **SPECIALTY** – We foresee double digit growth with gradual gains over 2020 starting late Q1 and Q2 and more vigorous gains post pandemic. This segment of the market has been amongst the hardest hit in 2020, but we are encouraged by the resiliency in this channel as these nimble specialty stores pivoted to online sales as a stop gap to their dramatic losses at retail.

UK & Europe Trade Sales

Online channels will continue to drive our revenue in 2021, yet our ability to capitalize on the increased online trading will be subject to the stock availability of our key titles. Pressures on the High Street with shop closures will be a significant risk. The impact of Brexit will continue to create uncertainty for our European business and possibly reshape the market for English Language books.

- **ONLINE RETAIL** - We anticipate increased online trading to continue through Q2 or until restrictions are eased and physical stores are once again able to open and trade at capacity. Despite online retailers being in a strong position, some accounts are struggling to scale quickly enough to meet the increase in demand. There is also the issue of Brexit for some online accounts. Overall, this channel will continue to be the engine of our sales in 2021 and our books, proven to drive demand, will continue to see strong sales throughout the year.
- **PHYSICAL RETAIL** – This segment will continue to be severely impacted by the ongoing lockdown through Q1/Q2 2021. A number of accounts are selling through their online stores, but their online sales volume remains small compared to their historical sales volume from physical stores. On the plus side the supermarket channel continues to perform. By mid-Q2 we hope to see the gradual and phased reopening of physical retail, meaning a gentle return to Trade business as normal in this period.
- **SPECIALTY** – Quarto continues to focus on online and physical specialty accounts, as well as garden centres, pet shops and farm shops which continue to remain open.

Foreign Rights Sales

In terms of product categories, children's publishing and adult practical books with stay-at-home subjects such as pets, gardening, cookery, crafts, hobbies and puzzle books are in demand. However, some of our clients feel the consumer's purchasing power might diminish, thus impacting the sales of the more expensive titles.

Due to different national lockdown policies and state support for the publishing industry, the 2021 outlook differs markedly from country to country. The prospects for foreign rights sales are mixed as most markets except Asia are still in lockdown, and sales have slowed in Spanish language and Nordic territories. However, we see resilience in long-established core markets of France and Germany and in the Central and Eastern Europe region. Further developments in China and Asia generally, provide support for a more positive outlook for the general foreign rights market.

One Content, Multiple Channels

UNMATCHED SALES COVERAGE TO MAXIMIZING THE POTENTIAL OF OUR CONTENTS

TRADE SALES

The Quarto Group

CO-EDITION & CUSTOM SALES

US Trade

English Language Co-Edition

UK & EU Trade

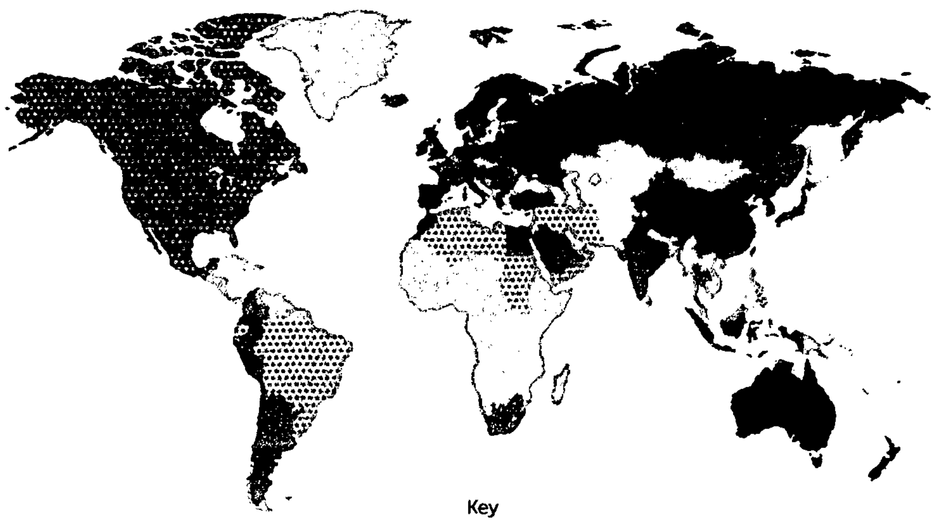
Foreign Rights & Co-Edition

Int'l Trade

Custom Sales

Global Sales Coverage

SERVED BY OVER 100 SALES AND MARKETING PROFESSIONALS AND REPRESENTATIVES



Key
International partnerships
English language markets
Foreign language markets

QUARTO OFFICES

USA
SEATTLE
CALIFORNIA
BOSTON
NEW YORK

UK
LONDON
BRIGHTON

CHINA
HONG KONG

Financial Review

"Adjusted Operating Profit for the Group increased by $0.6m to $10.6m (2019: $10.0m) in a difficult environment."

Polly Powell
Group Chief Executive Officer

Group Results

Revenue was $126.9m, a decrease of 7%, compared to 2019 ($135.8m). However, adjusted operating profit was up at $10.6m (2019: $10.0m) and represented 8.4% (2019: 7.4%) of revenue. Diluted earnings per share reduced to 11.6c (2019: 14.0c), as a result of the share issue at the beginning of the year. Only one of our titles exceeded 1% of Group revenue, being the top revenue earner for the second year in a row. The following titles were our top ten sellers in 2020, with their respective revenue and year of publication:

Squishy Human Body (2006)	$1,986,262
This Book Is Anti-Racist (2019)	$1,226,040
Beautiful Boards (2019)	$1,049,473
New World Sourdough (2020)	$715,052
David Attenborough (2020)	$619,808
ABC for Me: ABC What Can She Be? (2018)	$555,566
Witchcraft (2016)	$466,623
All New Square Foot Gardening (2018)	$447,923
Smart Circuits: Electronics Lab (2016)	$419,874
50 States (2015)	$414,854

US Publishing

Revenue for this segment was down 12% at $63.1m (2019: 71.5m). Operating profit before amortization of acquired intangibles and exceptional items ("adjusted operating profit") was down 28% at $3.2m (2019: $4.5m). We achieved an adjusted operating profit margin of 5.1% (2019: 6.3%). Reprints accounted for 71% of revenue, compared to 68% in 2019.

UK Publishing

Revenue for this segment was down 1% at $63.7m (2019: $64.3m). Adjusted operating profit was up 29% at $8.4m (2019: $6.5m). We achieved an adjusted operating profit margin of 13.1% (2019: 10.2%). Reprints accounted for 67% of revenue, compared to 63% in 2019.

Corporate costs

Corporate costs were flat at $1.0m (2019: $1.0m).

Exceptional Items

Exceptional items, in 2020, comprised banking and refinancing costs of $195,000, and $251,000 arising from the cost reduction program implemented to address the impact of Covid-19.

Exceptional items, in 2019, comprised refinancing costs of $387,000, and $32,000 with respect to aborted corporate transaction costs. Further details are disclosed in note 5.

Finance costs

Finance costs were $2.7m (2019: $4.9m). The reduction was attributable to reduction in bank debt due to strong cash generation and the equity raise.

Tax

The tax charge for the year was $2.0m (2019: $1.0m).

Balance Sheet

The Group's net assets increased to $43.7m from $21.1m, driven by the equity raise and trading performance during the year. The most significant change in the balance sheet related to current liabilities. Current liabilities reduced from $128.2m to $98.2m, mainly because our borrowings reduced from $66.1m to $41.8m. This reduction was driven by the equity raise ($17.0m) and strong cash generation. In February 2021 we extended banking facilities to 16 July 2024.

Cash Flow and Indebtedness

At the year end, our net debt was $19.7m[1], a reduction of 61%, compared to 2019, when it was $50.5m. Due to the uncertainty created by Covid-19 in early 2020, the Group requested and received waivers on its banking covenants. Free cash flow remained strong at $16.6 m, down 5% compared to 2019, when it was $17.4m. In 2020, a primary objective of the Board was to continue its efforts to reduce the bank debt to a more acceptable level and this was achieved with strong cash generation as outlined above.

1. Included in the debt of $19.7m is a loan of $2.4m relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA. Without reasonable assurance of forgiveness, it has been treated as debt to be repaid within 12 months. See note 18.

Shareholder Return

The Board has not recommended a payment of a final dividend, given the need for further investment in the business and the turnaround plan having only recently been completed. The dividend policy will, however, remain under review in consultation with shareholders and other stakeholders.

FINANCIAL REVIEW (continued)

Principal Risks and Uncertainties
Details of the Group's principal risks and uncertainties are set out on pages 19 to 21.

Viability Statement
In accordance with Provision 31 of the 2018 revision of the UK Corporate Governance Code, the Directors assessed the prospects of the Group over both a one-year and a three-year period. The one-year period has a greater level of certainty and was therefore, used to set budgets for all our businesses which culminated in the approval of a Group budget by the Board. The directors have determined that the three-year period is an appropriate term over which to provide its viability statement, being aligned with both the publishing program cycle and the long-term incentives offered to Executive Directors and certain senior management.

The Directors have considered the underlying robustness of the Group's business model, products and proposition and its recent trading performance, cash flows and key performance indicators. They have also reviewed the cash forecasts prepared for the three years ending 31 December 2023, which comprise a detailed cash forecast for the period ending 31 December 2021 based on the budget for that year and standard growth assumptions for revenue and costs for the years ending 31 December 2022 and 2023. This is to satisfy themselves of the going concern assumption used in preparing the financial statements and the Group's viability over a three-year period ending on 31 December 2023. As part of this work, the model was sensitized initially by a 5% reduction in revenue to ensure headroom within the covenants. This is deemed as a severe but plausible scenario. The model was then flexed to a tolerance of 13%, at which point the banking covenants were breached. It is considered remote that such a reduction of revenue would occur, given, even with the challenges of 2020, revenue dropped by only 7% year on year.

In February 2021, the Group renewed its bank facilities, retiring the current syndicate. The new facility will have a term of 3 years and 5 months, allowing us a prolonged period of certainty. In carrying out their analysis of viability, the Directors took account of the Group's projected profits and cash flows and its new banking facilities and covenants.

In addition to the agreement to the new facility, 1010 Printing Limited (a subsidiary of the Lion Rock Group Limited) and C.K. Lau have agreed to extend the current $13m unsecured and subordinated loans to the Group, which were entered into on 31 October 2018, on identical terms to those originally entered into and on normal commercial terms. Furthermore, 1010 Printing Limited has agreed to provide a further $10m unsecured and subordinated loan to the Company on normal commercial terms. These unsecured and subordinated loans are repayable by 31 August 2024.

The Directors also took account of the principal risks and uncertainties facing the business referred to on pages 19 to 21. The review focused on the occurrence of severe but plausible scenarios in respect of the principal risks and considered the potential of these scenarios to threaten viability.

The key principal risk that the business faces is a downturn caused by a global recession. The financial impact of this downturn has been quantified to illustrate the Group's ability to manage the impact on liquidity and covenants, with sensitivity analysis on the key revenue growth assumptions and the effectiveness of available mitigating actions. Further impact on the Group from Covid-19 has additionally been considered as part of the Group's viability. In considering this analysis, the Directors took account of the mitigating actions forecast twelve months ago and the actual mitigating actions taken during the year, from the onset of the Covid-19 pandemic. These actions included reductions in investment in pre-publication costs, print volumes, staffing levels and other variable costs.

Based on the above indications, after taking into account the downside scenario projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities throughout the viability period to 31 December 2023.

Polly Powell
Group Chief Executive Officer
21 March 2021

Our Key Performance Indicators

Our strategy is to grow our revenue and margins by leveraging our size, scale and reach as the leading global illustrated book publisher, to build a business with sustainable growth in earnings per share while also managing our net debt.

EBITDA ($M)[2]

2020	13.0
2019	12.5
2018	11.1

EBITDA is used to measure the operational performance of the Group and is used for banking purposes.

ADJUSTED[1] OPERATING PROFIT ($M)[2]

2020	10.6
2019	10.0
2018	10.3

Adjusted operating profit is used to show our operational performance.

RETURN ON NET OPERATING ASSETS (%)[4]

2020	11.2
2019	10.3
2018	9.7

The Board uses this ratio to evaluate the long-term financial health of the Group.

NET DEBT ($M)[2]

2020	19.7
2019	50.5
2018	60.4

Net debt is used as a measure as it has been strategic goal to reduce our debt. Our net debt has reduced by 61% in 2020.

1 Adjusted measure are stated before amortization of acquired intangible assets and exceptional items
2 See note 30
3 See note 10
4 Operating profit before amortization of acquired intangibles & exceptional costs over Group net assets plus unallocated net liabilities from operating segment

ADJUSTED[1] DILUTED EARNINGS PER SHARE (CENTS)[3]

2020	14.1
2019	18.8
2018	23.0

The Board uses this ratio to evaluate the quality of the Company's earnings. The reduction in 2020 is due to the share issue, at the beginning of the year.

BACKLIST % OF SALES (%)

2020	69.2
2019	65.4
2018	63.2

Backlist is measured as a performance of our intellectual property.

INVENTORY % OF REVENUE (%)

2020	12.2
2019	14.3
2018	15.0

This is a measure of the cash used up in inventory as a proportion of revenue.

INTELLECTUAL PROPERTY DEVELOPMENT SPEND ($M)

2020	20.3
2019	23.8
2018	27.6

This shows our investment in new titles. We reduced the IP spend in 2020, planning to conserve cash during the Covid-19 pandemic. See note 15 of the financial statements.

CHILDREN'S PUBLISHING REVENUES ($M)

2020	49.3
2019	49.8
2018	50.2

Children's publishing revenues now represent 39% of Group revenue.

RETURN OF FRONTLIST INVESTMENT

2020	1.67
2019	1.66
2018	1.59

Return on Investment shown here is the ratio of frontlist revenue generated from investment in frontlist Intellectual Property.

Our People

Quarto employs c. 300 people across 6 locations in the UK and the US, and utilizes a network of creative contributors and freelancers. We operate in a competitive international marketplace and need to attract, develop and retain creative, talented and resourceful employees.

Our Values

Quarto's values shape our business.

They make Quarto an attractive place to develop a career, and a responsible organization.

Our Values

- BE ACCOUNTABLE
- BE PURPOSEFUL
- BE CONSISTENT
- BE EXCELLENT
- BE CURIOUS
- BE COLLABORATIVE

We will not discriminate on the basis of age, gender, ethnicity, cultural background, sexual orientation or religious beliefs. We operate a robust recruitment policy, including right to work checks and commitment to a policy of equal opportunity and treatment, to foster an inclusive, fair and diverse environment.

In 2020, Quarto launched a Diversity Committee to set goals and objectives to making our workplace inclusive and diversity equitable. As part of this initiative, a formal internship program was launched in the autumn to bring interns with a diverse background into Quarto and develop potential future employees. In Q4 of 2020, Quarto hosted four 'Eliminating Systems of Oppression' sessions for all employees led by Dr David Wallace of Awakening Minds. The purpose was to raise awareness and for staff to develop strategy and tactics towards making the Company's culture more equitable and inclusive. The sessions contained some pre-work as well as group discussions. Our plans for 2021 include a continuation of the Committee's work, developing and implementing a staff led Diversity Steering Committee, with the help of Awakening Minds to introduce initiatives that will ensure the culture at Quarto is equitable and inclusive.

The Company acted quickly to protect its employees and contractors when the extent of Covid-19 spread became clear closing its offices from March 2020 and allowing teams to work from home, a situation which has prevailed into 2021. During this period, the Company encouraged contact between its employees both to manage workloads effectively; socially, including arranging online fitness sessions; and engaging employees on how to tackle the disruptions to normal business. During Q4 2020 the Company prepared its offices and occupation policies to comply with government advice aimed at reducing Covid-19 spread ready for when office use is resumed.

Quarto has an employee code of conduct, operates anti-bribery and corruption, equal opportunities, anti-harassment and whistle-blowing policies and observes health and safety requirements, demonstrating our commitment to acting ethically and with integrity in all employee and business relationships. These policies are also readily available to staff via the Quarto intranet site and in the staff handbooks.

Quarto honours the dignity of all people and respects the laws, customs and values of the communities in which we operate. We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

At the end of 2020, the breakdown of directors, senior managers and employees was:

	Male	Female
Directors	4	3
Senior managers	8	10
All employees	71	221

Corporate Responsibility and Sustainability

Corporate responsibility and sustainability

Quarto wants to be a good corporate citizen and considers the impact our activities have on the environment; as well as make a positive contribution to society by making inspirational books and actively supporting our communities.

Supporting communities

Quarto launched the Quarto Foundation in 2017 as a means for our people to support local charities. The disruption of the Covid-19 pandemic has reduced the activities of The Quarto Foundation however during summer 2020 Quarto donated $19,803 from the sale of This Book is Anti-Racist to anti-racist charities as well as reducing the price of the ebook version to make it available to more readers. Additionally, for one year from September 2020 the Company has agreed to make contributions to the UK's NHS Charities Together from sales of Little People Big Dreams: Captain Tom, and we participated in charity events in the US supporting Humble Bundle helping them to raise over $200,000 in 2020 from sales of Quarto titles.

Environmental impact and sustainability

Most of our impact arises through the materials and services we procure such as printing, production, distribution, recycling and disposal of books. To reduce our impact, we adopt the following practices:

- Use of sustainable paper: most books are printed on Forest Stewardship Council (FSC) paper supplies, or, for domestic US printing, we use Sustainable Forestry Initiative (SFI) paper. We estimate over 70% of books are printed on sustainable paper.
- Increasing sustainable operations: we continue to consolidate shipments wherever possible so that the number of journeys made is minimised.
- Ethical production: we continue to work with our suppliers to adopt ethical standards of manufacture using ICTI and SEDEX Care protocols.
- Office requirements are reviewed routinely and from Q1 2021, the Company's UK office footage will reduce by 13%.
- 2021 will see the launch of a new children's imprint whose books will be manufactured in local markets using recycled paper and with carbon-offsetting against manufacturing emissions.

Section 172 Statement

The Directors promote the success of the Company by giving due care and attention to the following elements:

(A) LIKELY CONSEQUENCES OF DECISIONS IN THE LONG TERM

The Board's vision for the Group is to become the dominant publisher of illustrated print books worldwide and to expand on the use of the Group's intellectual property in as many ways as possible.

The Board recognizes that a coherent and viable strategy is required which (i) is nimble and responsive, (ii) is supported by a modern infrastructure, and (iii) allows the Group to grow its global reach. These are considerations which have long-term consequences, and so in executing its strategy for the Group it prioritises the greatest stability for its publishing imprints and employees with appropriate consideration for what is a challenging international marketplace.

In 2020 this approach was evident from the open offer to shareholders which concluded successfully in January 2020. This allowed the Group to reduce its indebtedness and in Q1 2021 the position in relation to bank debt has improved further with a new US$20m three year and five months bank facility.

(B) INTERESTS OF THE COMPANY'S EMPLOYEES

Quarto is a publishing company and having creative and motivated employees is essential. Before the Covid-19 pandemic, the Board had a rolling program of employee meetings through the year. These meetings offered employees the opportunity to discuss the Group's strategic direction and management. During the Covid-19 pandemic Quarto increased its effort to engage with its employees through online events and management briefings as it adjusted its activities during the pandemic. The Board has asked Andy Cumming, an independent non-executive director, to be the designated employees' liaison as recommended by the Code.

The Company offers competitive market rates of remuneration and introduced a Diversity Committee during 2020 to promote workplace inclusiveness and diversity equitability (more details are given on page 16). Additionally, the Company encourages community interaction through the Quarto Foundation, established in 2017 (page 17 indicates some of the charitable work the Company has supported).

The Company acted quickly to protect its employees and contractors when the extent of Covid-19 spread became clear closing its offices from March 2020 and allowing teams to work from home, a situation which has prevailed into 2021. During this period, the Company encouraged contact between its employees both to manage workloads effectively; socially, including arranging online fitness sessions; and engaging employees on how to tackle the disruptions to normal business. During Q4 2020 the Company prepared its offices and occupation policies to comply with government advice aimed at reducing Covid-19 spread ready for when office use is resumed.

The Company participates in government supported furlough schemes in the US and UK, as well as enrolling in the CARES scheme offered by the US government (see Notes 6 and 18).

The Company invests in its people by providing them with tools, technology and training to meet the challenges of its market and the evolving needs of its customers. Quarto also involves employees in areas of strategy where possible.

(C) FOSTERING THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Company benefits from its association with Lion Rock which operates as one of Quarto's key suppliers enabling it to maintain a positive relationship with an essential supplier base; this connection also allows Quarto to print outside China and so provide a better service to US customers particularly sensitive to US tariffs.

The Board recognises the need to offer a flexible service to its customers, be that offering them outside-China printing, or customised publishing, as well as the need to cultivate suppliers of print-on-demand in order to manage the business efficiently and still fulfil customers' orders. By exploring all the technologies available, Quarto maximises its offer to its customers.

Throughout the Covid-19 pandemic, the Company has worked hard to support its customers to ensure interruptions to product supply was minimised. It has also been able to pay its suppliers on time.

(D) IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

The Company seeks to minimise its impact on the environment. It takes advantage of schemes that promote green energy, such as in the UK where several of its offices now use 100% green energy supplies; and when refitting its offices, it accommodates energy-saving elements (e.g. LED lighting). Energy used by its IT operations has reduced as the Company has adopted cloud-based services, and new equipment is increasingly energy-efficient. The Company reviewed its office facilities during Q4 2020 and decided to reduce its office space in the UK from Q1 2021 by 13% reducing its energy consumption.

Quarto continues to publish socially responsible and inspiring titles such as the Little People Big Dreams series, The ABC Series, Greta and the Giants (endorsed by Greenpeace and 350.org), and This Book is Anti-Racist. We have participated in charity events with Humble Bundle in the US and have helped them raise over $200,000 in 2020 from sales of Quarto titles.

Through the Quarto Foundation, which is very much staff led, Quarto contributes to local causes. In 2020 Quarto donated $19,803 to anti-racism charities from the sale of This Book is Anti-Racist.

By choosing accredited production schemes like ICTI and SEDEX, which include worker welfare assessments, Quarto ensures a minimum welfare standard in its principal supplier base.

Additionally, the Group prints predominantly on paper from sustainable sources. In Q1 2021, Quarto will launch a new environmentally conscious children's imprint. The books will be manufactured from recycled components, with additional carbon offsetting against production emissions, and will be printed in the markets where the books are sold.

(E) DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Board complies with the requirements of the UK's 2018 Code of Governance. In early 2020 the Company strengthened the Board and is confident that it has the right composition to deliver its strategy to the benefit of its employees, customers, and shareholders.

The Board appraises its own performance in accordance with the Code, and recognises the value of fair treatment of its suppliers, honouring its commitments, so that it can achieve a reliable and responsive supply chain that serves the needs of its customers. To this end, the Board routinely assesses the performance of its supply chain.

The Company has an established whistle-blowing policy and anti-bribery policy.

(F) NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

The Company has a single class of common shares. In 2019, C.K. Lau and 1010 Printing Limited, a company controlled by C.K. Lau, became controlling shareholders. The Company and controlling shareholder parties entered into a relationship agreement to ensure that controlling shareholders do not exert improper influence over the Company, and in accordance with the Listing Rules. During 2020, the Company's by-laws were amended to complete the requirements of the Listing Rules in relation to controlling shareholders.

Risk Management, Principal Risks and Uncertainties

The Group's risk management framework is designed to identify and assess the likelihood of risks arising, the consequences of them doing so and the actions necessary in order to mitigate their impact.

The Board maintains a Risk Register which is reviewed, updated and approved at each meeting of the Audit and Risk Committee, and presented at each quarterly Board meeting for review; this means that the Register is reviewed, typically, as many as seven times a year. In addition during 2020 because of the Covid-19 pandemic, the Board met weekly then bi-weekly between March and the end of June, a total of 14 times, to manage the impact of the pandemic on the business.

The risk review conducted by the Board is broad ranging addressing each part of the Group's business and activities. For each risk identified its impact is rated, and mitigations are identified. In addition, risks to the business are monitored regularly by the Company's Group and divisional CEOs, so that emergent risks can be identified and escalated quickly, and mitigations enacted.

Details of the Group's financial risk management objectives and policies are set out in Note 22 to the Financial Statements. The business risk review has identified the following risks that face our businesses

MARKET AND FINANCIAL RISKS

Risk	Description	Mitigating factor
Economic conditions	The Group operates across many of the major world economies and its revenues and profits depend on the general state of the economy in those territories. A downturn caused by a global recession, potentially as a result of the Covid-19 pandemic, could reduce consumer discretionary spending, which might result in a reduction in profitability and operating cash flow. In addition, the UK's exit from the European Union and US-Sino relations (resulting in the introduction of tariffs in 2019) contributes to uncertainty in the eco-nomic environment.	The Group has adequate liquidity with up to $20m in available debt facilities. In addition, in such an event, the Directors have the ability to take a number of mitigating actions, including the reduction of spend on pre-publica-tion costs, inventory printings and other discretionary Items. The Group offers non-Chinese printing for custom-ers in order to avoid US tariffs on books. The Company's management information systems allow it to assess sales performance quickly and so take the appropriate steps to maximise operating performance. The Group has shown itself to be adaptable by quickly accommodating the changes necessary to its sales and marketing activities during the Covid-19 pandemic.
Currency	The Group's businesses operate in a number of currencies giving rise to a risk of exchange loss from fluctuating exchange rates.	The Group has a natural hedge that mitigates against currency movements impacting our earnings in that one of our largest costs, which is print costs, are paid in US Dollars. Borrowings have been taken out in different currencies to mitigate risk of currency movements impact-ing our net assets.
Financial	The Group's relatively high level of debt makes the Group sensitive to interest rates and potential covenant breaches.	In 2020 the Quarto progressed in its goal to reduce its debt when it completed an open offer to shareholders in January; the net proceeds of $17m were used to pay down bank debt. Since the year end, a new three year and five months banking facility of $20m has been secured, together with additional shareholder support. This has enabled the Company to repay the facility that existed at the year end. Quarto continues to benefit from a strong cost-reduction program introduced in the second half of 2018 and a competitive auction platform introduced during 2019 to procure printing services which is providing additional cost savings. In 2021 the Company will reduce its office footprint to accommodate new working styles which will further reduce operating costs. Meanwhile the Group is pursuing its strategy of organic growth through innovation (as set out on page 8).

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES (continued)

OPERATIONAL RISKS

Risk	Description	Mitigating factor
Customer	A significant dependency on a small number of customers, for instance co-edition partners or retailers, could be problematic if one of them tried to secure preferential terms or stopped doing business with the Group. The failure of a major customer, or a distributor, could impact revenue and profits. The impact of Covid-19 has moved sales online which has increased the Group's exposure to Amazon and has reduced sales to traditional retailers and bookstores. Until lock-downs are over and customer buying patterns are better understood, we can expect market disruption to continue and with that there is the risk that sales to traditional customers will fall.	The Group has a long-established strategy of diversifying its international customer base, including specialty retailers, resulting in the fact that with one exception no customer, or distributor, has over 20% of the business. Customer relations are managed to ensure a fair-trading relationship. Management monitors debts closely and maintains close relationships with its customers, and distributors, which may provide prior warning of likely failure. The Group continues to adapt to supporting online selling and continues to offer and promote e-book versions of its books.
Supply chain and raw materials	The Group relies on a group of print suppliers, many of which are based in southern China. There is a risk that an interruption in the availability of printing services in that area or the financial failure of one printer could disrupt the supply of new books to customers. Any increase in costs such as oil, port charges etc. would also impact shipping costs. Any disruption in supply of paper could lead to an increase in costs and production disruption. There is also a reputational risk of using non-environmentally friendly paper. Inefficiencies in product movement introduced by 'Brexit', the departure of the UK from the EU from 2021, could disrupt timely product movement into the UK. The Covid-19 pandemic has disrupted freight shipping causing severe delays and tripling shipping costs.	The Group maintains relationships with printers in other parts of the world and is confident that printing could be carried out by an alternative range of printers if supply from China was interrupted or to mitigate shipping costs. We maintain close relations with our printers, reducing the risk of a lack of knowledge of any printer being in financial trouble. The Group has worked with its major printers on a plan to adopt sustainable paper and recently instituted a Forest Stewardship Council (FSC) paper or Sustainable Forestry Initiative (SFI) paper policy across all our imprints. Quarto monitors the Brexit-situation closely, taking note of the advice of the UK Government and key suppliers to ensure minimal disruption. Most of Quarto's product is shipped directly to EU countries from its printers based principally in China. These shipments are not expected to be affected by Brexit. The Company recognises the disruptions from freight shipping and will take a flexible holistic approach to its supply chain activities and will work closely with logistics suppliers and its network of onshore and offshore printers.
Coronavirus	The global spread of the coronavirus (Covid-19) is causing significant business interruption by infecting the Group's workforce; closing retail outlets and impacting orders and revenues; causing lockdowns altering customer buying patterns; and impairing the Group's supply chain adding cost and delaying fulfilment of orders.	Quarto monitors and follows government advice making the necessary adjustments in order to maintain the well-being of its employees. Quarto promotes hygienic practices in its offices and avoids unnecessary travel. The Group operates modern IT systems that permit remote working with the minimum of interruption. The Group also has the ability to immediately reduce its investment in pre-publication costs and inventory and manage discretionary spending. Working with its suppliers and customers, Quarto works hard to reduce the impact of any interruption in its supply chain. During 2020 Quarto was able to adapt to the increasing value of book sales going online. It will continue to perfect its approach to supporting sales as necessary.

OPERATIONAL RISKS (continued)

Risk	Description	Mitigating factor
Product safety	Our business is faced with increasing safety and testing requirements on various product components. The risk of a product recall due to children's safety would have a severe reputational impact on the business.	All components receive safety testing from specialist and accredited independent third parties. Management carefully selects suppliers for components. Quarto will monitor the regulatory impact of product testing following the UK's departure from the European Union.
Loss of intellectual property	A loss of stored IP through failure of storage medium or loss of back-ups would impact our ability to process reprints and revisions and could cause a loss of revenue.	A cloud storage solution is integrated into our production workflow to provide storage, back-up and recovery services for product files in development. Complete backlist archives are stored in a mirrored storage array.
Laws and regulations	As a creative and IP business, any changes to copyright laws could have an impact on the Group's activities and any infringement could lead to increased costs. Inconsistent internal practices for negotiating contracts or clearing rights could lead to IP claims.	During 2018, an information system was introduced Group-wide to harmonise the management of contracts. Quarto reviews its licensing, permission-acquisitions and other contracts routinely receiving advice from relevant professional firms (including the possible impact of Brexit) so that legal instruments remain current and represent best practices so that we ensure that our practices are aligned and consistent across imprints, and Quarto's IP rights are properly protected.
Cyber security	Like many organizations, the Group is at risk from cyber-attack. This presents a potentially serious risk of disruption to the production process and could have a significant impact on the profitability of the business and the security of its IP assets.	The Group uses enterprise level firewalls and IT controls to prevent attack as well as maintaining cloud-based copies and offsite back-up of IP. Computerised files of the Group's books are also maintained by printers. We do not store any personal or credit card data on our transactional website www.quartoknows.com. The Group undertakes industry standard system penetration testing.
People	As in any creative business, the Group is heavily reliant on its people and operates with the inherent risk of not making the 'right' books or creativity being uneven year-on-year. Failure to retain talent and attract new talent could ultimately lead to a failure to generate successful new titles, leading to a drop in revenue. The departure of the UK from the EU ('Brexit') in 2020 will alter the right-to-work permissions of EU-citizens to work in the UK potentially disrupting the recruitment opportunities of our UK-based rights selling team.	Our portfolio of imprints and large number of products spread this risk. The overall portfolio is well diversified with no single title exceeded 5% of our total revenue in 2020 and no series accounted for more than 10% of our total revenue in 2020. Quarto's Publishers are experienced and talented professionals who work alongside sales and marketing teams and strive to stay close to publishing trends and markets. The Group also offers competitive market rate remuneration packages and works hard to make Quarto an attractive place to work. Quarto monitors the UK's rights-to-work requirements closely, taking note of the advice of the UK Government so that it is ready to support any staff affected by post-Brexit regulations and to support its recruitment of EU-citizens so that any potential disruptions can be minimized.

The Strategic Report was approved by the Board and was signed on behalf of the Board by:

Polly Powell

Polly Powell
Director
21 March 2021

Board of Directors

Andy Cumming | Non-Executive Chairman

Andy joined the Board on 1 March 2018 as an independent Non-Executive Director and was appointed Non-Executive Chairman on 11 July 2018; he is a member of the Audit and Risk, and Remuneration Committees, and he Chairs the Nominations Committee.

Andy has over 40 years' experience in banking and risk management. The last 17 years of his full-time career were spent with Lloyds Banking Group in a variety of senior positions, including seven years as the Chief Credit Officer of the Commercial Banking Division and four years as Managing Director of the Global Non-Core Division. He was also a member of the Group Risk and Commercial Banking Executive Committees.

Andy is currently a Non-Executive Director of (i) Lloyds Development Capital, the private equity arm of Lloyds Banking Group, (ii) Bluestone Holdings Limited, a multinational financial services business, (iii) Seadrill Partners LLC, which focuses on the acquisition and operation of offshore drilling rigs, and (iv) Integrity Capital plc, a company investing in asset backed secured lending.

Polly Powell | Group Chief Executive Officer

Polly was elected to the Board on 10 February 2020 as Executive Director. She was appointed Group CEO of Quarto on 18 September 2020.

Polly has worked in non-fiction publishing for more than thirty years. She was a member of the management team that acquired the book publishing business from Chrysalis Music Limited in 2004. Polly became the sole owner of the business in 2012 renaming it Pavilion Books.

Polly is a Director of Pavilion Books Holdings Limited. In July 2020, Polly resigned from the board of the National Gallery Company Limited where she was a Non-Executive Director.

Chuk Kin Lau | Executive Director

C.K. Lau, "CK", is also an Executive Director of Lion Rock Group and an Executive Director of OPUS Group Limited, a subsidiary of Lion Rock. CK was elected to the Board on 17 May 2018 as an Executive Director. He is President of the Company.

CK is a member of the Remuneration and Nominations Committees.

Ken Fund | Chief Operating Officer, Chief Executive Officer Quarto US

Ken became Chief Operating Officer of the Company in July 2016 and joined the Board as an Executive Director on 11 July 2018; he is CEO of Quarto US. Ken joined the Group in 1999 as President and CEO of the Group's subsidiary Rockport Publishers company.

Ken's career started with Dino DeLaurentiis Productions in New Business Development before moving to Simon & Schuster Publishers as Business Manager in 1984. He joined Harper Collins San Francisco in 1990 becoming senior Vice President for Adult publishing.

Ken is a graduate of SUNY Oswego and holds an MBA in Finance from Pace University.

Jane Moriarty | Non-Executive Director

Jane joined the Board of the Company on 12 November 2018. Additionally, Jane is Chair of the Audit and Risk, and Remuneration Committees; she is the Senior Independent Director. Jane is Vice-Chair.

Jane is a Fellow Chartered Accountant who worked with KPMG LLP for over 29 years. During her time with KPMG, she worked with a broad range of businesses helping them to develop strategies to realise opportunities and manage threats in fast moving environments.

Jane is currently a non-executive director of (i) Mitchells & Butlers plc, one of the largest operators of pubs, bars and restaurants in the UK, (ii) NG Bailey, an independent engineering, construction and services company in the UK, (iii) Martin's Properties, a leading commercial, retail and residential property company, and (iv) Nyrstar NV, a listed Belgian holding company with an investment in a global mining and smelting business.

Mei Lan Lam | Non-Executive Director

Mei Lan is an Executive Director and Chief Financial Officer of Lion Rock Group and responsible for the financial management of Lion Rock. Mei Lan has over 30 years' experience in finance and has held senior financial positions in various listed companies and a non-profit charitable organisation in Hong Kong. She joined the Company after being elected to the Board as a Non-Executive Director on 17 May 2018.

Andrea Giunti Lombardo | Non-Executive Director

Andrea was elected to the Board on 10 February 2020.

Andrea is a member of the board of Giunti Editore S.p.A., the second largest publishing house in Italy and owner of the Giunti al Punto bookstore chain. He has been involved in different aspects of the publishing industry, and has extensive experience in finance, M&A and digital development. Andrea was also involved in the establishment of the Giunti Academy, a business management school in Italy.

Nominations Committee Report

The Nominations Committee comprises the Group's Non-Executive Directors, Andy Cumming (Committee Chair), Jane Moriarty (Senior Independent Director), and C.K. Lau. A copy of the Committee's formal terms of reference can be found on the Company's website (www.quarto.com).

The search for Board candidates is conducted and appointments made, on merit, against objective criteria and with due regard to the benefits of diversity on the Board, including gender. External search consultants are engaged, as appropriate, and formal and transparent processes followed. When dealing with the appointment of a successor to the Chairman, the Senior Independent Director will chair the Committee instead of the Chairman.

All directors are required to allocate sufficient time to discharge their responsibilities and new Directors receive a tailored induction on joining the Board. This includes presentations on the business, current strategy, shareholder expectations and familiarisation with the Group's operations worldwide. Guidance is also given on the duties, responsibilities and liabilities of a Director of a listed company and key Board policies and procedures.

The Board performs an annual evaluation where the Board, its directors, chairman and committees, assess their respective performance. The results of the evaluations are presented to the Board and committees to address any issues raised and to explore opportunities to increase effectiveness. Additionally, the chairman meets each director annually to discuss their performance and to receive their feedback.

The Committee met once during the year and was active in appointing Polly Powell as an Executive Director and Andrea Giunti Lombardo as a Non-Executive Director.

The Chair of the Committee attends the Annual Meeting to address any shareholder questions relating to the Committee.

Andy Cumming
Chair of the Nominations Committee
21 March 2021

Audit and Risk Committee Report

In line with FRC guidance the Committee has had 2 members throughout the year, Jane Moriarty as Chair and Andy Cumming, and Michael Mousley was a member of the Committee from 12 August 2019 until 10 February 2020.

Responsibilities

The Committee acts in accordance with its terms of reference, and its specific responsibilities include:

- To consider and recommend the appointment of the Group's auditor, the audit fee, audit engagement letter and questions of auditor performance, partner rotation, resignation and dismissal.
- To meet with the auditor to discuss all aspects of the audit including audit planning, scope, findings, accounting policies, management judgements and estimates.
- To review the Board's representation letter to the auditor.
- To review the auditor's management letter and management's response.
- To set policy and review the use of any non-audit services and assess the independence of the auditor.
- To review financial statements released to the public including interim and annual financial statements.
- To review the Group's accounting policies, practices and use of accounting standards especially for decisions requiring major elements of judgement, significant adjustments, long-term viability and going concern.
- To review the Group's internal controls and risk management including:
  - the financial reporting process;
  - identifying, managing and monitoring financial, operational, compliance and other risks;
  - compliance with regulatory and legal requirements;
  - detecting fraud.
- To review the need for an internal audit function at least annually.

Committee Meetings

The Committee meets throughout the year to fulfil its responsibilities. The Committee Chair also meets informally with the Group Finance Director throughout the year and with senior management. She also meets with the external Audit Partner from time to time to discuss issues and be appraised of regulatory changes.

By invitation the Company's CEO, the Group Finance Director, representatives of the Company's auditor, and Michael Mousley (advisor to the Board and former Company CFO), also attend Committee meetings although part of some meetings is exclusively for Committee members without executive management present.

The Chair of the Committee attends the Annual Meeting to address any shareholder questions relating to the Committee.

The Committee met 3 times during 2020 and once so far in 2021.

The Committee, as part of full Board meetings, was also involved in approving announcements made to the London Stock Exchange.

Activities of the Committee

During 2020 and 2021, to date, the work of the Committee included:

- Review of the plan and scope of the external audit.
- Review of the external auditor's report on the 2020 year-end audit and approval of the preliminary announcement and the annual report.
- Consider the external auditor's comments in relation to internal controls and review the need and potential scope of internal audit functions.
- Consider the Group's banking agreements, particularly with respect to ensuring the Group's compliance with its banking covenants.
- Review and approval of the interim report 2020 after discussion with management and the external auditor.
- Review and consider the goodwill impairment review.
- Review and approve the financial documents prepared to support the open offer in January 2020.

Significant Audit Risks, Key Findings and Financial Judgements Relating to Year End Accounts 2020

The Committee concentrated on the following in relation to the 2020 accounts.

GOING CONCERN AND COVENANT COMPLIANCE

The Committee considered the underlying robustness of the Group's business model, products and proposition, and the financial resources available to it for the future to satisfy itself of the going concern assumption in preparing the financial statements.

Following the signing of the Group's new banking facilities, the Committee reviewed the Group's forecasts to confirm the Group was able to meet its current and future banking covenants.

The Group's financial performance in 2020, and its forecast future performance, reflects the positive impact of the Group's renewed focus on core products and titles, the cost-out program which began in 2018, and the fund raising and resulting debt position of the open offer to shareholders that occurred in January 2020.

The Committee discussed the impact of Covid-19 on the Group and, in particular, considered the downside scenario that was prepared as part of the going concern review.

AUDIT AND RISK COMMITTEE REPORT (continued)

ASSESSMENT OF THE CARRYING VALUE OF GOODWILL
Goodwill arising from acquisitions is stated at cost, less any accumulated impairment losses. In accordance with IAS 36, the Group tests the goodwill on an annual basis for impairment. In the tests carried out at 31 December 2020, the value in use calculation exceeded the carrying value of goodwill.

Further detail is set out in note 11 to the Financial Statements.

RECOVERABILITY OF PRE-PUBLICATION COSTS
Amortization of pre-publication costs is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Pre-publication costs are capitalized in accordance with IAS 38 and the Committee, with the external auditor, discussed the assumptions behind the amortization profile including the amortization period of the publications. Further detail is set out in note 15 to the Financial Statements.

REVENUE RECOGNITION AND SALES RETURNS
The Committee considered the risk that revenue may not be captured in the relevant period. Apart from the usual risks relating to the timing of revenue recognition, management is required to provide for returns, which may be received subsequent to the period end. Management assesses sales returns through quantifying the previous returns experience and post year end returns.

During 2020, the Committee reviewed management's methodology, and discussed the procedures followed to ensure that revenue was booked into the correct period in line with the stated accounting policies and that returns provisions were reasonable.

External Audit
The Committee assesses the effectiveness of its external auditor through on-going dialogue and communication with the Auditor. The audit cycle includes formal meetings. The audit planning meeting, which happens prior to the audit, was when the Committee discussed reporting developments, significant accounting risks, improvement in relation to risk management and internal control and controls in the accounting process.

At the end of the audit process, the Committee met with the auditors to receive their report on the key findings with focus on identified key audit risks, any misstatements in management's initial accounts and to consider areas of judgement and estimates.

The Auditor showed diligence and openness with the Committee during meetings and through written communication and during intermediate briefing sessions with the Chair of the Audit and Risk Committee. The Auditor gave the Committee forthright views on judgement areas whilst recognising that the decisions lay with the Committee. The Committee is satisfied with the Auditor's effectiveness in 2020.

Appointment of Auditor and Independence
The Committee considers the appointment of the external auditor each year and considers the performance of the lead audit partner and the audit manager during the audit process.

For the 2020 audit of the Group and the Company's accounts, Grant Thornton UK LLP charged $287,000 (2019: $255,000).

Non-Audit Services
Grant Thornton UK LLP was engaged to provide non-audit services in relation to the preparation of the open offer made to shareholders in January 2020. The cost of these services to 31 December 2020 was $nil (2019: $172,000). The Company has a policy in regard to the provision of non-audit services by the auditor which is reviewed annually.

Internal Audit
To date there has not been a separate internal audit function, given the size and scale of the Group's operations.

The Audit and Risk Committee decided not to establish a dedicated internal audit function this year, for the reasons stated above. It will review this decision on an annual basis.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS
The Executive Board is responsible for ensuring appropriate risk management control procedures are in place, and regularly conducts reviews of the effectiveness of the Company's risk management and internal control systems. These reviews cover all material controls designed to respond to financial, operational and compliance risks.

Quarto has continued to develop a strong and effective control environment for the business. This has built the Board's and Audit and Risk Committee's confidence in the financial management of the Group.

The Executive Board is satisfied that the Company had appropriate risk management and risk control procedures in place throughout the year and up to the date of approval of this Annual Report to prevent or detect any material exposures. The Audit and Risk Committee reviewed and monitored the work of the Executive Board during the year.

The internal control framework comprises principles, procedures and measures that are geared towards the implementation of controlled management decisions. It is designed to ensure the effectiveness and efficiency of business activities, the quality and reliability of internal and external accounting, compliance with the legal frameworks that the Company must adhere to, and to ensure that measures are in place that safeguard proper IT-based processing and data.

The following structures and processes have been implemented by Quarto to mitigate potential risks in the accounting function:

- The Executive Board is responsible for the internal control and risk management framework with regard to the accounting and consolidation processes.
- The reporting structure relating to all companies included in the Consolidated Financial Statements requires that significant risks are to be reported immediately to the Executive Board by the individual businesses on identification.
- Certain accounting-related processes (in particular payroll) are outsourced.

We consider the following items to be significant to the effectiveness of the internal control and risk-management framework in the accounting and consolidation processes:

- Identification of significant risk and control areas of relevance to the Group-wide accounting process,
- Controls to monitor the consolidation process and its results at the level of the Executive Board and at the level of the companies included in the Consolidated Financial Statements,
- Preventative control measures in the accounting system of the Group and in the processes that generate significant information used to prepare the Consolidated Financial Statements – areas include the Group management report, segmental analysis and commitment disclosures.

Jane Moriarty
Chair of the Audit and Risk Committee
21 March 2021

Remuneration Committee Report

Annual Statement

DEAR SHAREHOLDER
I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020, which has been prepared by the Committee and approved by the Board.

For the year ended 31 December 2020, there were no substantial changes in Directors' remuneration arrangements.

This is the Company's seventh year of reporting in line with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The report is divided into two sections:

The first is Quarto's Remuneration Policy recommended by the Board, which will apply from 25 May 2021 subject to approval at the 2021 Annual Meeting. The proposed policy mirrors the existing policy implemented on 24 June 2020.

The second section is the Annual Report on Remuneration, which reviews how the existing policy has been implemented.

In line with The Large and Medium-sized Companies and Group's (Accounts and Reports) (Amendment) Regulations 2013 the following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for each Director, including annual bonus outcomes for the financial year ended 31 December 2020; pension entitlements; and Directors' shareholdings and share interests. All other parts of the Directors' Remuneration Report are unaudited.

I would be happy to receive any comments you may have on this report. I hope you find the report clear and comprehensive and that it helps demonstrate how remuneration is linked to the performance of the Company, and that you are able to support the resolutions on remuneration being presented at this year's Annual Meeting.

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
21 March 2021

Remuneration Committee meeting attendance 2020

Committee membership[1]	Number of meetings held during the year: 3
Andy Cumming (Appointed 1 March 2018, Chair from 17 May 2018 to 7 March 2019)	3 of 3
Jane Moriarty (Appointed 12 November 2018, Chair from 7 March 2019)	3 of 3
C. K. Lau (Appointed 17 May 2018)	3 of 3

1 Michael Mousley was a member of the Remuneration Committee until his resignation on 10 February 2020.

Policy

This section sets out Quarto's Remuneration Policy for Directors which is recommended by the Board for approval at the 2021 Annual Meeting. The Group's principal remuneration policy aim is to ensure that the Executive Directors' remuneration is designed to promote long-term value creation through transparent alignment with the agreed corporate strategy.

Performance related elements are designed to be transparent, stretching and are rigorously applied.

In formulating its policies, the Committee had regard to and balanced the following factors:

- the need to align the interests of the executive with those of the shareholders;
- the performance of the individual executive and of the Group as a whole;
- the remuneration practice in the markets in which the executive is principally based; and,
- the remuneration packages offered to executives in companies competing in the same markets and industry as the Group, but exercising caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance.

Quarto's Remuneration Policy Summary

FIXED PAY

Element of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base Salary/ Fees	Set at competitive levels in the markets in which Quarto operates, in order to attract and retain executives.	Reviewed annually with changes normally effective from 1 January of each year. Reviews take account of: • scope of the role and the markets in which Quarto operates; • performance and experience of the individual; • pay and conditions at organisations of a similar size and complexity; and, • pay and conditions elsewhere in the Group.	There is no prescribed maximum to avoid setting unhelpful expectations. Any salary increases are applied in line with the outcome of the review and taking into account wider factors, for example, local market inflation.	Not applicable.
Benefits	Designed to be competitive in the market in which the individual is employed.	Benefits include life insurance and private medical insurance. Where appropriate, other benefits may be offered including, but not limited to, participation in all-employee share schemes. Benefits are non-pensionable.	Benefits vary by role, individual circumstance and eligibility and are reviewed periodically. Benefits are not anticipated to exceed 5% of salary p.a. over the period for which this policy applies. The Committee retains the discretion to approve a higher % in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Group's control have materially changed (e.g. increases in medical premiums).	Not applicable.
Pension	To provide cost effective retirement benefits.	Participation in defined contribution plan or cash allowance in lieu.	Up to 15% of base salary.	Not applicable.

REMUNERATION COMMITTEE REPORT (continued)

VARIABLE PAY

Element of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual performance bonus	Designed to reinforce individual performance and contribution to the achievement of profit growth and strategic objectives.	Measures are reviewed at the beginning of the financial year to ensure they remain appropriate and reinforce the business strategy. Performance targets are set annually to ensure they are appropriately stretching and reflect those strategic objectives. At the end of the year the Committee determines the extent to which these were achieved. Awards are payable in cash. Payments made under the annual bonus are subject to claw-back for the later of one year following the date of award or the completion of the next audit of the Group's accounts, in the event of a fraud or material misstatement of results being identified in relation to the year in which the bonus is earned.	Maximum potential opportunity of up to 100% of base salary for the CEO and 50% for the COO. For the financial target, the threshold bonus starts at 10% of the total potential for exceeding the base EBITDA target by 2% and up to 100% of the total potential for exceeding the base EBITDA target by 10%.	60% on financial objectives and 40% on personal objectives. The Committee will vary the weightings from year-to-year to reflect the changing strategic needs for the business with a default bias towards financial objectives. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the Plan where it believes the outcome is not truly reflective of performance and to en-sure fairness to both shareholders and participants.

VARIABLE PAY (continued)

Element of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Performance Share Plan (PSP)	Ensures that the Executive's interests are aligned with those of shareholders through reward for providing shareholders with substantial increases in shareholder value and/or for achievement of a measure of sustained growth in earnings over the medium to long term.	Awards of nominal-cost (or nil-cost) options may be granted annually as a percentage of base salary. Vesting is based on performance measured over four years. The performance period normally starts at the beginning of the financial year in which the date of grant falls. Dividends accrue on PSP awards and are paid on those shares which vest. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. Payments made under the PSP are subject to claw-back, for the later of one year following date of vesting or completion of the next audit of the Group's accounts, in the event of a fraud or material misstatement of results being identified in relation to the years in which the PSP is earned.	Award opportunities for participants are up to 50% of base salary. Awards of up to 100% of base salary may be provided in exceptional circumstances (e.g. recruitment). 20% of maximum vests for Threshold, rising on a straight-line basis to full vesting for Stretch performance.	Awards to Executives are subject to four-year cumulative earnings per share (EPS) and/or total shareholder return (TSR) performance. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic PSP outcome within the Plan limits to ensure alignment of pay with the underlying performance of the business during the performance period.

FIXED PAY

Element of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Non-Executive Directors' fees	To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-Executive Directors.	Annual fee for Chair. Annual base fee for Non-Executive Directors. Additional fees are paid to the Senior Independent Director and the Chair of the Committees to reflect additional responsibilities. Fees are reviewed annually, taking into account time commitment, responsibilities and fees paid by comparable companies.	There is no prescribed maximum. Non-Executive Director fee increases are applied in line with the outcome of the review and taking into account wider factors, for example, inflation.	Not applicable.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

REMUNERATION COMMITTEE REPORT (continued)

Performance measure selection and approach to target setting

The measures used under the annual bonus plan are selected annually to reflect the Group's key strategic priorities for the year and reinforce financial performance and achievement of annual objectives as well as individual performance. Financial measures are based on the amount of EBITDA generated compared to budget. The Committee considers this measure is the most appropriate measure of long-term performance of the Group.

Performance targets are set at such a level as to be stretching and achievable, with regard to the particular strategic priorities and economic environment. The annual bonus threshold is based on a 2% growth in profits with Stretch target being 10% growth.

The Committee reviews the performance targets applying to awards made to the proposed PSP scheme annually. Awards made to participants will be based on either one or a combination of total shareholder return and cumulative earnings per share over the measured period. These will be reported on each year in the Annual Report on Remuneration.

Differences in remuneration policy operated for other employees

Quarto's approach to annual salary reviews is consistent across the Group. Key management personnel and senior managers with substantial operational responsibilities are eligible to participate in an annual bonus scheme with similar metrics to those used for the Chief Executive Officer. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

Key management personnel and senior managers are eligible to participate in the PSP. Performance conditions are consistent for all these participants, while award opportunities may vary by organisational level but are typically limited to 50% of base salary.

Shareholding guidelines

The Committee recognises the importance of aligning the interests of Executives with shareholders through the building up of a significant shareholding in the Group. Executive Directors are required to retain shares of a value equal to 50% of the after-tax gain made on the vesting of awards under the Plans, until they have built up a minimum shareholding of a value equivalent to at least 100% of annual base salary.

Remuneration policy for new Directors

When hiring or appointing a new Executive Director, including by way of internal promotion, the Committee may make use of all the existing components of remuneration as follows:

Component:	Base Salary	Benefits	Pension	Annual Bonus	PSP
Approach	Determined in line with the stated policy, and taking into account their previous salary. Initial salaries may be set below market and consideration given to phasing any increases over two or three years subject to development in the role.	In line with the stated policy.	In line with the stated policy.	In line with stated policy, with the relevant maximum pro-rated to reflect the proportion of the year served.	In line with the stated policy.
Maximum Value	Not applicable.	Not applicable.	Not applicable.	50% to 100% of base salary	50% of base salary (100% in exceptional circumstances)

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may consider it appropriate to grant an award under a structure not included in the policy, for example to 'buy out' incentive arrangements forfeited on leaving a previous employer, and will exercise the discretion available under Listing Rule 9.4.2 R where necessary. In doing so, the Committee will consider relevant factors including the expected value of all outstanding equity awards using a Monte Carlo, Black-Scholes, or other relevant equivalent valuation and, where applicable, taking into account toughness of performance conditions attached to these awards and the likelihood of those conditions being met.

In the case of appointing a new Executive Director by way of internal promotion, the Group will honour any contractual commitments made prior to his or her promotion to Executive Director.

In the case of appointing a new Non-Executive Director, the approach will be consistent with the remuneration policy.

Executive Service contracts, Non-Executive letters of appointment and exit payments policy

Executive Director service contracts have no fixed term and have a notice period of not more than 12 months from either the Executive or the Group. These notice periods meet best practice guidelines and give protection, mutually, to the Group and the Executive. Executive Director service contracts are available to view at the Group's registered office. The dates of the Executive Director service contracts and the relevant notice period are as follows:

Director	Effective date of contract	Notice period
C.K. Lau	17 May 2018	3 months
Ken Fund	11 July 2018	6 months
Polly Powell	10 February 2020	6 months

Non-Executive Directors are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code, all Directors are subject to re-election annually at the Annual Meeting.

The Chair, together with the other Non-Executive Directors, have a one-month notice period, and are subject to re-election each year.

The Non-Executive Director Letters of Appointment are available to view at the Group's registered office and the effective dates of their Letters of Appointment are as follows:

Non-Executive Director	Date of Appointment	Notice period
Andy Cumming	1 March 2018	1 month
Mei Lan Lam	17 May 2018	1 month
Jane Moriarty	12 November 2018	1 month
Michael Mousley	1 May 2019 (resigned on 10 February 2020)	1 month
Andrea Giunti Lombardo	10 February 2020	1 month

The Committee's policy is to limit severance payments on termination to pre-established contractual arrangements and the rules of the relevant incentive plans. In doing so, the Committee's objective is to avoid rewarding poor performance. Furthermore, the Committee will take account of the Executive Director's duty to mitigate their loss.

Termination payments are limited to base salary and benefits during the unexpired notice period which cannot be mitigated.

No payments were made to past Directors.

In addition to the contractual provisions regarding payment on termination set out above, the Group's incentive plans and share schemes contain provisions for termination of employment.

Component	Annual bonus	PSP
Bad leaver	No annual bonus payable	Outstanding awards are forfeited
Good leaver	Eligible for an award to the extent that performance conditions have been satisfied and pro-rated for the proportion of the financial year served, with Committee discretion to treat otherwise	Outstanding awards will normally continue and be tested for performance over the full period, and pro-rated for time based on the proportion of the period served, with Committee discretion to treat otherwise
Change-of-control	Eligible for an award to the extent that performance conditions have been satisfied up to the change of control and pro-rated for the proportion of the financial year served, with Committee discretion to treat otherwise	Outstanding awards will normally vest and be tested for performance over the period to change-of-control, and pro-rated for time based on the pro-portion of the period served, with Committee discretion to treat otherwise

Any commitment made prior to, but due to be fulfilled after the policy comes into force, will be honoured.

An individual would normally be considered a good leaver if they leave for reasons of death, injury, ill-health, disability, part of the business in which the individual is employed or engaged ceasing to be a member of the Group or any other reason as the Committee decides. Bad leaver provisions apply under other circumstances.

External appointments

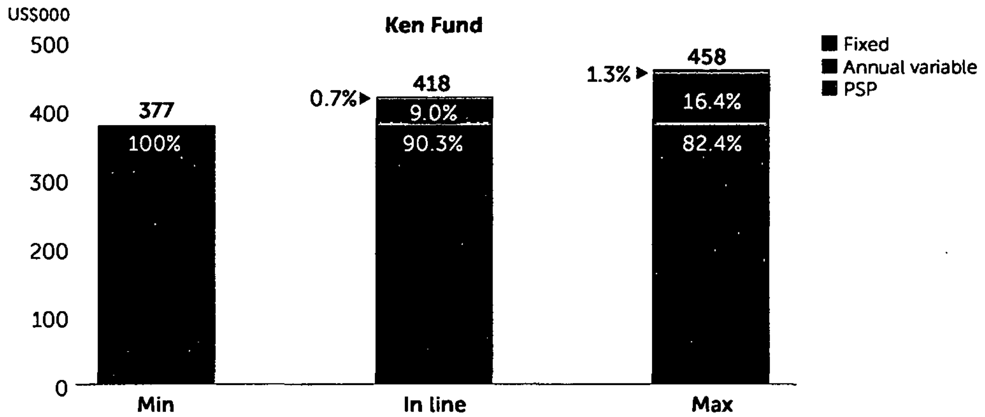
The Executive Directors may accept external appointments with the prior approval of the Board and provided only that such appointments do not prejudice the individual's ability to fulfil their duties at the Group. Whether any related fees are retained by the individual or remitted to the Group will be considered on a case-by-case basis.

Illustration of the application of the remuneration policy

The chart below shows the remuneration that the Executive Directors could be expected to obtain based on varying performance scenarios. C.K. Lau and Polly Powell are not included in the illustrations because neither of them is on bonus plans. Illustrations are intended to provide further information to shareholders regarding the relationship between pay and performance.

Potential reward opportunities illustrated are based on the remuneration policy presented for shareholder approval at the Annual Meeting on 24 June 2020, applied to the latest known fixed pay of base salaries, pension, other benefits and variable pay of annual bonus and PSP. To better illustrate the annual potential reward opportunities, the remuneration and PSP Awards are pro-rated to an annual equivalent.

EXECUTIVE DIRECTORS APPLICATION OF REMUNERATION POLICY



In illustrating the application of the remuneration policy the following assumptions have been made:

Minimum	Basic salary, pension or cash in lieu of pension and benefits. No bonus and no vesting of the PSP.
On target	Basic salary, pension or cash in lieu of pension and benefits. Bonus pay out at 50% of the maximum bonus. PSP vesting at 50% of maximum vesting.
Maximum	Basic salary, pension or cash in lieu of pension and benefits. Bonus pay out at 100%. Full vesting of the PSP.

Consideration of conditions elsewhere in the Group

When reviewing and setting executive remuneration, the Committee takes into account the pay and employment conditions of all employees of the Group.

The Group has not carried out a formal employee consultation regarding Board remuneration, though it does comply with local regulations and practices regarding employee consultation more broadly.

Consideration of shareholder views

It is the Committee's policy to consult with major shareholders or their chosen shareholder representative body prior to any changes to its Executive Director remuneration structure.

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
21 March 2021

Annual Report on Remuneration

THE REMUNERATION COMMITTEE

The Committee's Terms of Reference are available on the Group's website.

The Committee is responsible for:

- Recommending to the Board the remuneration and terms and conditions of employment of the Chair, Executive Directors and key members of senior management;
- Measuring subsequent performance as a prelude to determining the Executive Directors' and key managers' total remuneration on behalf of the whole Board;
- Determining the structure and quantum of short-term scheme; and,
- Granting awards under the Performance Share Plan.

The main issues discussed and/or approved during the financial year under review:

- Approval of the prior year Directors' Remuneration Report;
- Annual review of the Executive Directors' salaries and benefits; and
- Review of the Executive Directors' and the senior managers' performance under the prior year's annual bonus scheme, including a review of their performance against their personal objectives and approval of the bonus awards.

Statement of shareholder voting at the 2020 Annual Meeting

The following table shows the results of the advisory vote on the 2019 Annual Remuneration Report at the Annual Meeting on 24 June 2020.

	Total number of votes	% of votes cast
For (including discretionary)	27,899,057	99.99%
Against	2,500	0.01%
Total votes cast	27,901,557	100%
Withheld	1,000	

Single total figure of remuneration (audited)

The table below sets out a single figure for the total remuneration received (or receivable) by each Director for the year ended 31 December 2020 and the prior year. These amounts are shown in the reporting currency, although the payments that were settled through the UK were paid in Sterling. The exchange rates used in 2020 and 2019 were 1.2900 and 1.2758, respectively.

	Base Salary		Benefits[1]		Annual Bonus[2]		Long-term incentives		Pension		Total remuneration	
Executive Directors	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
C. K. Lau*	–	–	–	–	–	–	–	–	–	–	–	–
Polly Powell* [6]	286	–	–	–	–	–	–	–	29	–	315	–
Ken Fund* [7]	315	346	14	13	–	20	175	44	18	18	522	441

	Fees[3]		Benefits		Annual Bonus		Long-term incentives		Pension		Total remuneration	
Non-Executive Directors	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Andy Cumming*	93	92	–	–	–	–	–	–	–	–	93	92
Mei Lan Lam*	–	–	–	–	–	–	–	–	–	–	–	–
Jane Moriarty*	64	64	–	–	–	–	–	–	–	–	64	64
Michael Mousley* [4,5]	7	65	–	–	–	–	–	–	–	–	7	65
Andrea Giunti Lombardo* [6]	40	–	–	–	–	–	–	–	–	–	40	–

* For period for as a Director/Non-Executive Director.
1 Benefits comprise private medical insurance contributions.
2 Annual bonus for performance over the relevant financial year. Further details can be found in note 6.
3 Details of Non-Executive Directors' fees can be found on pages 31 and 37.
4 The fees for Michael Mousley in 2019 include $23,000 of consulting fees, on an arm's length basis.
5 Resigned on 10 February 2020. Since stepping down from the board of the Company, Michael Mousley has been retained as an advisor to the board.
6 Appointed on 10 February 2020.
7 In 2019 Ken Fund was granted a retention award (a long-term incentive) of which no part of the award payment is due before September 2021 and where payment is subject to eligibility criteria noted on page 37.

ANNUAL REPORT ON REMUNERATION (continued)

Directors' shareholdings

The share interests of the Directors who held office during the year ended 31 December 2020 and of their connected persons in the share capital of the Company are shown below:

	Number of share options of common stock		Number of US$0.10 shares of common stock[1]	
Executive Directors	31 December 2020[1]	31 December 2019[2]	31 December 2020[2]	31 December 2019[3]
C.K. Lau[4]	–	–	16,674,569	6,874,672
Polly Powell	–	–	–	–
Ken Fund	25,496	75,188	24,000	24,000

During the year the market price of the shares of common stock ranged between 46p and 75p. The mid-market price on 31 December 2020 was 58.5p.

	Number of US$0.10 shares of common stock[2,3]	
Non-Executive Directors	31 December 2020	31 December 2019
Andy Cumming	–	–
Mei Lan Lam	–	–
Jane Moriarty	–	–
Andrea Giunti Lombardo[5,6]	8,177,820	–
Michael Mousley[7]	45,700	45,700

1 Following an open offer which concluded on 31 January 2020 the allotted share capital of the Company increased from 20,444,550 shares of common stock to 40,889,100.
2 Or date of resignation
3 Or date of appointment
4 Shares held on 31 December 2020 by C.K. Lau (1,679,743) plus shares held by 1010 Printing Limited (14,994,826) a company over which C.K. Lau exercises control.
5 Shares held by Andrea Giunti Lombardo are jointly held with Sergio Giunti and by Montecristo 2019 S.r.L. (a private limited company incorporated under the laws of Italy; it is an entity ultimately controlled by Sergio Giunti and Andrea Giunti Lombardo).
6 Appointed on 10 February 2020.
7 Resigned on 10 February 2020.

No director receives, or has an entitlement to receive, shares in the Company as part of his or her remuneration. A 50% appreciation in the Company's share price would have no impact on a director's remuneration. As noted below Ken Fund has been granted share options under the Company's PSP Scheme (see note 28).

Directors' share options

Shares: Common Stock of $0.10 each

	Date of grant	As at 1 January 2020*	Granted	Lapsed in year[1]	As at 31 December 2020	Face value at date of grant (£'000)	Fair value at date of grant (£'000)	Price at exercise date
Ken Fund	19/04/2016	49,692	–	(49,692)	–	122	126	n/a
	28/04/2017	25,496	–	–	25,496	67	68	n/a
		75,188	–	(49,692)	25,496			

1 The option granted on 19 April 2016 did not vest in April 2020.
* Or date of appointment

All awards under the PSP schemes have a four-year vesting period.

Executive directors' base salaries/fees

During the year 2020, C.K. Lau, appointed on 17 May 2018, received $nil, in accordance with his service contract.

During the year 2020, Polly Powell, appointed on 10 February 2020, received $286,583, in accordance with her service contract.

During the year 2020, Ken Fund, appointed on 11 July 2018, received $314,738 in accordance with his service contract.

Pension and other benefits

The Group made an annual contribution to the personal pension plan of Ken Fund of $18,338, and £22,560 for Polly Powell.

Long-Term Incentives – PSP Awards

Under the Remuneration Policy, awards of nominal-cost (or nil-cost) options may be granted annually up to 50% (in exceptional circumstances up to 100%) of base salary to the Executive Directors. Adhering to the same principles, other applicable employees may receive an award (up a maximum of 40% of base salary, but typically much less). In considering the size of awards, the Remuneration Committee has regard to the principles set out on page 30 of this report. The share options granted in April 2016 did not vest in April 2020.

Half of the awards have a performance condition relating to cumulative Adjusted Diluted EPS performance for the four financial years 2017 to 2020 inclusive. The other half of these awards have a performance condition relating to total shareholder returns ('TSR') from a combination of dividends and share price growth (measured as an average over a 20 business day period leading up to grant and vesting as appropriate). The TSR period runs from 28 April 2017 to 28 April 2021.

Targets for EPS are annual compounded growth of 5% for Threshold to 10% for Stretch. Targets for total shareholder returns over the period are annual compounded growth of 7% for Threshold and 15% for Stretch.

The Committee believes the TSR directly measures shareholder returns and thereby aligns the goals of management and shareholders. However, TSR can be affected by a variety of investment factors, which are far removed from those which management can directly affect. The Committee believes that cumulative diluted EPS to be a good measure of managements' long–term impact on the business and which over time translates into shareholder value. Thus a combination of TSR and EPS is believed to be suitable goals for the PSP Awards. Major shareholders have been consulted about adding the TSR condition.

Retention Award

Ken Fund has been granted a retention award that offers a total payment of $500,000 composed of two elements: (I) a payment of $350,000 so long as he remains employed by the Company until at least 30 September 2021, and (ii) a performance-related payment of up to $150,000 assessed on profit-achievement by the Group for financial years 2020 and 2021.

Chair and Non-Executive director fees

The Non–Executive Directors' annual fees for 2020 were as follows: Andy Cumming £72,000, Jane Moriarty £50,000, Mei Lan Lam $nil, Michael Mousley £5,604 (resigned on 10 February 2020), and Andrea Giunti Lombardo (appointed on 10 February 2020) £31,092.

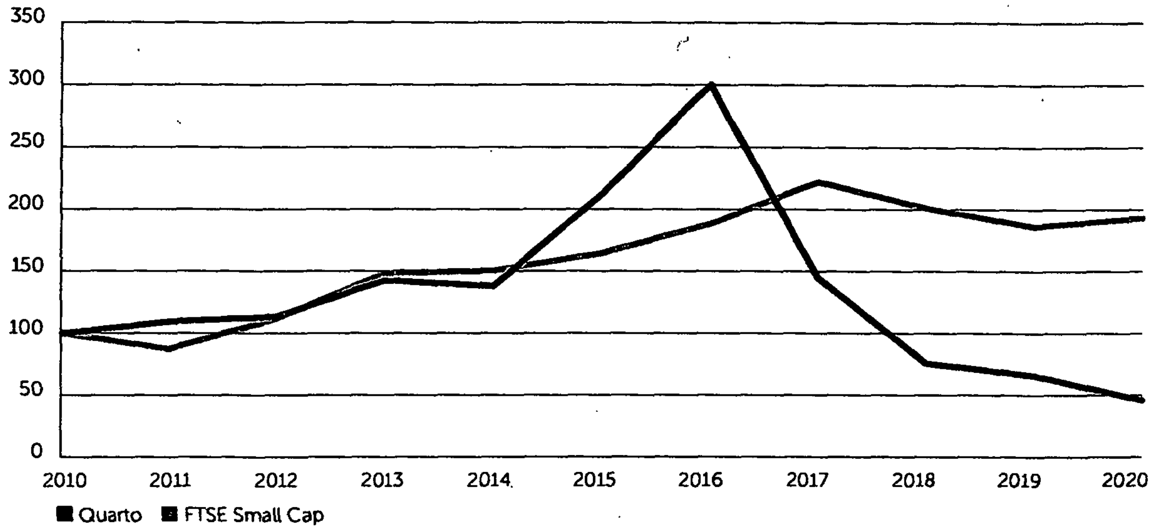
Relative importance of spend on pay

The graph below shows how total employee pay compares with expenditure on intellectual property for years ended 31 December 2019 and 31 December 2020.

Review of group performance

The chart below compares the value of £100 invested in Quarto shares, including re-invested dividends, on 31 December 2010 compared to the equivalent investment in the FTSE Small Cap Index, over the last nine financial years. The FTSE Small Cap Index has been chosen as it comprises companies of a broadly similar size to Quarto.

Performance graph



The table below shows the single figure for the CEO over the same period.

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CEO single figure of remuneration including bonus ($'000)		750	996	1,020[1]	870	842	929	3,252	701	230[2]	–	119[4]
Annual bonus awarded	$ amount ($'000s)	393	573	121[3]	233	169	305	34	150	–	–	–
	% of maximum opportunity	–	–	–	56.90%	33.50%	95.00%	12.0%	31%	–	–	–
PSP vesting	$ amount ($'000s)	–	–	–	–	–	–	2,651	–	–	–	–
	% of maximum opportunity	–	–	–	–	–	–	100%	–	–	–	–

1 The figure for 2012 is a combination of remuneration of Laurence Orbach, the previous CEO, and Marcus Leaver for the respective periods.
2 The figure for 2018 is a combination of remuneration of Marcus Leaver, the previous CEO, and C.K. Lau for the respective periods.
3 Discretionary.
4 The figure for 2020 is a combination of remuneration of C.K. Lau who was Group CEO until 18 September 2020 when Polly Powell was appointed Group CEO.

Change in CEO remuneration and for employees as a whole

The table below shows the change in CEO annual cash remuneration, defined as salary, taxable benefits and annual bonus, compared to the average employees for 2019 to 2020.

	Group CEO			Average for other employees
$'000	2020[1]	2019	% change	% change
Salary	119	–	–	(6)
Taxable benefits	–	–	–	7
Annual variable bonus	–	–	–	240
Total	119	–	–	(5)

1 From 18 September 2020 when Polly Powell replaced C.K. Lau.

Salary, benefits and bonuses for other employees have been impacted by exchange rate movements.

Dilution limits

The Group has at all times complied with the dilution limits set out in the rules of its share plans (principally a limit of 10% in 10 years). In the 10-year period to 31 December 2020, awards made under the Group's share schemes represented 3.6% (2019: 4.4%) of the Group's issued share capital.

Directors' shareholding guidelines and share scheme interests

There has been no requirement for Executive Directors to retain shares as no other shares have vested and they are compliant with the shareholding guidelines.

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
21 March 2021

Directors' Report

Group
The Directors present their report and the audited financial statements of The Quarto Group, Inc., for the year ended 31 December 2020.

Results
The profit for the year was $4.6m (2019: $2.9m). The Directors do not propose a dividend.

Key performance indicators showing the Company's performance in 2020 and the prior three years can be found on pages 14 and 15.

An indication of likely future developments in the business of the Group is included in the Strategic Report on page 8.

Directors
Serving Directors during the year were as follows:

Andy Cumming*	(Non-Executive Chairman) Appointed 1 March 2018
C.K. Lau	(Executive Director; President; Group Chief Executive Officer until 18 September 2020) Appointed 17 May 2018
Polly Powell	(Executive Director; Group Chief Executive Officer from 18 September 2020) Appointed 10 February 2020
Michael Mousley	(Appointed 17 May 2018 as an Executive Director) Non-Executive Director from 1 May 2019 until 10 February 2020
Mei Lan Lam	(Non-Executive) Appointed 17 May 2018
Ken Fund	(Executive Director; Chief Operating Officer) Appointed 11 July 2018
Jane Moriarty*	(Non-Executive; Vice-Chair; Senior Independent Director) Appointed 12 November 2018
Andrea Giunti Lombardo	(Non-Executive) Appointed 10 February 2020

* Considered by the Board to be independent.

None of the Directors have a service agreement of more than one year's duration. All of the directors are subject to annual re-election. The letters of appointment of the Non-Executive Directors are made available for inspection at the Company's registered office.

No Director had a contract of significance with the Company or its subsidiaries during the year.

On 10 February 2020, Polly Powell was appointed as an Executive Director (as Chief Executive Officer, Quarto UK; on 18 September 2020 she replaced C.K. Lau as Group Chief Executive Officer) and Andrea Giunti Lombardo was appointed as a Non-Executive Director. Andrea Giunti Lombardo is not considered to be independent.

Disclosure of information under Listing Rule 9.8.4
For the purpose of compliance with LR 9.8.4 R, the following information is included by reference within the Directors' Report:

LR 9.8.4 R requirement:	Location:
Directors' remuneration	Annual Report on Remuneration, pages 35 to 39.
Details of Long-term Incentive Plans	Annual Report on Remuneration, pages 35 to 39.
Related Party Transactions	The Company purchases printing services from 1010 Printing Limited, a company over which C.K. Lau exercises control. These purchases are made on a job-by-job basis at arm's length. Financial Statement note 29 summarizes purchases of printing services from 1010 Printing Limited. Unsecured loans provided by 1010 Printing Limited and C.K. Lau are summarized in Financial Statement note 29. 1010 Printing Limited provided an additional $10m unsecured loan in Q1 2021. Revenue generated from Pavilion Books Limited, a company over which Group CEO Polly Powell exercises control, is summarized in Financial Statement note 29. Revenue generated from Giunti Editore spa, a company over which Non-Executive Director Andrea Giunti Lombardo exercises control, is summarized in Financial Statement note 29.

With reference to LR 9.8.4 R (14)(a), the Company entered into a written and legally binding relationship agreement with 1010 Printing Limited, Lion Rock Group Limited and C.K. Lau. The Company confirms in relation to the requirements of LR 9.8.4 (14)(c) that: (i) it has complied with the undertakings of the relationship agreement; (ii) as far as the Company is aware, the controlling shareholder parties have complied with the relationship agreement; and (iii) so far as the Company is aware, the procurement obligations of LR 9.2.2B R (2)(a) have been complied with within the period under review. At a special shareholder meeting held on 31 January 2020 the Company's By-Laws were amended to comply with LR 9.2.2AD R (2).

Employees

Applications for employment of disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters.

The Board recognises the importance of diversity amongst its employees and is committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. In 2020 the Company established a Diversity Group to make the Company's workplace inclusive and diversity equitable as described on page 16. The gender split across the Group as at 31 December 2020 is illustrated in the table below.

	Males	Females
Board	4	3
Senior managers	8	10
All employees	71	221

Substantial shareholders

The Directors have been advised of the following shareholders who have an interest of 5% or more in the shares of the common stock of the Company at 31 December 2020 and 19 March 2021. 19 March 2021 is the latest practicable date prior to the publication of this report.

	As at 31 December 2020		As at 19 March 2021	
	Number of US$0.10 shares of common stock[1]	% holding of the issued capital of the Company	Number of US$0.10 shares of common stock	% holding of the issued capital of the Company
1010 Printing Limited/C.K. Lau[2]	16,674,569	40.8	16,674,569	40.8
Giunti[3]	8,177,820	20.0	8,177,820	20.0
L.F. Orbach	4,103,615	10.0	4,103,615	10.0

1 Following an open offer which concluded on 31 January 2020 the allotted share capital of the Company increased from 20,444,550 shares of common stock to 40,889,100.
2 1010 Printing Limited is ultimately controlled by C.K. Lau. 1010 Printing Limited holds 14,994,826 common shares, and C.K. Lau holds 1,679,743 common shares.
3 Sergio Giunti and Andrea Giunti Lombardo (shareholders of the Company) plus Montecristo 2019 S.r.L., a private limited company incorporated under the laws of Italy (an entity, ultimately controlled by Sergio Giunti and Andrea Giunti Lombardo).

The rights attaching to the Company's shares of common stock are set out in the Company's By-Laws, which can be found on the Company's website, www.quarto.com. The rules for appointment and replacement of the Directors are set out in the Company's By-Laws. The powers of the Directors are set out in the Company's By-Laws.

The Company may amend its By-Laws by special resolution approved by the affirmative vote of the holders of a majority of the voting power of the shares. The Directors' interests in the shares of the Company are set out on page 36. There are no restrictions on the number of shares that Directors can hold.

In 2020 the following amendment to the Company's By-Laws was approved at a Special Meeting of shareholders held on 31 January 2020: the election or re-election of any independent director by shareholders must be approved by (a) the shareholders of the Company, and (b) the independent shareholders of the Company (which excludes any controlling shareholders of the Company). At the same Special Meeting, shareholders approved a resolution to increase the authorized number of Common Shares ($0.10) to 55,000,000. The Company's Certificate of Incorporation was amended accordingly.

Open Offer (January 2020)

On 16 January 2020, the Group announced an Open Offer of 20,444,550 new Common Shares at 68 pence per share, raising net proceeds of $17m. On the same day, the Group concluded its refinancing, signing an extension to its existing bank facilities to 31 July 2021. The multi-currency facility comprised a $25m term loan, a $8m revolving credit facility and a $2m overdraft facility.

DIRECTORS' REPORT (continued)

Post balance sheet events

On 16 February 2021, the Group concluded its refinancing, signing an extension to its existing bank facilities to 16 July 2024. The multi-currency facility comprises a $10m term loan, a $8m revolving credit facility and a $2m overdraft facility. On the same date, Lion Rock Group Limited, a related party agreed to provide the Group a $10m loan note at 4% interest, repayable on 31 July 2024.

Risk management strategy

The Group is exposed to a number of principal risks and uncertainties. The Group's financial risk management strategy is set out in on page 19 of the Risk Management Review. Operational risks are set out on pages 20 and 21 of the Risk Management Review.

Corporate governance

The Company is committed to high standards of corporate governance and supports the principles laid down in the UK Corporate Governance Code issued by the Financial Reporting Council in 2018 (the 'Code'), available from the FRC website at www.frc.org.uk. The Board considers that the Company has been in compliance with the principles and provisions of the Code throughout the year ended 31 December 2020 and to the date of this report with the exception of Provisions 11 and 24.

From 2019, the Code provides that at least half the board of directors of a UK public listed company, excluding the chairman, should comprise non-executive directors whom the board of directors considers to be independent (Provision 11). Having considered the guidelines for independence as set out in the Code and the situation of each Director, the Board is satisfied on each Director's independence and considers that, even though the Company does not meet the quota of independent directors pursuant to the Code, two independent directors, which has been the case since late 2018, are adequate for a company of the Company's size and nature of the business conducted by the Group.

As a "smaller company" (as defined in the Code as a company below FTSE 350 index throughout the year immediately prior to the reporting year), the Company complies with the requirements of Provision 24 except that the Chair of the Board is a member of the Audit and Risk Committee. The Board is satisfied that both members of the Audit and Risk Committee are independent and bring a wide range of skills, expertise, experience and competence relevant to the sector in which the Company operates and the challenges it faces and can satisfy the responsibilities of Provision 25.

The Board will continue to monitor its corporate governance arrangements, in the light of the Code (and future changes), as the Group develops and grows.

The Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Section 172 statement

The Company's section 172 statement can be found in the Strategic Report on pages 17 and 18.

Attendance by Directors at Board and Committee meetings in 2020

	Board	Audit and Risk Committee	Nominations Committee	Remuneration Committee
Andy Cumming	18	3	1	3
C.K. Lau	12	–	1	3
Polly Powell[1,2]	17	–	–	–
Ken Fund[2]	18	–	–	–
Mei Lan Lam[2]	18	–	–	–
Jane Moriarty	17	3	1	3
Andrea Giunti Lombardo[2]	17	–	–	–
Michael Mousley (resigned on 10 February 2020)[3,4,5]	–	–	–	–
Total number of meetings	18	3	1	3

1 Attends Remuneration Committee meetings from 2021 by invitation.
2 Not members of the Remuneration Committee.
3 Member of the Remuneration Committee from 16 April 2019 to 10 February 2020.
4 Member of the Audit and Risk Committee from 12 August 2019 to 10 February 2020; prior to 12 August 2019 attended Audit and Risk Committee by invitation only.
5 Following resignation attends Board, Remuneration Committee, and Audit and Risk Committee meetings as an advisor by invitation.

The principles of the Code have been applied as follows:

a) The Board of Directors represents the shareholders' interests in maintaining and growing a successful business including optimizing consistent long-term financial returns.
b) As at 31 December 2020, the Board comprised three Executive Directors and four Non-Executive Directors. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. The different roles of the Chairman and Chief Executive Officer are acknowledged. Jane Moriarty, the Senior Independent Director, is available to shareholders, if they have concerns that are not able to be resolved through normal channels. Two Non-Executive Directors, Andy Cumming and Jane Moriarty were considered by the Board to be independent throughout 2020.
c) There are a number of standing Committees of the Board to which various matters are delegated. They all have formal terms of reference approved by the Board which are available on the Company's website (www.quarto.com).
d) The Board met 18 times in 2020. Attendance details are set out above. A formal agenda is prepared for each meeting and all board papers and information are circulated to the Board at least 2 business days before the meetings except in the case of meetings that are convened on short notice.
e) All of the Directors are subject to re-election by the shareholders at the Annual Meeting. The Board is satisfied to support the re-election of Andy Cumming, Jane Moriarty, Mei Lan Lam and Andrea Giunti Lombardo as Non-Executive Directors as they have individually produced excellent performance in their duties and have shown a high level of commitment to their roles.
f) The remuneration of the Executive Directors is recommended by the Remuneration Committee, comprising Jane Moriarty, who is the Committee Chair, Andy Cumming, Michael Mousley (from 16 April 2019 until 10 February 2020), and C. K. Lau. A separate report with respect to Directors' remuneration is included on page 35. The Committee meets at least twice a year. In the year ended 31 December 2020 the Committee had met 3 times.
g) The Audit and Risk Committee comprises Jane Moriarty, who is Committee Chair, and Andy Cumming. The Board is satisfied that the members of the Committee have appropriate financial experience to fulfil their role. Further details of the Committee's work can be found on pages 25 to 27.
h) The Nominations Committee comprises Andy Cumming, who is Committee Chair, Jane Moriarty and C. K. Lau. Details of the work of the Nominations Committee during the year are set out in its report on page 24.
i) The C.K. Lau and the Company Chairman are responsible for investor relations. They meet with major shareholders during the course of the year in order to understand their views, that are then communicated to the rest of the Board at Board meetings. The Non-Executive Chairman and Senior Independent Director will meet with major shareholders from time to time. Shareholders are invited to attend the Annual Meeting at least 20 days in advance of the meeting. In 2020 as a result of the Covid-19 pandemic and government restrictions on travel, shareholders were advised not to attend the Annual Meeting and to vote by proxy. Quarto notified shareholders of the opportunity to ask questions via e-mail in advance of the Annual Meeting.
j) The Board has a procedure for Directors to take independent professional advice at the Company's expense, if required.
k) All Directors have access to the advice and services of the Company Secretary.
l) Quarto has arranged appropriate insurance cover in respect of legal action against the Directors.
m) The Company has an established whistle-blowing policy and anti-bribery policy.

Greenhouse gas emissions reporting

During the year, the Group worked with Energy Management Ltd, an energy procurement and carbon consultancy, to develop GHG reporting protocol based on DEFRA and World Resource Institute guidelines.

The Group has chosen to use Operational Control in their approach to reporting utility data, electricity and natural gas from UK and International operations. This includes sites that have been disposed of during the reporting period. Scope 1 (Natural Gas) and Scope 2 (Electricity) are reported on below, but the Group is not reporting on Scope 3 emissions covering emissions from transport and emissions from fully serviced offices where only a service charge is applied.

The Group has identified GHG (Greenhouse Gas) emissions per employee as the most appropriate available KPI (referred to as the intensity ratio) and has chosen 2014 as our Base Year, following the disposal of our silk-screen printing business in 2013.

Global GHG emissions

	Total tCO_2e 2020	UK (tCO_2e) 2020	UK (kWh) 2020	Total tCO_2e 2019	UK (tCO_2e) 2019	UK (kWh) 2019
Scope 1	11	11	60,364	12	12	64,653
Scope 2	117	45	191,975	132	60	235,929
Total	128	56	252,339	144	72	300,582
Average number of staff	302	172	172	334	189	189
Emissions per staff member	0.42	0.33	1,471	0.43	0.38	1,590

DIRECTORS' REPORT (continued)

Streamlined Energy and Carbon Reporting

The Company's principal source of emissions arises from the operation of its facilities, and in 2020 following a review of office space in the UK, office square footage reduced by 13% from March 2021. UK emissions are identified in the above table as measured by tCO_2e and kWh for 2020 and 2019.

The UK's SECR requirement expands on the emissions that relate to the Company's UK subsidiary, Quarto Publishing plc, and so an appropriate report will be given in that company's annual report.

During 2021, the Company will further review its activities in relation to SECR.

Risk management and internal controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. As noted earlier, the Directors have carried out a robust assessment of the principal businesses and considered the controls in place to eliminate or mitigate the impact of key risks. The Board has in place risk management systems in relation to the Company's financial reporting process and the Group's process for the preparation of the consolidated financial statements. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Established procedures are in place to identify and consolidate reporting entities. Our control activities include policies and practices covering appropriate authorization and approval of transactions, the application of financial reporting standards and reviews of significant judgements and financial performance.

The main elements of the internal control and financial reporting systems are:

a) The results of individual operating segments are reported and reviewed by the Board at its meetings during the year.
b) The management reports of each operating segment are tailored to suit the business and management needs of local management. Each operating segment has its own key performance indicators, and these are regularly reviewed and assessed.
c) In addition to monthly reporting, individual operating units report certain management information more frequently, where it is considered appropriate.
d) All operating units report their bank balances weekly and a report is produced summarizing the Group position.
e) All operating units prepare annual budgets and cash flow forecasts which are reviewed by the Board.

The UK Corporate Governance Code introduced a requirement that the Directors perform on-going monitoring and review of the effectiveness of the Group's system of internal controls, to cover all controls including financial, operational, compliance, and risk management. The Board confirms that there are ongoing processes covering the identification, evaluation and management of the significant risks faced by the Group which cover all material controls. The processes are carried out through Group Board meetings, quarterly subsidiary management meetings, discussion and review by the Executive Board and the finance department during the several visits per year to individual operating units, and discussions with professional advisers where appropriate. We will continue to develop our risk management framework set out on pages 19 to 21 during 2021.

M Clarke

Michael Clarke
Company Secretary
21 March 2021
Company Registration Number: FC0 13814

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, Annual Report and the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

The Company is an 'overseas' company within the meaning of the Companies Act 2006.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards for the parent company and IFRSs as adopted by the European Union for the Group have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs, 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 and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Polly Powell
Group Chief Executive Officer
21 March 2021

Independent Auditor's Report to the Members of The Quarto Group, Inc.

Opinion

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED
We have audited the financial statements of The Quarto Group, Inc. (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of comprehensive income, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 December 2020 and of the group's profit and the parent company's profit 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 which would have applied were the parent company incorporated in the United Kingdom; 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 group and the parent 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 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

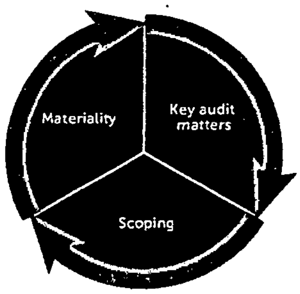
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the group's and the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Grant Thornton

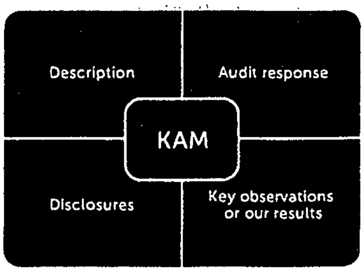


OVERVIEW OF OUR AUDIT APPROACH

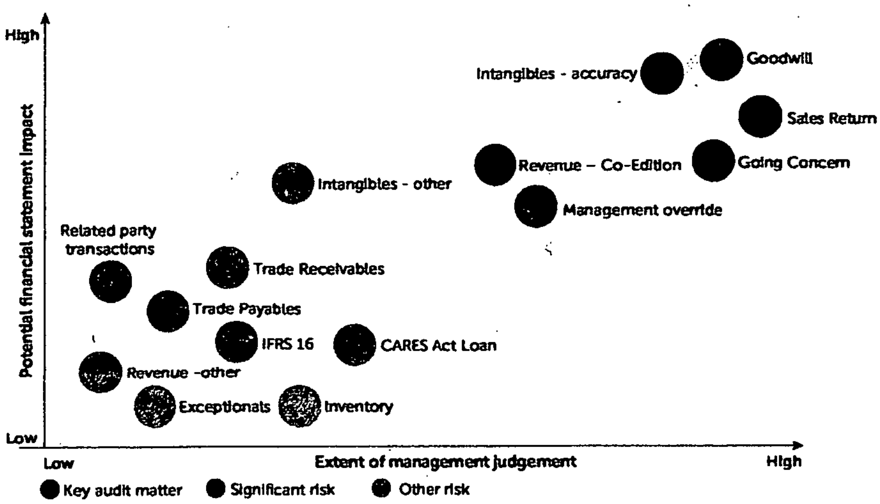
- Overall materiality: £632,000, which represents approximately 0.5% of the group's revenue.
- Key audit matters were identified as assessing the completeness of the sales return provision, assessment of the carrying value of goodwill, assessment of the accuracy of pre-publication intangible assets and the going concern assessment. This is consistent with the key audit matters identified in the prior year.
- We have performed a full scope audit of the financial statements of the parent company and of the financial information of Quarto Publishing plc ('Quarto UK') and Quarto Publishing Group USA Inc. ('Quarto US'). We have performed analytical procedures on the financial information of other companies within the group.

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) that we identified. These matters included those that 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 the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter – Group	How our scope addressed the matter – Group
COMPLETENESS OF THE SALES RETURNS PROVISION We have identified the completeness of the sales returns provision as one of the most significant assessed risks of material misstatement due to error The Group generates material revenues from published books. Certain trade customers have a right of return for these books and therefore the revenue is recognised net of a provision for these returns. At 31 December 2020, this provision totals $6,481,000. Management judgement is required when assessing the level of returns which are expected to occur subsequent to the year end for sales made during the year. The key assumption applied is in relation to historical return experience, which is used in order to predict future returns and therefore the provision which is required to be made. We therefore identified the completeness of the sales returns provision as a significant risk, which was one of the most significant assessed risks of material misstatement. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2020** • **Financial statements:** Note 1, General information and significant accounting policies and Note 21, Trade and other payables; • **Audit and risk committee report:** Page 26	Our audit work included, but was not restricted to: • Considering the appropriateness of the accounting policy for the provision for sales returns by checking whether it is in accordance with the financial reporting framework, including IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRS 15 'Revenue from Contracts with Customers'. • Testing a sample of returns made during the year to supporting documentation in order to confirm the accuracy of the data used to calculate the rates of returns used in management's calculation of the provision; • Recalculating the provision to confirm that it is appropriate and in accordance with management's policy; • Comparing actual returns in the period to the provision made in the prior period in order to evaluate the accuracy of management's forecasting; • Obtaining actual returns for the period after the balance sheet date and comparing these with the returns provision for the same period; and • Inquiring of sales and operations staff as to their knowledge of any exceptional returns in the period or the potential for these in the returns period. **OUR RESULTS** • Our audit work did not identify any material errors in the completeness of the sales returns provision.

Key Audit Matter – Group	How our scope addressed the matter – Group
ASSESSMENT OF THE CARRYING VALUE OF GOODWILL • We identified the assessment of the carrying value of goodwill in relation to Quarto US as one of the most significant assessed risks of material misstatement due to error. • The Group holds $19,381,000 of goodwill on its balance sheet, including $12,882,000 relating to Quarto US as disclosed in Note 11 to the group financial statements. • In accordance with International Accounting Standard 36 'Impairment of Assets' ('IAS 36'), goodwill is subject to an annual impairment test. • We consider that the carrying value of the goodwill for this cash generating unit (CGU) is a key risk due to the sensitivity of the impairment calculations to a reasonably possible change in the key assumptions, including the discount rate, cash flow forecasts and growth rates. • We therefore identified the assessment of the carrying value of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2020** • **Financial statements:** Note 1, General information and significant accounting policies and Note 11, Goodwill; • **Audit and risk committee report:** Page 26	Our audit work included, but was not restricted to: • Considering the appropriateness of the accounting policy by checking whether it is in accordance with the financial reporting framework, including IAS 36 'Impairment of Assets'; • Consideration of the appropriateness of the CGU definition applied by management, based on discussions with management and inspection of internal reporting documents; • Obtaining management's impairment review model, testing its mathematical accuracy and key assumptions within the model; • Assessing the appropriateness of the asset and liability amounts included in the carrying value of each of the cash generating units which were assessed by management as part of the impairment review; • Challenge of management on the allocation of overheads within the CGUs; • Assessing the discount rate applied, including an assessment by our valuation specialists and benchmarking the rate against that used by competitors; • Performing sensitivity analysis around the value in use calculation performed by management; • Considering the post year end performance for January and February of the group against budget and comparing historical budgets to actual performance in order to assess the accuracy of budgets prepared by management; and • Assessing the adequacy of financial statement disclosures in relation to the impairment reviews and sensitivity analysis. **KEY OBSERVATIONS** • Our audit expert calculated that the discount rate used for the impairment reviews should be in the range 12.0% to 14.3%, whereas management's rate was outside of this range at 11.4%. Using the auditor experts discount rates did not on its own lead to an impairment, but we note that the impact of a change in discount rate has a significant affect on the discounted cash forecasts, as is indicated in management's sensitivities as disclosed in note 11

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter – Group	How our scope addressed the matter – Group
ASSESSMENT OF THE ACCURACY OF PRE-PUBLICATION INTANGIBLE ASSETS We identified the assessment of the accuracy of pre-publication intangible assets as one of the most significant assessed risks of material misstatement. The Group's holds capitalised pre-publication costs as intangible assets which have a net book value of $41,013,000 on its consolidated balance sheet. This represents costs which are capitalised by the Group in relation to the development of book titles, including directly attributable overhead costs. There is management judgement involved in determining which costs are directly attributable to the development of books and should therefore be capitalised. We therefore identified the assessment of the accuracy of pre-publication intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2020** • **Financial statements:** Note 1, General information and significant accounting policies and Note 15, Intangible assets – pre-publication costs; • **Audit and risk committee report:** Page 26	Our audit work included, but was not restricted to: • Considering the appropriateness of the accounting policy by checking whether it is in accordance with the financial reporting framework, including IAS 38 'Intangible Assets'; • Testing a sample of costs capitalised in the year to supporting documentation in order to confirm they are directly attributable to the development of book titles; • Holding inquiries with members of the creative team to understand their role and the appropriateness of their time being capitalised to pre-publication costs; • Challenging judgements made by management in determining which costs are directly attributable to the development of book titles; and • Testing the transfers made from assets under construction to pre-publication costs. **OUR RESULTS** • Our audit work did not identify any material errors in the accuracy of pre-publication intangible assets.
GOING CONCERN We identified going concern as one of the most significant assessed risks of material misstatement. Covid-19 is one of the most significant economic events currently faced worldwide and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and the company. Whilst the Group has seen a decline in sales to some bookstores it has also seen an increase in sales by its online customers. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2020** • **Financial statements:** Note 1, General information and significant accounting policies; • **Audit and risk committee report:** Page 25 • **Strategic report:** Financial Review, Page 13	Our audit work included, but was not restricted to: • Obtaining management's forecasts covering the period to 31 March 2022 and assessing their integrity and suitability as a basis for management to assess going concern; • Corroborating the existence and key terms of the group's loan facilities and covenant compliance for the period covered by management's forecasts; • Corroborating the opening net cash position within the model to supporting evidence as at 31 December 2020; • Analysing and challenging management's historical forecasting accuracy; • Considering the severity and plausibility, in light of our knowledge of the business, of management's sensitivity analysis for downside scenarios; • Testing the accuracy of management's reverse stress test scenario; • Evaluating and corroborating key assumptions to underlying supporting information and fact patterns as appropriate whilst considering any contra indicators; and, • Assessing the adequacy of the going concern disclosures included within the financial statements based on our knowledge of the forecasts. **OUR RESULTS** • Our audit work did not identify any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

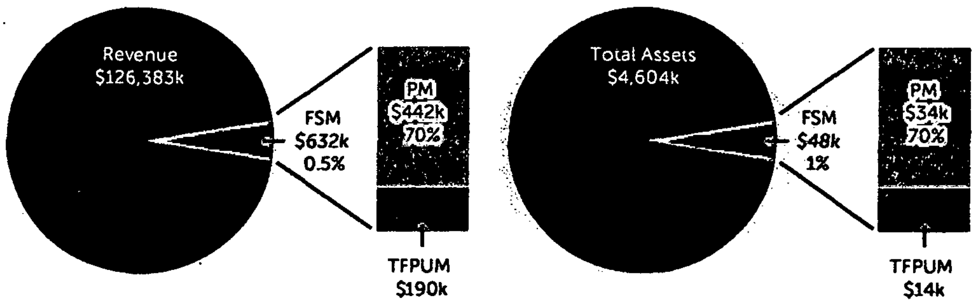
Materiality measure	Group	Parent company
MATERIALITY FOR FINANCIAL STATEMENTS AS A WHOLE	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	$632,000 which is 0.5% of revenue.	$48,300 which is 1% of the parent company's total assets.
Significant judgements made by auditor in determining the materiality	This benchmark is considered the most appropriate because revenue is a key driver of the business and is monitored by management and the directors. As part of this assessment, we considered the use of earnings before tax as the benchmark however as there have been significant fluctuations in the group's earnings before tax in recent years this was not deemed to be appropriate. Given the current uncertainties in the macro-economic environment a percentage of 0.5% of the revenue benchmark has been applied. We also referred to key metrics and highlights raised in the annual report to pinpoint our revenue based materiality, this is based on expectations of what the entity deems to be key benchmarks for users of the financial statements Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the decrease in the group's revenue in the current year.	This benchmark is considered the most appropriate because the parent company is a holding company and has no revenue. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increase in net assets of the parent company as a result of the equity issue.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit based on a pro-rata of revenue from January 2020 to August 2020. During the course of our audit, we re-assessed initial materiality based on actual revenue for the year ended 31 December 2020 and adjusted our audit procedures accordingly. This was to ensure our audit work has been completed to an appropriate level based on the materiality benchmark selected.	No reassessment of materiality was required.

INDEPENDENT AUDITOR'S REPORT (continued)

Materiality measure	Group	Parent company
PERFORMANCE MATERIALITY USED TO DRIVE THE EXTENT OF OUR TESTING	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	$442,400 which is 70% of financial statement materiality.	$33,810 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the significant judgement to increase performance materiality from 65% to 70%, this is based on only a small number of adjustments being noted in the prior year and changes being implemented by management in relation to the processes surrounding areas in which adjustments have previously been identified.	
SPECIFIC MATERIALITY	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for certain areas including directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas including directors' remuneration and related party transactions.
COMMUNICATION OF MISSTATEMENTS TO THE AUDIT COMMITTEE	We determine a threshold for reporting unadjusted differences to the audit committee	
Threshold for communication	$31,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$1,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

UNDERSTANDING THE GROUP, ITS COMPONENTS, AND THEIR ENVIRONMENT, INCLUDING GROUP-WIDE CONTROLS

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- The group comprises of two trading components alongside a number of dormant components. The groups financial system is independent at each component however input is provided into the group wide controls by group management.

IDENTIFYING SIGNIFICANT COMPONENTS

- Evaluation by the group audit team identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets, revenues and profit before taxation

WORK TO BE PERFORMED ON FINANCIAL INFORMATION OF PARENT AND OTHER COMPONENTS

- The parent entity has been subjected to a full scope audit, being an audit of the financial information of the component using component materiality, of its financial statements;
- Based on our evaluation we considered that the only significant components of the group are Quarto Publishing plc and Quarto Publishing Group (USA) Inc. due to their significance to the group;
- Key audit matters were identified within the group as part of our risk assessment procedures. Disclosures as to how the key audit matters identified have been addressed can be found within the key audit matter section of our audit report;
- The financial information of the other components in the group has been subjected to analytical.

PERFORMANCE OF OUR AUDIT

- The full scope audits performed represent 100% of the group's continuing revenue for the year, 100% of the group's total assets, and 98.8% of the group's total liabilities;
- As part of our procedures a review of the groups IT systems and controls has been completed.

CHANGES IN APPROACH FROM PREVIOUS PERIOD

- Our approach is consistent with the approach used in the previous period with the exception being that due to travel restrictions imposed as a result of COVID-19, our audit work in relation to Quarto Publishing Plc and Quarto Publishing Group (USA) Inc. had to be completed virtually as opposed to site visits, this includes the virtual attendance of stock counts.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006, WERE IT TO APPLY TO THE PARENT COMPANY, ARE UNMODIFIED

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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006, WERE IT TO APPLY TO THE PARENT COMPANY

In the 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION, WERE THE COMPANIES ACT 2006 TO APPLY TO THE PARENT COMPANY

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

Corporate governance statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's and the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement 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's 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 - refer to page [25];
- the directors' explanation in the annual report as to how they have assessed the prospects of the group and the parent company, 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 and the parent company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions - refer to page 25;
- the directors' statement 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 and the parent company's performance, business model and strategy - refer to page 42;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the group and the parent company (including the impact of Brexit and Covid-19) and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of Brexit and Covid-19 - refer to page 19;
- the section of the annual report that describes the review of the effectiveness of group's and the parent company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls - refer to page 19; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed - refer to pages 25 to 39.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS
As explained more fully in the directors' responsibilities statement, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the group and the industry in which they operate. We determined that the following laws and regulations were most significant: IFRSs as adopted by the European Union, Listing Rules, Companies Act 2006 and the UK Corporate Governance Code.
- We obtained an understanding of how the parent company and the group is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the parent company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates; and
  - identifying and testing journal entries posted in the year which were deemed to be unusual.
- We note our key audit matter in relation to the completeness of the sales return provision relates to irregularities, including fraud. Refer to key audit matters for work completed and our results from the procedures performed.
- No matters of non-compliance with laws and regulations and fraud were identified by the engagement team or communicated to the engagement team.
- We note that there is no specific industry legislation that significantly impacts The Quarto Group, inc. and the engagement team are deemed to hold appropriate competence and capabilities to identify non-compliance with laws and regulations

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the audit committee on 20 November 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the periods ending 31 December 2017 to 31 December 2020.

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 OUR 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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
21 March 2021

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Continuing operations			
Revenue	2	126,883	135,807
Cost of sales		(89,298)	(97,782)
Gross profit		37,585	38,025
Administrative expenses		(18,264)	(19,641)
Impairment of financial assets	17	(1,571)	(853)
Distribution costs		(7,132)	(7,527)
Operating profit before amortisation of acquired intangibles and exceptional items	4	10,618	10,004
Amortisation of acquired intangibles		(890)	(811)
Exceptional items	5	(446)	(419)
Operating profit		9,282	8,774
Finance income	7	–	9
Finance costs	8	(2,693)	(4,939)
Profit before tax		6,589	3,844
Tax	9	(2,020)	(962)
Profit for the year		4,569	2,882
Attributable to:			
Owners of the parent		4,569	2,882
		4,569	2,882
Earnings per share (cents)			
From continuing operations			
Basic	10	11.7	14.1
Diluted	10	11.6	14.0

The notes on pages 62 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 $'000	2019 $'000
Profit for the year	4,569	2,882
Items that may be reclassified to profit or loss		
Foreign exchange translation differences	1,087	403
Cash flow hedge; (losses) arising during the year	–	(105)
Tax relating to items that may be reclassified to profit or loss	54	(162)
Total other comprehensive income	1,141	136
Total comprehensive income for the year	5,710	3,018
Total comprehensive income for the year attributable to:		
Owners of the parent	5,710	3,018
	5,710	3,018

The notes on pages 62 to 88 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	2020 $000	2019 $000
Non-current assets			
Goodwill	11	19,381	19,192
Other intangible assets	12	159	1,282
Property, plant and equipment	13	6,818	10,883
Intangible assets: Pre-publication costs	15	40,913	48,697
Deferred tax assets	19	3,604	3,331
Total non-current assets		70,875	83,385
Current assets			
Inventories	16	15,465	19,378
Trade and other receivables	17	44,519	46,397
Cash and cash equivalents	18	22,079	15,621
Total current assets		82,063	81,396
Total assets		152,938	164,781
Current liabilities			
Short term borrowings	18	(41,819)	(66,077)
Trade and other payables	21	(50,064)	(57,381)
Lease liabilities	20	(1,968)	(1,937)
Tax payable		(4,355)	(2,831)
Total current liabilities		(98,206)	(128,226)
Non-current liabilities			
Deferred tax liabilities	19	(6,323)	(7,139)
Tax payable		(386)	(433)
Lease liabilities	20	(4,310)	(7,929)
Total non-current liabilities		(11,019)	(15,501)
Total liabilities		(109,225)	(143,727)
Net assets		43,713	21,054
Equity			
Share capital	24	4,089	2,045
Paid in surplus	24	48,701	33,764
Retained earnings and other reserves	25	(9,077)	(14,755)
Total equity		43,713	21,054

The notes on pages 62 to 88 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2021. They were signed on its behalf by:

Polly Powell

Polly Powell
Director
21 March 2021

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital $000	Paid in surplus $000	Hedging reserve $000	Translation Reserve $000	Retained earnings $000	Equity attributable to owners of the parent $000
Balance at 1 January 2019	2,045	33,764	105	(6,989)	(10,937)	17,988
Profit for the year	–	–	–	–	2,882	2,882
Other comprehensive income						
Foreign exchange translation differences	–	–	–	403	–	403
Cash flow hedge: losses arising during the year	–	–	(105)	–	–	(105)
Tax relating to items that may be reclassified to profit or loss	–	–	–	(162)	–	(162)
Total comprehensive income for the year	–	–	(105)	241	2,882	3,018
Share based payments charge	–	–	–	–	48	48
Balance at 31 December 2019	2,045	33,764	–	(6,748)	(8,007)	21,054
Profit for the year	–	–	–	–	4,569	4,569
Other comprehensive income						
Foreign exchange translation differences	–	–	–	1,087	–	1,087
Tax relating to items that may be reclassified to profit or loss	–	–	–	54	–	54
Total comprehensive income for the year	–	–	–	1,141	4,569	5,710
Share capital raised	2,044	16,307	–	–	–	18,351
Costs of raising share capital	–	(1,370)	–	–	–	(1,370)
Share based payments credit	–	–	–	–	(32)	(32)
Balance at 31 December 2020	4,089	48,701	–	(5,607)	(3,470)	43,713

The notes on pages 62 to 88 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 $000	2019 $000
Profit for the year	4,569	2,882
Adjustments for:		
Net finance costs	2,693	4,930
Depreciation of property, plant and equipment	2,160	2,127
Software amortisation	231	276
Tax expense	2,020	962
Profit on disposal of right-of-use assets	(35)	–
Share based (credits)/payments	(32)	48
Amortisation of acquired intangibles	890	811
Amortisation and impairment of pre-publication costs	28,646	28,694
Operating cash flows before movements in working capital	41,142	40,730
Decrease in inventories	4,023	3,157
Decrease in receivables	2,721	8,961
(Decrease) in payables	(9,205)	(8,896)
Cash generated by operations	38,681	43,952
Income taxes paid	(1,760)	(2,650)
Net cash from operating activities	36,921	41,302
Investing activities		
Interest received	–	9
Investment in pre-publication costs	(20,324)	(23,786)
Purchases of property, plant and equipment	(34)	(138)
Acquisition of businesses	–	(1,250)
Net cash used in investing activities	(20,358)	(25,165)
Financing activities		
Interest payments	(1,297)	(3,709)
New share capital raised	18,351	–
Costs of raising new share capital	(1,370)	–
Lease payments	(1,995)	(1,882)
Drawdown of revolving credit facility and other loan	4,520	1,963
Repayment of term loan and revolving credit facility	(28,413)	(12,417)
Net cash used in financing activities	(10,204)	(16,045)
Net increase in cash and cash equivalents	6,359	92
Cash and cash equivalents at beginning of year	15,621	15,384
Foreign currency exchange differences on cash and cash equivalents	99	145
Cash and cash equivalents at end of year	22,079	15,621

The notes on pages 62 to 88 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General information and significant accounting policies

The Quarto Group, Inc. is a company incorporated in the State of Delaware, United States. The address of the registered office is given on page 94. The nature of the Group's operations and its principal activities are set out in the Chief Executive Officer's Statement on page 7.

The accounting policies adopted, are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The presentational currency of the Group is US dollars.

STATEMENT OF COMPLIANCE

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, including The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'). These are presented on pages 87 to 92.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis, except that derivative financial instruments are stated at fair value.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

A number of amendments to accounting standards and Interpretations, effective in the current financial year have been adopted but have not had a material impact on the Group financial statements.

The Group has not applied any other standards, Interpretations or amendments that have been issued but are not yet effective.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with 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.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key estimates at the balance sheet date are:

Note 1, 21
The revenue recognition policy details our judgement in respect of sales returns and the method of estimating the related sales returns allowance

Note 11: Key assumptions in making the assessment of carrying value of goodwill

Note 15: Recoverability of pre-publication costs and the assessment of their useful life

Key judgements at the balance sheet date are:

- The appropriateness of the going concern basis: when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either Intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. As set out in the going concern basis in the following paragraph, after reviewing the most recent projections, the sensitivity analysis and the mitigating actions available, the Directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.
- Government grants: during the year, the Group received a loan of $2,422,000 relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA. The loan is forgivable under certain prescribed conditions. As at the balance sheet date, the Group cannot adequately ascertain that the prescribed conditions have all been satisfied and, therefore, without such reasonable assurance, the loan has been treated as a borrowing.

1 General information and significant accounting policies (continued)

GOING CONCERN BASIS

The Board assessed the Group's ability to operate as a going concern for the next 12 months from the date of signing the financial statements.

The Directors have considered the underlying robustness of the Group's business model, products and proposition and its recent trading performance, cash flows and key performance indicators. They have also reviewed the cash forecasts prepared in detail to 31 March 2022. This is to satisfy themselves of the going concern assumption used in preparing the financial statements. The base case model was built using a detailed sales forecast driven by the publishing program for 2021. Core margins have remained unchanged with trade receivable days remaining consistent with 2020.

As part of this work, the model was sensitised initially by a 5% reduction in revenue to ensure headroom within the covenants. This is deemed as a severe but plausible scenario. The model was then flexed to a tolerance of 13%, at which point the banking covenants were breached at the end of December 2021. It is considered remote that such a reduction of revenue would occur, given, the detailed nature of the sales forecast and even with the challenges of 2020, revenue dropped by only 7% year on year. Should we start to see a reduction in revenue, then mitigating action will be taken, such as reduction in investment in pre-publication costs, print volumes, staffing levels and other variable costs.

Based on the above indications, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the financial statements.

BASIS OF CONSOLIDATION

The Group financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The interest of non-controlling interests on an acquisition is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

BUSINESS COMBINATIONS, INTANGIBLE ASSETS AND GOODWILL

All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the consideration transferred over the fair value of the net assets and any contingent liabilities acquired. Acquisition costs are expensed as incurred.

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Other intangible assets, such as backlists, that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The amortisation period for non-contractual relationships is 2.5 years, for backlists is 5 years and for software is 4 years.

VOLUME REBATES

In the ordinary course of business, the Group receives volume rebates from its printers. This is accounted for in accordance with contractual terms and is credited to Inventory or cost of sales, as appropriate.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS INCLUDING GOODWILL

The carrying amount of the Group's assets is reviewed at 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. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow valuation.

For goodwill, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 General information and significant accounting policies (continued)

GOVERNMENT GRANTS
During the year, the Group received financial support from Governments in UK and USA. The grants related to expense items. Any monies received or receivable are initially held as liabilities on the balance sheet. Grants are subsequently recognised in profit and loss when there is reasonable assurance that compliance has been satisfied. Additional Information is disclosed in Note 6 and Note 18.

SEGMENT REPORTING
The Group has two operating segments: US Publishing and UK Publishing. In identifying these operating segments, management follows the geographic locations of our business. The two segments are managed separately and focus on different geographic markets. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

REVENUE RECOGNITION
Revenue arises largely from the sale of physical products. To determine whether to recognise revenue, the Group considers the following criteria:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue as/when performance obligations are satisfied

Each contract is for an agreed price and revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the products to its customers; this is determined with reference to delivery terms. Invoices for products transferred are due on the terms specified in the contract. Where invoices are issued prior to transfer of the product to the customer, and there is unconditional rights to consideration the amounts invoiced are recorded as liabilities on the balance sheet, under deferred Income. When the product has been transferred to the customer, the liabilities are released and treated as revenue accordingly.

Revenue from the sale of publishing rights is recognised when the Group has discharged its performance obligations under the contractual arrangements.

On certain contracts, the customer has a right to return the products. The Group makes an allowance for this, based on a review of the historical return patterns associated with the customer, as well as current market trends. The estimated returns period is a key input of the returns allowance and is calculated by reference to historic returns data. The estimated returns period for the current and prior year is 6 months. The estimation of the variable income as a result of the sales returns is constrained to the extent that it is deemed highly probable that there will be no significant reversal in the amount of cumulative revenue recognised. This allowance is included within other payables. The Group also recognise an asset in relation to stock which is expected to be returned within inventory, based on average print margins and an additional allowance for unsaleable returns.

FOREIGN CURRENCIES
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into US Dollars at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into US Dollars at average exchange rates. Foreign exchange differences arising on retranslation are charged or credited to other comprehensive income and are recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

EXCEPTIONAL ITEMS
Exceptional items are those which the Group defines as significant items outside the scope of normal business that need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

RETIREMENT BENEFIT COSTS
The Group's pension costs relate to individual pension plans and are charged to profit or loss as they fall due.

1 General information and significant accounting policies (continued)

TAXATION

Tax on the profit or loss for the year comprises both current and deferred tax. 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, and any adjustments to tax payable in respect of previous years. Tax provisions are based on Management's interpretation of country specific tax law and recognised when it is considered probable that there will be a future outflow of funds to a tax authority. Provisions are made annually based on the specific information available at that time and therefore there is limited risk of change in the estimates in the short term. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or a liability unless the related transaction is a business combination or effects tax or accounting profit. Not all temporary differences give rise to deferred tax assets/liabilities. 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. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity, in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairments in value.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives, which are reviewed annually. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Residual values are reassessed on an annual basis. Land is not depreciated.

Estimated useful lives are as follows:

Right-of-use assets	Over the period of the lease
Short leasehold property improvements	Over the period of the lease
Plant, equipment and motor vehicles	4 to 10 years
Fixtures and fittings	5 to 7 years

Assets held under right-of-use leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

In the case of right-to-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updates as required, but at least annually.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

LEASED ASSETS

For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains, a lease. A lease is defined as a 'contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 General information and significant accounting policies (continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. The Group's incremental borrowing rate reflects the marginal interest rates available to the Group, in the countries in which the assets reside. Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term lease and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities are disclosed separately.

INTANGIBLE ASSETS - PRE-PUBLICATION COSTS
Pre-publication costs represent directly attributable costs and attributable overheads incurred in the development of book titles prior to their publication. Attributable overheads are allocated on a title by title basis. These costs are recognised as non-current intangible assets in accordance with IAS38, where the book title will generate future economic benefits and costs can be measured reliably. These costs are amortised on a straight-line basis upon publication of the book title over estimated economic life of three years or less, being an estimate of the expected useful economic life of a book title. The estimated economic life is based on the annual sales profile of the Group. The investment in pre-publication costs has been disclosed as part of the investing activities in the cash flow statement.

Pre-publication costs include work-in-progress. Costs on such unpublished titles are regularly reviewed and if they fail to meet economic expectations, the costs are impaired.

INVENTORIES
Inventory is valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

FINANCIAL ASSETS
Financial assets are measured at amortised cost using the effective interest method.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or directly in equity. See Note 22 for a summary of the Group's financial assets by category.

Generally, the Group recognises all financial assets using trade date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognised in the income statement line item 'finance costs' or 'finance income', respectively, with the exception of trade and other receivables which are recorded in revenue and administrative expenses.

After initial recognition, Financial Assets are measured at amortised cost using the effective interest method. Discounting is ignored, where the effect is immaterial. The Group's cash and cash equivalents, trade and most other receivables, fall into this category of financial instrument. Assets in this category are measured, initially, at their transaction price with gains or losses recognized in profit or loss.

1 General information and significant accounting policies (continued)

In considering impairment of financial assets, the group uses a wide range of information when assessing credit risk and measuring credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of future cash flows of the instrument.

The Group adopts a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

FINANCIAL LIABILITIES
The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities).

After initial recognition at fair value, all financial liabilities, with the exception of derivative financial instruments, are measured at amortised cost using the effective interest rate method. A summary of the Group's financial liabilities by category is given in Note 22.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of financial liabilities.

FINANCE COSTS
Finance costs comprise interest payable on borrowings calculated using the effective interest method together with the amortisation of debt issuance costs.

FINANCE INCOME
Finance income comprises interest receivable, which is recognised in profit or loss as it accrues using the effective interest method.

CASH AND CASH EQUIVALENTS
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits and bank overdrafts that form an integral part of the Group's cash management processes.

SHARE-BASED PAYMENTS
The Group issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value, determined at the grant date, of equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value of employee share option grants is calculated using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

BORROWING COSTS
All borrowing costs are recognised in the income statement in the period in which they are incurred. Debt issuance costs comprising arrangement fees and legal costs are capitalised and amortised on a straight-line basis over the period of the borrowing facility or included within the amortised cost calculation as appropriate. The annual amortisation charge is included within finance costs in the Consolidated Statement of Comprehensive Income.

No borrowing costs have been capitalized in the current or prior years in relation to any asset.

FINANCIAL RISK MANAGEMENT
The principal risk factors faced by the Group are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 External Revenue

	2020 $'000	2019 $'000
Sales of products	122,848	131,857
Sales of publishing rights	4,035	3,950
Total revenue	126,883	135,807

See accounting policies for detail of the revenue recognition concerning the above revenue streams.

During the year, sales to our primary distributor exceeded 10% of Group revenue (2019: one primary distributor). The value of these sales was $58.8m (2019: $59.6m).

3 Operating segments

The core publishing businesses comprises two divisions: US Publishing and UK Publishing. This is the basis on which operating results are reviewed and resources allocated by the Chief Executive Officer, who is deemed to be the chief operating decision maker.

2020	US Publishing $000	UK Publishing $000	Total Group $000
Continuing operations			
External revenue	63,137	63,746	126,883
Operating profit before amortisation of acquired intangibles and exceptional items	3,249	8,360	11,609
Amortisation of acquired intangibles	(851)	(39)	(890)
Segment result	2,398	8,321	10,719
Unallocated corporate expenses			(991)
Corporate exceptional items			(446)
Operating profit			9,282
Finance costs			(2,693)
Profit before tax			6,589
Tax			(2,020)
Profit after tax			4,569
Capital expenditure	7	27	34
Depreciation and software amortization	1,333	1,058	2,391
Investment in pre-publication costs	10,349	9,975	20,324
Amortisation and impairment of pre-publication costs	15,702	12,944	28,646
Deferred Income released	12,769	964	13,733

3 Operating segments (continued)

2019	US Publishing $000	UK Publishing $000	Total Group $000
Continuing Operations:			
External revenue	71,488	64,319	135,807
Operating profit before amortisation of acquired intangibles and exceptional items	4,511	6,540	11,051
Amortisation of acquired intangibles	(570)	(241)	(811)
Segment result	3,941	6,299	10,240
Unallocated corporate expenses			(1,047)
Corporate exceptional items			(419)
Operating profit			8,774
Finance income			9
Finance costs			(4,939)
Profit before tax			3,844
Tax			(962)
Profit after tax			2,882
Capital expenditure	17	121	138
Depreciation and software amortisation	1,294	1,109	2,403
Investment in pre-publication costs	10,930	12,856	23,786
Amortisation of pre-publication costs	14,289	14,405	28,694
Deferred Income released	18,220	1,899	20,119

BALANCE SHEET

	2020 $'000	2019 $'000
Quarto Publishing Group USA	69,330	81,154
Quarto Publishing Group UK	57,925	64,675
Unallocated (Deferred tax and cash)	25,683	18,952
Total assets	152,938	164,781
Quarto Publishing Group USA	26,930	29,613
Quarto Publishing Group UK	29,413	37,634
Unallocated (Deferred tax, corporation tax and debt)	52,882	76,480
Total liabilities	109,225	143,727

GEOGRAPHICAL AREAS
The Group operates in the following main geographic areas:

	Revenue		Non-current assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States of America	76,061	80,131	40,456	47,887
United Kingdom	18,250	19,193	30,419	35,498
Europe	17,446	21,392	–	–
Rest of the World	15,126	15,091	–	–
	126,883	135,807	70,875	83,385

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2020 $'000	2019 $'000
Depreciation of property, plant and equipment	2,160	2,127
Profit on disposal of right-to-use assets	35	–
Depreciation of software	231	276
Net foreign currency exchange differences	240	(181)
Amortisation of acquired intangibles	890	811
Amortisation of pre-publication costs (Note 15)	23,304	25,359
Impairment of pre-publication costs (Note 15)	5,342	3,335
Staff costs (Note 6)	21,741	24,985
Impairment losses of financial assets	1,571	853
Cost of inventory recognised as an expense	30,120	32,647
Exceptional items (Note 5)	446	419

AUDITOR'S REMUNERATION

Fees payable to the Company's auditor for the audit of the Company's annual accounts	108	90
Fees payable to the Company's auditor and its associates for the audit of subsidiary companies	179	165
Fees payable to the Company's auditor for other assurance services relating to Open Offer	–	172
	287	427

5 Exceptional items

	2020 $000	2019 $000
Staff severance costs	251	–
Refinancing costs	195	387
Aborted corporate transaction costs	–	32
Total	446	419

During the year, the Group determined that costs amounting to $446,000 (2019: $419,000) should be classified as exceptional items, in accordance with the accounting policy disclosed in Note 1. The costs comprised $251,000 in respect of redundancy costs following restructuring during the Covid-19 pandemic and a further $195,000 of refinancing costs in connection with amendments to the existing facility agreement. In 2019, the Group incurred $387,000 of refinancing costs in connection with the renewal of the facility agreement, signed 16 January 2020 and $32,000 of costs incurred on aborted corporate transaction costs. The charge, net of taxation, amounted to $349,000 (2019: $339,000).

6 Staff costs

	2020 Number	2019 Number
Average monthly number of employees (excluding Executive Directors)	302	334
	$000	$'000
Wages and salaries	19,074	21,854
Share-based (credits)/payments	(32)	48
Social security costs	1,969	2,229
Other pension costs	730	854
	21,741	24,985
Less monies received by UK Government under Coronavirus Job Retention Scheme	(387)	–
	21,354	24,985

Directors' remuneration is disclosed in the Remuneration Committee Report on page 28.

The remuneration of the Executive Directors (2019: Executive Directors), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020	2019
Short term employee benefits	994	788*
Post-employment benefits	47	18
	1,041	806

The Directors' remuneration disclosed above Included the following amounts earned in respect of the highest paid director:

	2020	2019
Short term employee benefits	504	379
Post-employment benefits	18	18
	522	397

* Includes $58,000 discretionary bonus payments paid in 2019 but relating to performance in 2018.

7 Finance income

	2020 $'000	2019 $'000
Interest income	–	9

8 Finance costs

	2020 $'000	2019 $'000
Interest expense on borrowings	1,724	3,360
Amortisation of debt issuance costs and bank fees	543	936
Interest expense on lease liabilities arising from the adoption of IFRS 16	390	454
Other interest	36	189
	2,693	4,939

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Taxation

	2020 $'000	2019 $'000
Corporation tax		
Current tax	3,156	1,557
Prior periods	2	(123)
Total current tax	3,158	1,434
Deferred tax (Note 19)		
Origination and reversal of temporary differences	(1,138)	(472)
Total tax expense	2,020	962

Corporation tax on UK profits is calculated at 19%, based on the UK standard rate of corporation tax, (2019: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The table below explains the difference between the expected expense at the UK statutory rate of 19% and the Group's total tax expense for the year.

	2020 $'000	2019 $'000
Profit before tax	6,589	3,844
Tax at the UK corporation tax rate of 19% (2019: 19%)	1,252	730
Effect of different tax rates of subsidiaries operating in other jurisdictions	161	(79)
Change in overseas tax rates during the year	68	-
Adjustment to prior years	2	97
Tax effect of items that are not deductible in determining taxable profit	240	174
Other	297	40
Tax expense	2,020	962
Effective tax rate	30.7%	25.0%

10 Earnings per share

	2020 $'000 Group	2019 $'000 Group
From continuing operations		
Profit for the year	4,569	2,882
Amortisation of acquired intangibles (net of tax)	626	654
Exceptional items (net of tax)	349	339
Earnings for the purposes of adjusted earnings per share	5,544	3,875

Number of shares	Number	Number
Weighted average number of ordinary shares	39,185,388	20,444,550
Average number of potentially dilutive share options	123,037	171,597
Diluted weighted average number of ordinary shares	39,308,425	20,616,147
Earnings per share (cents) – continuing operations		
Basic	11.7	14.1
Diluted	11.6	14.0
Adjusted earnings per share (cents)		
Basic	14.1	19.0
Diluted	14.1	18.8

11 Goodwill

	2020 $000	2019 $000
Cost		
At 1 January	42,913	42,675
Exchange differences	189	238
At 31 December	43,102	42,913
Accumulated impairment losses		
At 1 January	(23,721)	(23,721)
Exchange differences	–	–
At 31 December	(23,721)	(23,721)
Carrying value		
At 31 December	19,381	19,192

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL
The following units have significant carrying amounts of goodwill:

	2020 $000	2019 $000
Quarto Publishing Group USA (QUS)	12,882	12,882
Quarto Publishing Group UK (QUK)	6,499	6,310
	19,381	19,192

The recoverable amount of each cash generating unit ('CGU') is determined using the value in use basis. In determining value in use, management prepares a detailed bottom up budget for the initial twelve-month period, with reviews conducted at each business unit. A further two years are forecast using relevant growth rates and other assumptions. Cash flows beyond the three-year period are extrapolated into perpetuity, by applying a 2% growth rate from the addressable market. The cashflows are then discounted using a country specific discount rate. The growth rates used are consistent with the growth expectations for the sector in which the company operates and the discount rate has been calculated using pre-tax Weighted Average Cost of Capital analysis.

The key assumptions for calculating value in use are:

	Terminal Growth Rates		Discount Rates	
	2020	2019	2020	2019
United States of America	2%	2%	11.40%	10.81%
United Kingdom	2%	2%	11.12%	10.54%

Revenue growth rates: forecast sales growth rates are based on those applied to the Board approved budget for the year ending 31 December 2021 and three-year plan. They incorporate future expectations of growth driven by investment plans for each CGU.

Long-term growth rates: the three-year forecasts are extrapolated to perpetuity on the basis that the CGU's are long-established business units. The long-term growth rates are blended rates formed from the territory-specific long-term growth rates.

Gross margins: gross margins are based on historic performance and expected changes to the sales mix in future periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Goodwill (continued)

The Group has not identified any reasonable possible changes to key assumptions that would cause the carrying value of goodwill of the QUK CGU to exceed its recoverable amount. QUS has by far the largest goodwill and non-current assets and carries a greater risk of impairment. Based on the above long-term growth rate and discount rate, QUS exceeded the carrying value of goodwill by $17.8m. The following sensitivities were applied to this CGU:

- 2% increase in discount rate, at which level there was no impairment. The recoverable amount exceeded the carrying value of goodwill by $7.1m. The discount rate would need to increase to 15.3% to record any Impairment.
- Nil terminal growth rate, at which level there was no impairment. The recoverable amount exceeded the carrying value of goodwill by $8.9m. The terminal growth rate would need to show an annual 2% decline before any impairment was recorded.
- 5% decline in first year revenues, at which level there was no impairment. The recoverable amount exceeded the carrying value of goodwill by $13.1m.
- 5% decline in first year revenues and an increased discount rate of 13.1% would cause impairment if there were no mitigation actions.

Should there be a headline change in revenues and margins, this could create an impairment.

12 Other intangible assets

	Backlists $000	Software $000	Total $000
Cost			
At 1 January 2019	21,204	1,630	22,834
Exchange differences	(30)	–	(30)
At 1 January 2020	21,174	1,630	22,804
Exchange differences	79	–	79
At 31 December 2020	21,253	1,630	22,883
Amortisation and impairment			
At 1 January 2019	19,494	972	20,466
Exchange differences	(31)	–	(31)
Charge for the year	811	276	1,087
At 1 January 2020	20,274	1,248	21,522
Exchange differences	81	–	81
Charge for the year	890	231	1,121
At 31 December 2020	21,245	1,479	22,724
Carrying amount			
At 31 December 2020	8	151	159
At 31 December 2019	900	382	1,282

13 Property, plant and equipment

Cost	Short-term Leasehold Improvements $000	Right-of-use Leasehold Property $000	Plant, Equipment & Motor Vehicles $000	Fixture & Fittings $000	Total $000
At 1 January 2019	1,242	—	943	1,085	3,270
Adjustment on transition to IFRS 16	—	10,538	71	—	10,609
Exchange difference	26	156	27	1	210
Additions	—	—	138	—	138
Remeasurement	—	508	18	—	526
Disposals	(258)	—	—	—	(258)
At 31 December 2019	1,010	11,202	1,197	1,086	14,495
Exchange difference	21	(22)	25	2	26
Additions	—	227	34	—	261
Remeasurement	—	2	—	—	2
Disposals	—	(2,313)	—	—	(2,313)
At 31 December 2020	1,031	9,096	1,256	1,088	12,471
Depreciation					
At 1 January 2019	508	—	391	819	1,718
Exchange differences	8	—	17	—	25
Charge for the year: right of use asset	—	1,545	64	—	1,609
Charge for the year: other property, plant and equipment	104	—	310	104	518
Disposals	(258)	—	—	—	(258)
At 31 December 2019	362	1,545	782	923	3,612
Exchange differences	13	—	50	2	65
Charge for the year: right of use asset	—	1,760	—	—	1,760
Charge for the year: other property, plant and equipment	105	—	217	78	400
Disposals	—	(184)	—	—	(184)
At 31 December 2020	480	3,121	1,049	1,003	5,653
Net book value					
At 31 December 2020	551	5,975	207	85	6,818
At 31 December 2019	648	9,657	415	163	10,883

All property, plant and equipment has been pledged as security for the Group's bank borrowings (note 18).

Included in the net carrying amount of property, plant and equipment are right-of-use assets of $5,975,000 (2019: $9,683,000) of which $5,975,000 (2019: $9,657,000) is attributable to leasehold property improvements and $nil (2019: $26,000) to plant, equipment and motor vehicles. Depreciation charges on these assets are disclosed separately in the above table.

14 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 5 to the Company's balance sheet. All of these subsidiaries are included in the consolidated results.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Intangible assets – pre-publication costs

	2020 $000	2020 $000	2020 $000	2019 $000	2019 $000	2019 $000
	Work in progress	Published products	Total	Work in progress	Published products	Total
Cost						
At 1 January	12,929	118,271	131,200	13,544	124,096	137,640
Exchange difference	147	2,056	2,203	213	1,827	2,040
Additions	20,324	–	20,324	23,786	–	23,786
Transfers	(18,508)	18,508	–	(21,279)	21,279	–
Impairment charge	(3,450)	–	(3,450)	(3,335)	–	(3,335)
Disposals	–	(52,339)	(52,339)	–	(28,931)	(28,931)
At 31 December	11,442	86,496	97,938	12,929	118,271	131,200
Amortisation						
At 1 January	–	82,503	82,503	–	84,934	84,934
Exchange difference	–	1,665	1,665	–	1,141	1,141
Amortisation charge	–	23,304	23,304	–	25,359	25,359
Impairment charge	–	1,892	1,892	–	–	–
Disposals	–	(52,339)	(52,339)	–	(28,931)	(28,931)
At 31 December	–	57,025	57,025	–	82,503	82,503
Net book value	11,442	29,471	40,913	12,929	35,768	48,697

The assessment of the useful life of pre publication costs and amortisation involves a significant management estimate based on historical trends and future potential sales, in accordance with the accounting policy stated in Note 1. In the current year, certain imprints operating under the US Publishing segment reported material falls in revenues and gross margins, which led to a downward revision of the useful lives of these imprints. The additional charge of $1,892,000 (2019: $nil) is disclosed above.

Pre-publication costs form part of the carrying value of the CGU for each segment and are considered for impairment of goodwill in note 11.

16 Inventories

	2020 $000	2019 $000
Finished goods	15,285	19,270
Raw materials	180	108
	15,465	19,378

All of the Group's inventories have been reviewed for indicators of impairment. Certain inventories were found to be impaired and a provision of $2,220,000 (2019: $2,318,000) has been recorded accordingly.

All inventories have been pledged as security for the Group's bank borrowings (note 18).

17 Trade and other receivables

	2020 $000	2019 $000
Trade receivables	38,361	38,753
Other receivables and prepayments	6,158	7,644
	44,519	46,397

The average credit period on sales of goods is 77 days (2019: 73 days).

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these Items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on an Individual basis, as much as possible, because credit risk characteristics vary by customer. The expected loss rates are based on the payment profile over the last 12 months, to reflect the Impact of Covid-19 on our customers. Trade receivables are written off (ie, derecognised) when there is no reasonable expectation of recovery.

On the above basis, the expected credit loss for trade receivables as at 31 December 2020 and 31 December 2019 was determined as follows:

31 December 2020	Current	Overdue Less Than 30 Days	Overdue Less Than 60 Days	Overdue Less Than 90 Days	Overdue More Than 90 Days	Total
Gross carrying amount $000	33,877	2,039	1,506	1,096	1,757	40,275
Expected credit loss rate	1.0%	1.8%	3.8%	18.1%	72.5%	4.8%
Lifetime expected credit loss $000	347	37	58	199	1,273	1,914

31 December 2019	Current	Overdue Less Than 30 Days	Overdue Less Than 60 Days	Overdue Less Than 90 Days	Overdue More Than 90 Days	Total
Gross carrying amount $000	35,616	1,770	950	292	1,293	39,921
Expected credit loss rate	0.1%	1.1%	2.1%	72.2%	68.2%	2.9%
Lifetime expected credit loss $000	35	20	20	211	882	1,168

Movement in provision for lifetime expected credit loss is as follows:

	2020 $000	2019 $000
Provision at beginning of year	1,168	826
Amounts de-recognised in the year	(977)	(677)
Amounts recovered during the year	138	148
Exchange differences	14	18
Increase in allowance recognised in profit or loss	1,571	853
Provision at end of the year	1,914	1,168

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Note 22 includes disclosures relating to credit risk exposures and analysis relating to the allowance for expected credit losses.

17 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	38,361	38,753
Other receivables and prepayments	6,158	7,644
	44,519	46,397

The average credit period on sales of goods is 77 days (2019, 73 days).

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Note 22 includes disclosures relating to credit risk exposures and analysis relating to the allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Cash, borrowings and net debt

CASH

	2020 $000	2019 $000
Bank balances	22,079	15,621
Cash and cash equivalents	22,079	15,621

The carrying amount of these assets approximates to their fair value.
The effective interest rate on bank balances and short-term deposits was 0% (2019: 0%).

BORROWINGS

	2020 $000	2019 $000
Bank and other loans	41,819	66,077
On demand or within one year	41,819	66,077
	41,819	66,077
Less: Amount due for settlement within 12 months (shown under current liabilities)	(41,819)	(66,077)
Amount due for settlement after 12 months	–	–

	Total $'000	Fixed rate borrowings $'000	Variable rate borrowings $'000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings	39,408	16,408	23,000	3.1	6.5
Other currency borrowings	2,411	–	2,411	–	–
As at 31 December 2020	41,819	16,408	25,411	3.1	6.5
US dollar borrowings	45,000	13,000	32,000	3.5	19.0
Other currency borrowings	21,077	–	21,077	–	–
As at 31 December 2019	66,077	13,000	53,077	3.5	19.0

OTHER LOANS

	2020 $000	2019 $000
Other loans (unsecured)	16,408	13,000
On demand or within one year	16,408	13,000
	16,408	13,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(16,408)	(13,000)
Amount due for settlement after 12 months	–	–

Other loans comprise:

(a) Loans of $11,500,000 (2019: $11,500,000) from related parties, as disclosed in note 29, which were repayable, together with the accrued interest on 31 July 2021 and carry an interest rate of 3.5%. After the year end, the repayment date of these loans has been extended to 31 August 2024.

(b) A loan for $1,500,000 (2019: $1,500,000) which was repayable together with accrued interest on 31 July 2021 and carries an interest rate of 3.5%. After the year end, the repayment date has been extended to 31 August 2024.

18 Cash, borrowings and net debt *(continued)*

(c) A loan of $2,422,000 (2019: $nil) relates to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA. This attracts an interest rate of 1%. Without reasonable assurance of forgiveness, it has been treated as debt to be repaid within the next 12 months.

(d) Accrued Interest of $986,000 (2019: $nil) on the above loans.

	Total $'000	Fixed rate borrowings $'000	Variable rate borrowings $'000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings					
As at 31 December 2020	16,408	16,408	–	2.8	6.5
As at 31 December 2019	13,000	13,000	–	3.5	19.0

BANK LOANS

	2020 $000	2019 $000
Bank loans	25,411	53,077
On demand or within one year	25,411	53,077
	25,411	53,077
Less: Amount due for settlement within 12 months (shown under current liabilities)	(25,411)	(53,077)
Amount due for settlement after 12 months	–	–

	Total $'000	Fixed rate borrowings $'000	Variable rate borrowings $'000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings	23,000	–	23,000	–	–
Other currency borrowings	2,411	–	2,411	–	–
As at 31 December 2020	25,411		25,411	–	–
US dollar borrowings	32,000	–	32,000	–	–
Other currency borrowings	21,077	–	21,077	–	–
As at 31 December 2019	53,077	–	53,077	–	–

At 31 December 2020, undrawn borrowing facilities totalled $9.6m (2019: $11.0m). The variable rate borrowings carry interest based on LIBOR plus a margin, depending on the leverage ratio. The Directors estimate the fair value of the Group's borrowings to be equal to book value, by reference to market rates.

At 31 December 2020, the Group had a US$35m (2019: US$64.0m) multi-currency syndicated bank facility which was due to expire on 31 July 2021. A new facility agreement was signed on 16 February 2021 with borrowing facilities of US$20m. Banking EBITDA used for bank covenant purposes was $12,839,000 (Note 30) in 2020 (2019: $10,376,000).

The facilities, which were in place at the year end, were subject to three principal covenants which vary over the course of the financial year. During the year, as part of the Group's Covid-19 course of action, the banking covenants were waived for the year ended 31 December 2020. As part of the new facility agreement referred to above, a new set of banking covenants were agreed for the duration of the new facility.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Cash, borrowings and net debt (continued)

NET DEBT

	1 January 2020 $'000	Cashflows $'000	Non-cash items $'000	Foreign exchange $'000	31 December 2020 $'000
Borrowings	(66,077)	23,893	(92)	457	(41,819)
IFRS 16 lease liabilities	(9,866)	1,995	1,574	19	(6,278)
Cash and cash equivalents	15,621	6,359	–	99	22,079
Net debt	(60,322)	32,247	1,482	575	(26,018)

	1 January 2019 $'000	Cashflows $'000	Non-cash items $'000	Foreign exchange $'000	31 December 2019 $'000
Borrowings	(75,752)	10,454	(188)	(591)	(66,077)
IFRS 16 lease liabilities[1]	(10,609)	1,882	(979)	(160)	(9,866)
Cash and cash equivalents	15,384	92	–	145	15,621
Net debt	(70,977)	12,428	(1,167)	(606)	(60,322)

1 The effective date of IFRS 16 Leases was 1 January 2019.

19 Deferred tax

	2020 $000	2019 $000
Deferred tax liabilities		
Excess of capital allowances over depreciation – UK	–	1
Pre-publication costs and other temporary differences – UK	4,103	4,519
	4,103	4,520
Pre-publication costs and other temporary differences - US	2,220	2,619
	6,323	7,139
Deferred tax assets		
Goodwill, intangible assets and other temporary differences – US	3,604	3,331
	3,604	3,331
Net deferred taxation liability	2,719	3,808

The movement on the net provision for deferred taxation is as follows:

	2020 $000	2019 $000
Net provision at 1 January	3,808	3,947
(Charge)/credit direct to equity	(54)	162
Exchange difference through other comprehensive income	103	171
Credit to profit and loss	(1,138)	(472)
Net provision at 31 December	2,719	3,808

20 Lease liabilities

	2020 $000	2019 $000
Current	1,968	1,937
Non-current	4,310	7,929
Total	6,278	9,866

20 Lease liabilities (continued)

The Group has leases for its offices and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group revenues) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (note 13).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-to-use asset recognised on the balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of lease with extension options	No of lease with options to purchase	No of lease with variable payments linked to an index	No of lease with termination options
Office building	6	4-9 years	6 years	5	–	4	1

Properties with extension, or termination, options are assessed on a case-by-case basis In determining take-up of the options.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due US$000						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2020							
Lease payments	2,358	1,551	1,585	1,044	1,013	–	7,551
Finance charges	(390)	(269)	(219)	(161)	(234)	–	(1,273)
Net present values	1,968	1,282	1,366	883	779	–	6,278
31 December 2019							
Lease payments	2,253	2,085	1,886	1,504	1,343	2,291	11,362
Finance charges	(390)	(329)	(267)	(204)	(149)	(157)	(1,496)
Net present values	1,863	1,756	1,619	1,300	1,194	2,134	9,866

The total cash outflow in relation to lease liabilities during the year was $1,995,000 (2019: $1,882,000).

The Group has elected not to recognise a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis and amounted to $26,000 in the year (2019: $26,000).

21 Trade and other payables

CURRENT LIABILITIES

	2020 $000	2019 $000
Trade payables	28,529	36,218
Other payables	21,535	21,163
Total	50,064	57,381

Under IFRS 15, the reserve for sales returns in included in other payables; it amounts to $6,481,000 (2019: $6,749,000). The reserve is calculated based on a time lag between sales and returns and historical return patterns. Management monitors actual returns against the reserve on a regular basis. If the rate of sales return had been 1% higher during the year, the provision would have increased by $512,000 (2019: $488,000).

Included within other payables is $2,274,000 in respect of deferred Income (2019: $2,525,000), detailed below:

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Trade and other payables (continued)

	2020 $000	2019 $000
Opening liability	2,525	1,654
Deferred Income Invoiced	13,436	20,902
Revenue Recognised	(13,733)	(20,119)
Exchange difference	46	88
Closing liability	2,274	2,525

22 Financial instruments

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, credit risk, liquidity risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed and a summary of financial assets and liabilities by category are described below.

FOREIGN CURRENCY SENSITIVITY

Exposures to currency exchange rates arise from the Group's overseas sales and costs, which are primarily denominated in Sterling, and, to a much lesser extent in Euros. The Group has minimal exposure to other foreign currencies.

Foreign currency denominated financial assets and liabilities, translated into US Dollars at the closing rate, are as follows:

	2020		2019	
	$000 Sterling	$000 Other	$000 Sterling	$000 Other
Financial assets:	11,792	1,053	10,321	2,121
Financial liabilities	(755)	(3,033)	(19,030)	(4,344)
Short-term exposure	11,037	(1,980)	(8,709)	(2,223)
Financial liabilities:				
Long-term exposure	–	–	–	–
At 31 December	11,037	(1,980)	(8,709)	(2,223)

The following table illustrates the sensitivity of the net result for the year and equity in regard to the Group's financial assets and financial liabilities and the US Dollar – Sterling exchange rate.

It assumes a +/– 5% change of the Sterling/US-Dollar exchange rate, in line with the movement over the last year.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance sheet date.

If Sterling had strengthened against the US Dollar by 5% (2019: 7.5%) then this would have had the following impact:

	2020 $000	2019 $000
Profit/(loss) after tax for the year	(240)	(120)
Equity	(240)	(120)

If Sterling had weakened against the US Dollar by 5% (2019: 7.5%) then this would have had the following impact:

	2020 $000	2019 $000
Profit/(loss) after tax for the year	240	120
Equity	240	120

22 Financial instruments(continued)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

INTEREST RATE SENSITIVITY
The Group's policy is to minimise interest rate cash flow risk exposures, where possible and commercially appropriate, on long-term financing, through interest rate swaps. A part of longer-term borrowings are sometimes, therefore, at fixed rates.

At 31 December 2020, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates – see Note 18 for further information.

The following table illustrates the sensitivity of the profit after tax for the year and equity to a reasonably possible change in interest rates of +/–0.25%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

A 0.25% increase in interest rates would have the following impact:

	2020 $000	2019 $000
Profit for the year	(48)	(100)
Equity	(48)	(100)

A 0.25% decrease in interest rates would have the following impact:

	2020 $'000	2019 $'000
Profit for the year	48	100
Equity	48	100

CREDIT RISK ANALYSIS
The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2020 $'000	2019 $'000
Cash and cash equivalents	22,079	15,621
Trade receivables	38,361	38,753
	60,440	54,374

The Group's credit risk is primarily attributable to its trade receivables. There is minimal credit risk within other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The ongoing credit risk is managed through regular review of ageing analysis together with credit limits per customer.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. Credit losses written off during the year which are subject to enforcement activity are minimal.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is limited, since the counterparties are reputable banks with high quality external credit ratings.

LIQUIDITY RISK ANALYSIS
The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Financial instruments (continued)

The Group maintains cash and marketable securities to meet its liquidity requirements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As disclosed in Note 18, at 31 December 2020, the Group had a US$35m (2019: US$64.0m) multi-currency syndicated bank facility which was due to expire on 31 July 2021. The covenants linked to this facility were waived for the year ended 31 December 2020 only, as part of the Group's Covid-19 course of action. A new facility agreement was signed on 16 February 2021 with borrowing facilities of US$20m. This facility is subject to two principal covenants in 2021, being:

(a) Net banking Indebtedness shall not exceed 2.0 times EBITDA (as defined in the facility agreement)
(b) EBITDA shall exceed 4 times net finance charges (as defined in the facility agreement)

The Group's liabilities have contractual maturities which are summarised below:

	Current		Non-Current	
31 December 2020	Within 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000
Bank and other loans	3,132	40,965	–	–
Lease liabilities	984	984	4,310	–
Trade payables	28,529	–	–	–
Other short-term financial liabilities	21,535	–	–	–
	54,180	41,949	4,310	–

	Current		Non-Current	
31 December 2019	Within 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000
Bank and other loans	1,365	66,671	–	–
Lease liabilities	932	931	5,870	2,133
Trade payables	31,218	5,000	–	–
Other short-term financial liabilities	21,163	–	–	–
	54,678	72,602	5,870	2,133

SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See note 1, significant accounting policies, covering financial assets and financial liabilities for explanations about how the category of instruments affects their subsequent measurement.

	2020 $000	2019 $000
Current assets		
Financial assets at amortised cost:		
• Trade receivables	38,361	38,753
• Cash and cash equivalents	22,079	15,621
	60,440	54,374
Current liabilities		
Financial liabilities measured at amortised cost:		
• Borrowings	41,819	66,077
• Lease liabilities	1,968	1,937
• Trade payables	28,529	36,218
• Other payables	21,535	21,163
	93,851	125,395

22 Financial instruments (continued)

Non-current liabilities		
Financial liabilities measured at amortised cost:		
• Lease liabilities	4,310	7,929
	4,310	7,929

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through an optimal balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Board reviews the capital structure, including the level of indebtedness and interest cover, as required. The Board's objective is to maintain the optimal level of indebtedness and manage interest cover to comply with the covenant requirements set out in note 18. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has complied with its covenant obligations during the year.

23 Post balance sheet events

On 16 February 2021, the Group concluded its refinancing, signing an extension to its existing bank facilities to 16 July 2024. The multi-currency facility comprises a $10m term loan, a $8m revolving credit facility and a $2m overdraft facility. On the same date, Lion Rock Group Limited, a related party (Note 29) agreed to provide the Group a $10m loan note at 4% interest, repayable on 31 July 2024.

24 Share capital and paid in surplus

SHARE CAPITAL

	2020 $000	2019 $000
Authorised		
55 million shares (2019: 28 million shares) of common stock of par value of US$0.10 each	5,500	2,800
Allotted, called up and fully paid:		
40,889,100 (2019: 20,444,550) shares of common stock of par value of US$0.10 each	4,089	2,045

The Company has one class of common stock which carries no right to fixed income.

PAID IN SURPLUS

This reserve records the amount above par value received for common stock sold less transaction costs. The movement on this reserve was as follows:

	2020 $000	2019 $000
At 1 January	33,764	33,764
Issue of new common stock	14,937	–
At 31 December	48,701	33,764

On 16 January 2020, the Group announced an Open Offer of 20,444,550 new common stock at 68 pence per share, raising net proceeds of $16,981,000. Of this amount, $2,044,450 is attributed to share capital and the balance, $14,936,550 to the paid in surplus reserve.

25 Retained earnings and other reserves

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.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the closing balance sheets of foreign operations of the Group and the results of foreign operations of the Group since 1 January 2004.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 Retained earnings and other reserves (continued)

RETAINED EARNINGS
The retained earnings reserve comprises profit for the year attributable to owners of the Group and other Items recognised directly through equity as presented on the consolidated statement of changes in equity.

26 Dividends
No dividends have been declared in the current or prior year.

27 Notes to the cash flow statement
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

28 Share based payments
PERFORMANCE SHARE PLAN ('PSP')
The Company operates a PSP scheme that awards free shares.

2016 AWARD
The awards under this scheme were granted on 19 April 2016. The vesting period is 4 years from the date of grant. The award vests in the following proportion:

- 50% is conditional on the cumulative growth in Adjusted Diluted EPS being between 5% and 10% over the performance period, resulting in the awards vesting on a sliding scale of 20% to 100%; and
- 50% is conditional on Total Shareholder Return being between 7% and 15%, resulting in vesting on a sliding scale of 20% to 100%.

Participants are not entitled to receive dividends until awards have vested.

Details of the share options outstanding during the year are as follows:

	2020 Number	2019 Number
Outstanding at beginning of the year	143,784	152,192
Forfeited during the year	(33,673)	(8,408)
Lapsed during the year	(110,111)	–
Outstanding at the end of the year	–	143,784

The key inputs used to value the options are:

	EPS Portion	TSR Portion
Share price at date of grant	£2.45	£2.45
Expected life (years)	4	4
Fair value per award	£2.10	£0.44
Weighted average remaining contractual life (years)	2.3	3.3
Dividend yield (%)	3.88	3.88
Expected volatility of share price (%)	n/a	19.1
	Dividend discount	Monte-Carlo

2017 AWARD
The awards under this scheme were granted on 28 April 2017. The vesting period is 4 years from the date of grant. The award vests in the following proportion:

- 50% is conditional on the cumulative growth in Adjusted Diluted EPS being between 5% and 10% over the performance period, resulting in the awards vesting on a sliding scale of 20% to 100%; and
- 50% is conditional on Total Shareholder Return being between 7% and 15%, resulting in vesting on a sliding scale of 20% to 100%.

Participants are not entitled to receive dividends until awards have vested.

28 Share based payments (continued)

Details of the share options outstanding during the year are as follows.

	2020 Number	2019 Number
Outstanding at beginning of the year	84,995	104,463
Forfeited during the year	(19,772)	(19,468)
Outstanding at the end of the year	65,223	84,995

The key inputs used to value the options are:

	EPS Portion	TSR Portion
Share price at date of grant	£2.64	£2.64
Expected life (years)	4	4
Fair value per award	£2.20	£0.48
Weighted average remaining contractual life (years)	3.3	3.3
Dividend yield (%)	4.55	4.55
Expected volatility of share price (%)	n/a	18.6
Model used	Dividend discount	Monte-Carlo

29 Related party transactions

The Group had the following related party transactions over the periods under review:

PRINTING PURCHASES:

Lion Rock Group Limited	2020 $'000	2019 $'000
Accounts payable at start of year	13,692	6,083
Purchases	14,720	11,562
Rebate received	(1,464)	–
Payments	(14,053)	(3,953)
Accounts payable at end of year	12,895	13,692

LOANS AND ACCRUED INTEREST:

	At 31 December 2020 $000	At 31 December 2019 $000
Loans	11,500	11,500
Accrued interest on loans at end of year	874	470

The loans are from 1010 Printing Limited ($7.0m) and C K Lau ($4.5m). The loans are unsecured, are repayable, together with the accrued interest, on 31 July 2021, and carry interest at 3.5%. After the year end, the repayment date was extended to 31 July 2024.

Lion Rock Group Limited and 1010 Printing Limited are companies over which C K Lau exercises control.

The rebate received in 2020 has been accounted for in accordance with the accounting policy disclosed in Note1. The rebate scheme, at this stage, will not be renewed in 2021.

REVENUES AND TRADE RECEIVABLES:

	At 31 December 2020 $000	At 31 December 2019 $000
Revenues	137	–
Outstanding receivables balance at end of year	63	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 Related party transactions (continued)

The Group recorded revenues of $129,000 with Giunti Editore S.p.A, a company over which Andrea Giunti Lombardo, a non-executive director appointed on 10 February 2020, exercises control. The transactions were in the normal course of business on arms-length terms. The amount outstanding at 31 December 2020 was $58,000.

The Group recorded revenues of $8,000 with Pavilion Books Limited, a company over which Polly Powell, CEO (appointed 10 February 2020) exercises control. The transactions were in the normal course of business on arms-length terms. The amount outstanding at 31 December 2020 was $5,000.

30 Reconciliation of figures included in other parts of the financial statements

		2020 $000	2019 $000
Adjusted operating profit			
Operating profit		9,282	8,774
Add back:	Amortisation of acquired intangibles	890	811
	Other exceptional items (Note [5])	446	419
Adjusted operating profit		10,618	10,004
EBITDA			
Operating profit before amortisation of acquired intangibles and exceptional items		10,618	10,004
Less: Net finance costs		(2,693)	(4,930)
	Impact of IFRS 16	(270)	(271)
Adjusted profit before tax		7,655	4,803
Net finance costs		2,693	4,930
Depreciation of property, plant and equipment and software (excluding right-of-use assets)		631	794
Share based (credits)/payments		(32)	48
One off non-cash costs		1,892	—
EBITDA for banking purposes		12,839	10,575
Impact of IFRS 16		270	271
Depreciation of right-of-use assets		1,760	1,609
Less: one off non-cash costs		(1,892)	—
EBITDA		12,977	12,455
Adjusted profit before tax before amortisation of acquired intangibles and exceptional items			
Adjusted operating profit before amortisation of acquired intangibles and exceptional items		10,618	10,004
Less: net finance costs		(2,693)	(4,930)
Adjusted profit before tax before amortisation of acquired intangibles and exceptional items		7,925	5,074
Free cashflow			
Net cash from operating activities		36,921	41,302
Investment in pre-publication costs		(20,324)	(23,786)
Purchases of property, plant and equipment excluding IFRS 16 assets		(34)	(138)
Free cashflow		16,563	17,378
Net debt			
Short-term borrowings		41,819	66,077
Cash and cash equivalents		(22,079)	(15,621)
Net debt		19,740	50,456

Company Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	2020 $000	2019 $000
Fixed assets			
Investments	4	1,234	1,266
		1,234	1,266
Current assets			
Other receivables falling due within one year	6	3,370	–
		3,370	–
Current liabilities			
Creditors: Amounts falling due within one year	7	(52)	(15,866)
		(52)	(15,866)
Creditors: Amounts falling due after more than one year			
Tax payable		(430)	(441)
Net assets/(liabilities)		4,122	(15,041)
Equity			
Called up share capital	8	4,089	2,045
Paid in surplus		48,701	33,764
Retained earnings		(48,668)	(50,850)
Total equity		4,122	(15,041)

The notes on pages 91 to 94 are an integral part of these consolidated financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2021. They were signed on its behalf by

Polly Powell

Polly Powell
Director
21 March 2021

STRATEGIC REPORT
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Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Other operating income			
Dividends received		1,980	–
Administrative expenses			
Foreign exchange gain/(loss)		224	(587)
Profit/(loss) before tax		2,204	(587)
Tax	3	10	–
Profit/(loss) for the year		2,214	(587)

The notes on pages 91 to 94 are an integral part of these consolidated financial statements

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital $'000	Paid in surplus $'000	Retained earnings $'000	Equity attributable to owners $'000
Balance at 1 January 2019	2,045	33,764	(50,311)	(14,502)
Loss for the year	–	–	(587)	(587)
Transactions with owners				
Share based payments/charges	–	–	48	48
Balance at 1 January 2020	2,045	33,764	(50,850)	(15,041)
Profit for the year	–	–	2,214	2,214
Transactions with owners				
Share capital raised	2,044	16,307	–	18,351
Costs of raising share capital	–	(1,370)	–	(1,370)
Share based payments/charges	–	–	(32)	(32)
Balance at 31 December 2020	4,089	48,701	(48,668)	4,122

The notes on pages 91 to 94 are an integral part of these consolidated financial statements

Notes to the Company Accounts

AT 31 DECEMBER 2020

1 Basis of preparation

The separate financial statements of the Company are presented and have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. These financial statements present information for the Company, not about the Group.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include certain items as fair value and in accordance with FRS 102. The financial statements have been prepared using the going concern basis, as discussed in the Group going concern disclosure.

The Company has adopted the following disclosure exemptions:

- the requirement to present a statement of cash flow and related notes; and
- financial instrument disclosures, including,
- categories of financial instruments;
- items of income, expenses, gains or losses relating to financial instruments; and
- exposure to, and management of, financial risks.

There were no significant judgements or estimates in preparing the financial statements of the Company.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The functional currency of the company is Pounds Sterling, with the parent company accounts presented in US Dollars.

INVESTMENTS

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

OTHER RECEIVABLES

Amounts owed by subsidiary undertakings are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

CREDITORS

Amounts owed to subsidiary undertakings are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

SHARE-BASED PAYMENTS

The Company operates a number of equity-settled, share based compensation plans that are awarded to employees of the Company's subsidiary undertakings. The fair value of the employee services received under such schemes is recognised as an expense in the subsidiary undertakings financial statements, which benefit from the employee services. The Company has recognized the fair value of the share-based payments as an increase to equity with a corresponding adjustment to investments. Equity settled share-based payments are measured at fair value at the date of grant. The fair value, determined at the grant date, of equity settled share–based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value of employee share option grants is calculated using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The value of the charge is adjusted to reflect expected and actual levels of options vesting. Further detail is set out in note [28] to the group consolidated Financial Statements.

CASH AND CASH EQUIVALENTS

There were no cash transactions during the year and accordingly no cash flow statement has been presented.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the income statement.

FINANCIAL GUARANTEE CONTRACTS

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, 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.

NOTES TO THE COMPANY ACCOUNTS (continued)

3 Tax

	2020 $000	2019 $000
Current tax (Credit)	(10)	–

Corporation tax is calculated at 21%, based on the US standard rate of corporate tax (2019: 21%) of the estimated assessable profit for the year. The table below explains the difference between the expected expense at the US statutory rate of 21% and the Company's total tax expense for the year.

	2020 $'000	2019 $'000
Profit/(loss) before tax	2,204	(587)
Tax at the US corporation tax rate of 21% (2019: 21%)	463	(123)
Tax effect of items that are not (taxable)/deductible in determining taxable profit	(463)	123
Other	(10)	–
Tax (Credit)	(10)	–

4 Investments

	2020 $000	2019 $000
At 1 January	1,266	1,209
Movement during the year	(32)	57
At 31 December	1,234	1,266

5 Subsidiaries

A) TRADING COMPANIES

	Incorporation					
Name	Place	Date	Registered address key	Issued and fully paid up share capital	% held	Segment
Quarto Publishing Group USA Inc.	Delaware, USA	28 June 2004	B	380 shares of US$0.01 each	100	US Publishing
Quarto Publishing plc	United Kingdom	1 April 1976	A	100,000 shares of £1 each	100*	UK Publishing
Quarto, Inc.	Delaware, USA	16 October 1986	B	86 shares of no par value	100*	US Publishing

*Directly held by The Quarto Group, Inc.

5 Subsidiaries (continued)

B) DORMANT COMPANIES

Name	Incorporation Place	Incorporation Date	Registered address key	Issued share capital	% held
AP Screen Printers Limited	United Kingdom	30 September 1980	A	1000 shares of £1 each	100
Apple Press Limited	United Kingdom	5 June 1984	A	100 shares of £1 each	100
Aurum Press Limited	United Kingdom	31 May 1977	A	382,502 shares of £1 each	100
Books & Gifts Direct Limited	New Zealand	27 September 1996	C	400,000 shares of NZ$1 each	100*
Cartographica Press Limited	United Kingdom	27 July 1981	A	1000 shares of £1 each	100
Design Eye Holdings Limited	United Kingdom	22 June 1992	A	200 shares of £1 each	100
Design Eye Limited	United Kingdom	18 March 1988	A	100 shares of £1 each	100
Design Eye Publishing Limited	United Kingdom	17 June 1992	A	2 shares of £1 each	100
EYE Quarto Inc	Delaware, USA	19 December 2002	B	1000 shares of no par value	100
Fine Wine Editions Limited	United Kingdom	23 June 1949	A	9020 shares of £1 each	100
Frances Lincoln Limited	United Kingdom	15 December 1980	A	565,000 shares of 10p each	100
Frances Lincoln Publishers Limited	United Kingdom	11 March 1987	A	100 shares of £1 each	100
Global Book Publishing Pty Limited	United Kingdom	7 July 1986	A	1000 shares of £1 each	100
Global Book Publishing Pty Limited	Australia	4 November 1999	D	1,000 shares of A$1 each	100
Great American Trading Company Limited (THE)	United Kingdom	24 February 1982	A	100 shares of £1 each	100
IQON Editions Limited	United Kingdom	5 December 1972	A	300 shares of £1 each	100
iqu-digital.com Limited	United Kingdom	30 November 1978	A	100 shares of £1 each	100
Ivy Press (The)	United Kingdom	9 July 1996	A	1042 shares of 10p each	100
Jacqui Small LLP	United Kingdom	6 November 1998	A	100 units	100
JR Books Limited	United Kingdom	9 September 1986	A	43 004 shares of £1 each	100
Lewes Holdings Limited	United Kingdom	21 July 2005	A	20,840 shares of £0.01 each	100
Marshall Editions Limited	United Kingdom	7 February 2002	A	1 shares of £1 each	100
Marshall Publishing Limited	United Kingdom	7 February 2002	A	1 shares of £1 each	100
QEB Publishing Inc	Delaware, USA	27 April 2004	B	1500 shares of no par value	100
QED Publishing Limited	United Kingdom	12 November 1974	A	400 shares of £1 each	100
QU:ID Publishing Limited	United Kingdom	30 September 1980	A	100 shares of £1 each	100
Quarto Australia Pty Limited	Australia	14 September 1981	D	110 shares of $A1 each	100
Quantum Books Limited	United Kingdom	7 February 1983	A	100 shares of £1 each	100
Quarto Children's Books Limited	United Kingdom	6 January 1976	A	2 shares of £1 each	100
Quarto Group HK Ltd	Hong Kong	26 January 2015	E	100 shares of HKD1 each	100
Quarto Magazines Limited	United Kingdom	20 May 1986	A	1000 shares of £1 each	100
Quarto Marketing Inc	Delaware, USA	26 April 1995	B	3000 shares of no par value	100
Quarto Media Inc	Delaware, USA	10 December 2010	B	1000 shares of $1 each	100
Quarto Multi Media Limited	United Kingdom	14 December 1984	A	1000 shares of £1 each	100
Quill Publishing Limited	United Kingdom	14 May 1979	A	1000 shares of £1 each	100
Quintessence Editions Limited	United Kingdom	7 February 2002	A	1 shares of £1 each	100
Quintet Publishing Limited	United Kingdom	14 May 1979	A	100 shares of £1 each	100
RotoVision S.A.	Switzerland	18 July 1977	F	1,500 shares of SFr500 each	100
Small World Creations Limited	United Kingdom	20 September 1997	A	1,536 share of £1 each	100

*Directly held by The Quarto Group, Inc.

NOTES TO THE COMPANY ACCOUNTS (continued)

5 Subsidiaries (continued)

D) LIST OF REGISTERED OFFICES

A The Old Brewery, 6 Blundell Street, London, N7 9BH, United Kingdom
B 100 Cummings Center, Suite 265D, Beverly, MA 01915-6115, USA
(Quarto Publishing Group USA Inc., 251 Little Falls Drive, Wilmington, DE 19808, Delaware, USA; Quarto Inc., 1209 Orange Street, Wilmington, Delaware 19801, USA)
C c/o Brownes CA Limited, Unit K, 215 Rosedale Road, Albany, Auckland, 0632, New Zealand
D c/o ZM Partners, Suite 10 Ground Floor, 123 Clarence Street, Sydney, NSW 2000, Australia
E Room 2306, Technology Plaza, 651 King's Road, North Point, Hong Kong
F Passage Perdonet 1, 1005 Lausanne, Switzerland

6 Other receivables falling due within one year

	2020 $000	2019 $000
Amounts owed by subsidiary undertakings	3,370	–
	3,370	–

7 Creditors: Amounts falling due within one year

	2020 $000	2019 $000
Amounts owed to subsidiary undertakings	–	15,814
Tax payable	52	52
	52	15,866

8 Called up share capital

Details of called up share capital are set out in note 24 of the consolidated Financial Statements.

9 Contingent liabilities

The Quarto Group, Inc. has issued guarantees in respect of bank loans of subsidiaries of $25,411,000 (2019: $53,077,000). Refer to note 18 of the group consolidated Financial Statements.

10 Related parties

The Company repaid an amount of $19,184,000 to its wholly owned subsidiary, Quarto Publishing plc, during the year (2019: $0.6m borrowed in the year). The balance on the loan at 31 December 2020 was $3.4m (due to the company) (2019: $15.8m owed by the company). These balances are non-interest bearing and repayable on demand.

Five Year Summary

	2020 $'000	2019 $'000	2018[2] $'000	2017[2] $'000	2016[1] $'000
Results					
Revenue	126,883	135,807	149,292	152,512	154,610
Operating profit before amortisation of acquired intangibles and exceptional items	10,618	10,004	10,305	7,193	16,989
Operating profit/(loss)	9,282	8,774	4,303	(17,882)	16,144
Profit before tax, amortisation of acquired intangible assets and exceptional items	7,925	5,074	5,945	3,893	13,880
Profit/(loss) before tax	6,589	3,844	(57)	(21,182)	13,035
Profit/(loss) after tax	4,569	2,882	(552)	(18,539)	(5,277)
Assets employed					
Non-current assets	70,875	83,385	79,481	85,075	105,507
Current assets	82,063	81,396	92,289	94,248	97,133
Current liabilities	(98,206)	(128,226)	(74,084)	(71,039)	(68,872)
Non-current liabilities	(11,019)	(15,501)	(79,698)	(87,311)	(89,657)
Net assets	43,713	21,054	17,988	20,973	44,111
Financed by					
Equity	43,713	21,054	17,988	20,973	39,219
Non-controlling interests	—	—	—	—	4,892
	43,713	21,054	17,988	20,973	44,111
Earnings/(loss) per share (cents)					
Basic	11.7	14.1	(2.7)	(96.4)	46.4
Diluted	11.6	14.0	(2.7)	(96.4)	45.4
Adjusted basic	14.1	19.0	23.2	18.3	49.8
Adjusted diluted	14.1	18.8	23.0	17.8	48.7

1 The results of 2016 have not been restated to reflect the change in accounting for the absorption of overheads to pre-publication costs disclosed in the 2019 report and accounts.
2 The results for 2018 and prior have not been restated for the impact of IFRS 16.

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Ken Fund, Chief Operating Officer,
Chief Executive Officer US
Andy Cumming*, Chairman
Jane Moriarty*, Vice Chair
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