

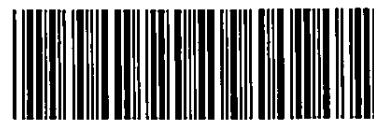
Quarto Publishing plc

Directors' report and consolidated financial statements

Year ended 31 December 2009

Registered number 1252863

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Quarto Publishing plc

Directors' report and consolidated financial statements

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Quarto Publishing plc

Directors' report

The directors present their annual report and the audited consolidated financial statements of Quarto Publishing Plc for the year ended 31 December 2009

Principal activities

The Group conducts an international business whose principal activity is the creation and marketing of high quality illustrated books covering a wide range of topics. The Group's activities also include magazine publishing and other publishing services

Business review and key performance indicators

The board uses a range of performance measures to monitor and manage the business. Certain of these measures are important in measuring our progress in creating shareholder value and are considered key performance indicators (KPIs). The KPIs measure past performance and also provide information to allow us to manage the business into the future and comprise sales and operating profit by business segment, operating margins and interest cover. KPIs for 2009, together with comparatives, are set out in the table below

		2009	2008
		£000	£000
Sales	Co-edition Publishing	31,063	35,846
	Publishing	4,954	4,559
		<u>36,017</u>	<u>40,405</u>
Operating profit	Co-edition Publishing	3,317	3,757
	Publishing	658	457
	Head Office expenses	(672)	(1,938)
		<u>3,303</u>	<u>2,276</u>
Operating margins	Co-edition Publishing	10.7%	10.5%
	Publishing	13.3%	10.0%
		<u>14.95x</u>	<u>4.71x</u>

Co-edition Publishing sales fell by 13.3%, reflecting a difficult year at Regent Publishing Services. Publishing sales were robust, up 8.7% on the prior year, driven by a strong performance at Aurum Press.

The operating margin of Co-edition Publishing improved slightly, the Publishing operating margin showed a significant improvement.

Head Office expenses decreased significantly due to favourable exchange rate movements, and group interest cover improved from 4.71 times to 14.95 times, assisted by lower interest rates.

Quarto Publishing plc

Directors' report (*continued*)

The full results of the Group are set out on page 8. Trading was generally satisfactory in 2009 and the directors expect this to continue, subject to the principal risks and uncertainties facing the Group, as set out below.

Principal risks and uncertainties facing the Group

The Group's borrowings, liquidity, interest rate and foreign exchange exposures are managed through the parent company. The following policies have been applied during the year to manage the financial risks faced by the Group with regard to funding and liquidity, interest rate exposure and currency rate exposures.

- **Liquidity risk** – the Group prepares an annual cash flow forecast which is reviewed by the Board covering the next 12 months. This forecast is reviewed in the light of the facilities available to the Group to ensure that we have adequate liquidity. The Directors, having made enquiries, consider that the Group will have adequate resources for the foreseeable future.
- **Interest rate risk** – in order to protect the Group from increases in US\$ interest rates, while still allowing it to take advantage of lower potential interest payments from a fall in rates, the Group enters into interest rate swaps. The overall objective is to fix the interest rates on approximately 50% of our borrowings.
- **Currency rate exposure** – the Group's principal operating currency is the US\$, with a substantial proportion of our sales and expenditure being denominated in US\$. We try to match our annual US dollar receipts and payments in order to mitigate the impact that exchange rate fluctuations, with regards to the US dollar, have on our results. The average exchange rate for the US dollar in 2009 was US\$1.57 (2008: US\$1.86). Our overseas subsidiary, Regent Publishing Services Limited, operates in Hong Kong, and the average exchange rate used in translating their results was HK\$12.13 (2008: HK\$14.44).

The Group has credit risk in the normal course of business but it is not over-reliant on any one customer. There is no significant exposure to price risk.

Proposed dividend and transfer to reserves

The directors do not propose a dividend for the year (2008: *£nil*). The profit for the year retained in the Group is £2,448,000 (2008: £894,000).

Directors and directors' interests

The directors who held office during the year were as follows:

LF Orbach (Chairman)
MJ Clinch
RJ Morley
MJ Mousley

During the year the Company maintained liability insurance for its directors and officers.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or its subsidiaries.

Quarto Publishing plc

Directors' report *(continued)*

The directors are not required to notify their interests in the shares and debentures of the ultimate holding company, The Quarto Group, Inc, because the ultimate holding company is incorporated outside Great Britain

Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

Supplier payments policy

The Group and Company agree terms and conditions for their business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier. As at 31 December 2009 creditor days amounted to 135 (2008 136) for the Group and 143 (2008 141) for the Company

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 affecting their current and future interests

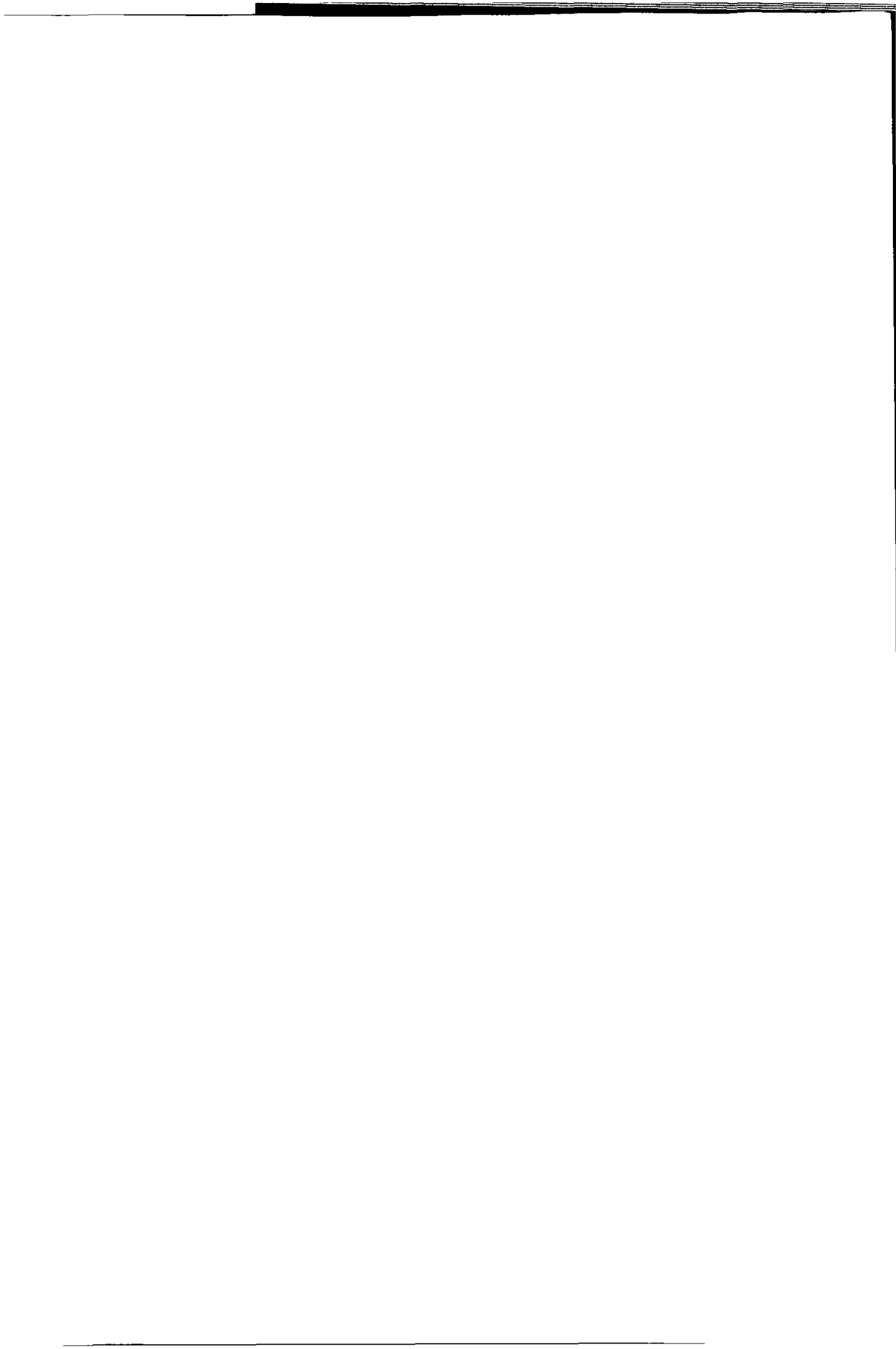
Charitable and political donations

There have been no charitable or political donations during the year

Directors' statement

At the date of making this report, each of the company's directors as set out on page 2, confirm the following

- a) So far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- b) Each director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information



Quarto Publishing plc

Directors' report *(continued)*

Auditors

At the Annual General Meeting the Board will propose the reappointment of Grant Thornton UK LLP as auditors to the company

By order of the board



MJ Mousley
Director

The Old Brewery
6 Blundell Street
London
N7 9BH

26 April 2010

Registered company number 1252863

Quarto Publishing plc

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and the parent company financial statements in accordance with UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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.



Quarto Publishing plc

Independent auditors' report to the members of Quarto Publishing plc

We have audited the financial statements of Quarto Publishing plc for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated statement of total recognised gains and losses, the Group and parent company reconciliations of movement in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Basis of audit opinion

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Quarto Publishing plc

Independent auditors' report to the members of Quarto Publishing plc *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 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



John Bowler
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

28 April 2010



Quarto Publishing plc

Consolidated profit and loss account *for the year ended 31 December 2009*

	<i>Notes</i>	2009	2008
		£000	£000
Revenue continuing operations	2	36,017	40,405
Cost of sales		(23,709)	(27,809)
		<hr/>	<hr/>
Gross profit		12,308	12,596
Distribution costs		(623)	(599)
Administrative expenses		(8,500)	(9,856)
Other operating income		118	135
		<hr/>	<hr/>
Group operating profit continuing operations		3,303	2,276
Interest receivable and other similar income	6	280	373
Interest payable and similar charges	7	(501)	(856)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	3,082	1,793
Tax on profit on ordinary activities	8	(580)	(680)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,502	1,113
Minority interests equity	19	(54)	(219)
		<hr/>	<hr/>
Retained profit for the financial year	18	2,448	894
		<hr/>	<hr/>

There is no material difference between the results as disclosed in the profit and loss account and those results on an historical cost basis

Quarto Publishing plc

Consolidated balance sheet

at 31 December 2009

		2009		2008	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	9		2,007		2,161
Tangible assets	10		3,982		4,187
			<u>5,989</u>		<u>6,348</u>
Current assets					
Stocks	12	5,730		6,169	
Debtors	13	84,032		89,013	
Cash and cash receivables		13,666		19,275	
		<u>103,428</u>		<u>114,457</u>	
Creditors: amounts falling due within one year	14	<u>(21,401)</u>		<u>(27,239)</u>	
Net current assets			82,027		87,218
Total assets less current liabilities			<u>88,016</u>		<u>93,566</u>
Creditors: amounts falling due after more than one year	15		(74,708)		(80,910)
Provisions for liabilities	16		29		(17)
Net assets			<u><u>13,337</u></u>		<u><u>12,639</u></u>
Capital and reserves					
Called up share capital	17		100		100
Revaluation reserve	18		918		928
Profit and loss account	18		9,803		8,736
Equity shareholders' funds			<u>10,821</u>		<u>9,764</u>
Minority interests : equity	19		2,516		2,875
Capital employed			<u><u>13,337</u></u>		<u><u>12,639</u></u>

These financial statements were approved by the board of directors on 26 April 2010 and were signed on its behalf by



MJ Mousley
Director

Quarto Publishing plc

Company balance sheet at 31 December 2009

		2009		2008	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	9		1,247		1,350
Tangible assets	10		3,786		3,943
Investments	11		4,864		4,864
			<u>9,897</u>		<u>10,157</u>
Current assets					
Stocks	12	3,896		4,162	
Debtors	13	78,199		83,215	
Cash at bank and in hand		2,822		6,645	
		<u>84,917</u>		<u>94,022</u>	
Creditors: amounts falling due within one year	14	(24,260)		(29,193)	
		<u></u>		<u></u>	
Net current assets			60,657		64,829
Total assets less current liabilities			<u>70,554</u>		<u>74,986</u>
Creditors: amounts falling due after more than one year	15		(74,708)		(80,890)
Provisions for liabilities and charges	16		(38)		(54)
Net liabilities			<u>(4,192)</u>		<u>(5,958)</u>
Capital and reserves					
Called up share capital	17		100		100
Revaluation reserve	18		918		928
Profit and loss account	18		(5,210)		(6,986)
Equity shareholders' deficit			<u>(4,192)</u>		<u>(5,958)</u>

These financial statements were approved by the board of directors on 21 April 2010 and were signed on its behalf by



MJ Mousley
Director



Quarto Publishing plc

Consolidated statement of total recognised gains and losses *for the year ended 31 December 2009*

	2009	2008
	£000	£000
Profit for the financial year	2,448	894
Currency translation differences on foreign currency net investments	(1,391)	3,801
Total recognised gains and losses relating to the year	1,057	4,695

Reconciliation of movement in shareholders' funds/(deficit) *for the year ended 31 December 2009*

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Retained profit/(loss) for the financial year	2,448	894	1,766	(182)
Other recognised gains and losses	(1,391)	3,801	-	-
Net movement in shareholders' funds	1,057	4,695	1,766	(182)
Opening shareholders' funds/(deficit)	9,764	5,069	(5,958)	(5,776)
Closing shareholders' funds/(deficit)	10,821	9,764	(4,192)	(5,958)

Quarto Publishing plc

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements consolidate those of the company and its subsidiaries (together referred to as the “Group”)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

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.

Basis of preparation and going concern

The significant accounting policies that have been adopted in the financial statements, which are presented under the historical cost basis of accounting and the going concern assumption, as modified by the revaluation of freehold property, are as set out below and comply with applicable UK accounting standards. The financial statements for the Company have been prepared on a going concern basis as the parent company, The Quarto Group, Inc. has indicated that it intends to provide such funds as are necessary for the company to trade for the foreseeable future.

Cash flow statement

As the Company is a wholly owned subsidiary of The Quarto Group, Inc. in whose financial statements the Company is included, the company has taken advantage of the exemption contained within FRS 1 (Revised) and not presented a cash flow statement.

Related party transactions

As the Company is a wholly owned subsidiary of The Quarto Group, Inc., the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed material transactions or balances with entities which form part of The Quarto Group, Inc. (where more than 90% of the voting rights are controlled within the Group). The consolidated financial statements of The Quarto Group, Inc., within which this company is included, can be obtained from the address given in Note 23. Other related party transactions are detailed in Note 21.

Quarto Publishing plc

Notes *(continued)*

1 **Accounting policies** *(continued)*

Basis of consolidation

The Group accounts consolidate, under the acquisition method, the accounts of Quarto Publishing plc and all of its subsidiary undertakings, all of which have a 31 December year end. 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.

The results of subsidiaries requiring to be acquisition accounted are included from the date on which control passes. On the acquisition of a business, fair values, reflecting conditions at the date of acquisition, are attributed to the net tangible assets. Where the fair value of the purchase consideration exceeds the values attributable to the Group's share of such net assets, the difference is treated as purchased goodwill and for accounting periods up to 31 December 1997 this was written off directly to reserves in the year of acquisition. Goodwill on acquisitions subsequent to 31 December 1997 is capitalised as an intangible fixed asset and written off to nil over its useful economic life, being 20 years for acquisition of businesses. Reorganisation and integration costs resulting from the acquisition are charged to the profit and loss account, as they are incurred. The profit or loss on the disposal or discontinuation of a previously acquired business is calculated taking account of the attributable amount of purchased goodwill relating to that business.

Provision for any impairment in the value of intangible fixed assets is made in the profit and loss account.

In the Company's accounts, the investments in its subsidiaries are stated at the lower of cost and valuation.

In accordance with Section 408 of the Companies Act 2006, Quarto Publishing plc is exempt from the requirement to present its own profit and loss account. The result for the Company for the year is disclosed in Note 18.

Tangible fixed assets

As permitted by the transitional arrangements of FRS 15, the Company has chosen to hold the cost of freehold properties at previous valuations, with effect from January 2000. Other fixed assets are held at cost less accumulated depreciation. Provision for any impairment in the value of tangible fixed assets is made in the profit and loss account.

Quarto Publishing plc

Notes *(continued)*

1 **Accounting policies** *(continued)*

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following annual rates

Freehold buildings	-	2% straight line
Short leasehold property	-	over the period of the lease
Plant, equipment and vehicles	-	10% - 25% straight line
Fixtures and fittings	-	15% - 20% straight line

No depreciation is provided on freehold land. Provision for any impairment in the value of tangible fixed assets is made in the profit and loss account.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost, including an appropriate portion of overheads, and net realisable value. Production costs (excluding unit print costs), including an appropriate proportion of overheads, in respect of a book are charged to the profit and loss account on the first printing of a book.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the respective balance sheet dates. Profit and loss accounts in foreign currencies are translated at average rates for the respective accounting periods. Exchange differences arising on the translation of the net assets and profit and loss accounts of non-UK subsidiaries together with exchange differences on related borrowings are accounted for through reserves. All other exchange differences are recorded in the profit and loss account.

Leases and hire purchase contracts

When assets are acquired under finance leases (including hire purchase contracts) the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided over the useful economic life of the asset or, if shorter, over the lease term. The capital element of future finance lease payments is included in creditors and the interest element is charged to the profit and loss account over the period of the lease in proportion to the capital element outstanding. Expenditure on operating leases is charged to the profit and loss account on a straight line basis.

Quarto Publishing plc

Notes (continued)

1 Accounting policies (continued)

Pension costs

Pension costs relate to contributions made to individual portable defined contribution pension plans and are charged to the profit and loss account as they fall due. The Quarto Publishing plc pension scheme is a personal defined contribution pension scheme. The assets of the scheme are held separately in independently administered funds.

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 and any adjustments to tax payable in respect of previous years. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. A deferred tax asset is recognised only to an extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to customers during the period. Revenues are recognised on despatch of goods and when the significant risks and rewards of ownership have been passed to the buyer.

2 Segmental analysis

	2009 £000	2008 £000
<i>Geographical analysis of turnover by destination</i>		
United Kingdom	6,635	7,633
United States of America	11,932	15,748
Canada	656	397
Europe	12,040	12,239
Australasia and Far East	3,107	2,983
Rest of the world	1,647	1,405
	<u>36,017</u>	<u>40,405</u>

Quarto Publishing plc

Notes (continued)

2 Segmental analysis (continued)

Analysis by class of business

	Turnover		Profit before taxation		Net operating assets	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Co-edition Publishing	31,063	35,846	3,317	3,757	9,367	6,114
Publishing	4,954	4,559	658	457	4,284	3,758
Head Office	-	-	(672)	(1,938)	-	-
	<u>36,017</u>	<u>40,405</u>	<u>3,303</u>	<u>2,276</u>	<u>13,651</u>	<u>9,872</u>
Net interest payable			(221)	(483)		
Profit on ordinary activities before taxation			<u>3,082</u>	<u>1,793</u>		

The Group's interest expense is arranged centrally and is not attributable to individual activities or geographical areas

Geographical analysis by area of origin

	Turnover		Operating profit		Net operating assets	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
United Kingdom	28,550	29,196	3,170	1,471	13,722	10,133
Rest of the World	7,467	11,209	133	805	(71)	(261)
	<u>36,017</u>	<u>40,405</u>	<u>3,303</u>	<u>2,276</u>	<u>13,651</u>	<u>9,872</u>

Quarto Publishing plc

Notes (continued)

2 Segmental analysis (continued)

The net operating assets can be reconciled to the consolidated balance sheet as follows

	2009 £000	2008 £000
Net operating assets as above	13,651	9,872
Interest bearing loans to Group undertakings	61,889	65,196
Total bank loans and other borrowings	(74,826)	(81,098)
Cash at bank and in hand	13,666	19,275
Corporation tax and deferred tax	(1,043)	(606)
Net assets	<u>13,337</u>	<u>12,639</u>

3 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	266	288
Auditors' remuneration (see below)	25	25
Amortisation of intangibles	154	154
Rentals payable under operating leases in respect of		
Plant and machinery	31	32
Other	241	225
Exchange (gains)/losses	(674)	915

Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual accounts	21	21
Fees payable to the Company's auditors and its associates for other services		
The audit of the Company's subsidiaries	4	4
	<u>25</u>	<u>25</u>

Quarto Publishing plc

Notes (continued)

4 Directors' remuneration

Emoluments receivable by directors in respect of qualifying services were

	2009 £000	2008 £000
Remuneration	877	877
Contributions to defined contribution pension schemes	67	65
	<u>944</u>	<u>942</u>

The directors' remuneration disclosed above included the following amounts paid in respect of the highest paid director

Remuneration	358	357
Contributions to defined contribution pension schemes	-	-
	<u>358</u>	<u>357</u>

Retirement benefits accrued to three directors under defined contribution pension schemes during the year (2008 three)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category was as follows

	Number of employees	
	2009	2008
Publishing	140	149
Group administration	16	16
	<u>156</u>	<u>165</u>

The aggregate payroll costs of these persons were as follows

	2009 £000	2008 £000
Wages and salaries	5,843	5,885
Social security costs	560	569
Pension costs	185	170
Compensation for loss of office	57	-
	<u>6,645</u>	<u>6,624</u>

Quarto Publishing plc

Notes (continued)

6 Interest receivable and other similar income

	2009 £000	2008 £000
Interest receivable	280	373

7 Interest payable and similar charges

	2009 £000	2008 £000
On bank loans, overdrafts and other loans wholly repayable within five years, not by instalments	501	856

8 Taxation

	2009 £000	2008 £000
Overseas tax	26	143
UK tax	600	525
Total current tax	626	668
Deferred tax (see note 16)	(46)	12
	580	680

The current tax charge for the year is lower (2008 higher) than the standard rate of corporation tax in the UK (28%, 2008 28.5%) The differences are explained below

Profit on ordinary activities before tax	3,082	1,793
Current tax at 28% (2008 28.5%)	863	511
Effects of		
Lower tax rates on overseas earnings	(41)	(114)
Other (including temporary and permanent timing differences)	(196)	271
Total current tax charge (see above)	626	668

Quarto Publishing plc

Notes *(continued)*

9 Intangible assets

	Group Goodwill £000	Company Goodwill £000
<i>Cost</i>		
At beginning and end of year	3,074	2,050
	<hr/>	<hr/>
<i>Amortisation</i>		
At beginning of the year	913	700
Charged in the year	154	103
	<hr/>	<hr/>
At end of year	1,067	803
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 December 2009	2,007	1,247
	<hr/>	<hr/>
At 31 December 2008	2,161	1,350
	<hr/>	<hr/>

Quarto Publishing plc

Notes (continued)

10 Tangible fixed assets

Group	Freehold property	Leasehold property	Plant, equipment and vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000	£000
<i>Cost/valuation</i>					
At the beginning of year	4,072	271	964	497	5,804
Exchange differences	-	(4)	(13)	(23)	(40)
Additions	-	-	72	-	72
Disposals	-	-	(276)	(120)	(396)
At end of year	4,072	267	747	354	5,440
<i>Depreciation and diminution in value</i>					
At beginning of year	356	199	716	346	1,617
Exchange differences	-	(4)	(10)	(15)	(29)
Charge for year	48	41	130	47	266
On disposals	-	-	(276)	(120)	(396)
At end of year	404	236	560	258	1,458
<i>Net book value</i>					
At 31 December 2009	3,668	31	187	96	3,982
At 31 December 2008	3,716	72	248	151	4,187

Quarto Publishing plc

Notes (continued)

10 Tangible fixed assets (continued)

Company	Freehold property £000	Leasehold property £000	Plant, equipment and vehicles £000	Fixtures and fittings £000	Total £000
Cost/valuation					
At the beginning of year	3,975	224	860	305	5,364
Additions	-	-	67	-	67
Disposals	-	-	(276)	(119)	(395)
At end of year	3,975	224	651	186	5,036
Depreciation and diminution in value					
At beginning of year	356	160	663	242	1,421
Charge for year	48	36	111	29	224
Disposals	-	-	(276)	(119)	(395)
At end of year	404	196	498	152	1,250
Net book value					
At 31 December 2009	3,571	28	153	34	3,786
At 31 December 2008	3,619	64	197	63	3,943

A freehold property, with a net book value of £1,988,000 (2008 £2,014,000), is secured against a mortgage

As stated in the accounting policy note on page 13, the directors have chosen to hold the cost of freehold properties at previous valuations with effect from January 2000. Freehold property in the UK with a historical cost of £382,000 was revalued on the basis of an open market value for existing use at December 31, 1989 by external and independent valuers (Conway Kersh, Professional Valuers). The valuation was £1.7 million but the directors ascribed a value of £1.4 million, on the grounds of prudence. The valuation was in accordance with RICS Statements of Asset Valuation Practice and Guidance Notes.



Quarto Publishing plc

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of land and buildings comprises

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Freehold	3,668	3,716	3,571	3,619
Short leasehold	31	72	28	64
	3,699	3,788	3,599	3,683

11 Fixed asset investments

	Shares in group undertakings £000
Company	
Cost	
At the beginning and end of year	9,103
Provisions	
At beginning and end of year	4,239
Net book value	
At 31 December 2009	4,864
At 31 December 2008	4,864

Quarto Publishing plc

Notes (continued)

11 Fixed asset investments (continued)

The Company has the following principal trading subsidiaries, all of which operate principally in their country of incorporation

Name	Country of incorporation	Issued and fully paid share capital	Percentage held	Business
Regent Publishing Services Limited	Hong Kong	1,000 shares of HK\$10 each	75	Co-edition Publishing
Apple Press Limited	Great Britain	100 shares of £1 each	100	Publishing
Aurum Press Limited	Great Britain	382,502 shares of £1 each	100	Publishing

All of the above are directly held by Quarto Publishing plc and are included in the consolidation of the Group

12 Stocks

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Raw materials and consumables	-	34	-	-
Finished goods	1,761	1,826	639	461
Work in progress	4,208	4,524	3,496	3,916
Less Payments on account	(239)	(215)	(239)	(215)
	<u>5,730</u>	<u>6,169</u>	<u>3,896</u>	<u>4,162</u>

13 Debtors

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade debtors	11,207	14,400	7,640	10,312
Amounts owed by Group undertakings	71,442	73,248	70,194	72,517
Other debtors	977	840	206	124
Prepayments and accrued income	406	525	159	262
	<u>84,032</u>	<u>89,013</u>	<u>78,199</u>	<u>83,215</u>

Quarto Publishing plc

Notes (continued)

13 Debtors (continued)

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
<i>The amounts owed by Group undertakings comprise</i>				
Parent and fellow subsidiary undertakings	71,442	73,248	67,696	69,272
Subsidiary undertakings	-	-	2,498	3,245
	<u>71,442</u>	<u>73,248</u>	<u>70,194</u>	<u>72,517</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank overdrafts	-	74	-	-
Current loan instalments	134	134	134	134
Total borrowings due within one year	<u>134</u>	<u>208</u>	<u>134</u>	<u>134</u>
Trade creditors	12,405	17,867	9,506	13,982
Amounts owed to Group undertakings	6,394	7,015	13,239	13,956
Other creditors including taxation and social security				
Corporation taxation	1,072	589	657	198
Other taxes and social security	-	20	45	44
Other creditors	580	527	340	312
Accruals and deferred income	816	1,013	339	567
	<u>21,401</u>	<u>27,239</u>	<u>24,260</u>	<u>29,193</u>

Quarto Publishing plc

Notes (continued)

14 Creditors: amounts falling due within one year (continued)

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
<i>The amounts owed to Group undertakings comprise</i>				
Parent and fellow subsidiary undertakings	6,394	7,015	5,955	6,511
Subsidiary undertakings	-	-	7,284	7,445
	6,394	7,015	13,239	13,956

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans	74,692	80,890	74,692	80,890
Other creditors	16	20	16	-
	74,708	80,910	74,708	80,890

Total borrowings are repayable as follows

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
In one year or less, or on demand	134	208	134	134
Between one and two years	134	134	134	134
Between two and five years	74,558	80,756	74,558	80,756
In five years or more	-	-	-	-
	74,826	81,098	74,826	81,024

All loans and bank overdrafts attract interest at commercial rates, ranging from 1.6% to 7.1%. Bank loans include £540,000 (2008: £671,000) which is secured on a freehold property. All other bank loans are unsecured.

Quarto Publishing plc

Notes (continued)

16 Deferred taxation

	Deferred taxation	
	Group	Company
	£000	£000
At beginning of year	(17)	(54)
Credit for period in the profit and loss account	46	16
Asset/(liability) at end of year	<u>29</u>	<u>(38)</u>

The elements of deferred taxation are as follows

	2009	2008
	£000	£000
Group		
Difference between accumulated depreciation and amortisation and capital allowances	49	55
Other timing differences	(78)	(38)
	<u>(29)</u>	<u>17</u>
Company		
Difference between accumulated depreciation and amortisation and capital allowances	38	54

17 Share capital

	2009	2008
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 ordinary shares £1 each	<u>100</u>	<u>100</u>

Quarto Publishing plc

Notes (continued)

18 Reserves

Group

	Revaluation Reserve	Profit And Loss Account
	£000	£000
At beginning of the year	928	8,736
Retained profit for year	-	2,448
Difference on translation of net assets and profit and loss accounts of non-UK companies	-	(1,391)
Transfers	(10)	10
At the end of the year	<u>918</u>	<u>9,803</u>
Analysed as follows		
Profit and loss account		11,318
Goodwill written off to reserves		(1,515)
At the end of the year		<u>9,803</u>

Company

	Revaluation Reserve	Profit And Loss Account
	£000	£000
At beginning of the year	928	(6,986)
Retained profit for year	-	1,766
Transfers	(10)	10
At the end of the year	<u>918</u>	<u>(5,210)</u>

Quarto Publishing plc

Notes (continued)

19 Minority interests: equity

Group	2009 £000	2008 £000
At beginning of the year	2,875	2,219
Retained profit for year	54	219
Dividends/purchase	(136)	(341)
Exchange differences	(277)	778
At the end of the year	<u>2,516</u>	<u>2,875</u>

20 Financial Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings £000	2009 Other £000	Land and buildings £000	2008 Other £000
Group				
Operating leases which expire				
Within one year	185	-	8	3
In the second to fifth years inclusive	87	21	270	29
	<u>272</u>	<u>21</u>	<u>278</u>	<u>32</u>
Company				
Operating leases which expire				
Within one year	185	-	-	-
In the second to fifth years inclusive	-	19	185	24
	<u>185</u>	<u>19</u>	<u>185</u>	<u>24</u>

There were no capital commitments at the year end (2008 £nil)

Quarto Publishing plc

Notes *(continued)*

21 **Related party transactions**

During the year RJ Morley maintained a current account with the Group. The debit balance on the account was less than £5,000 throughout the year. The balance at the end of the year was £2,000 (2008 £2,000). During the current and preceding year L F. Orbach loaned money to the Group and has received no interest (2008 £2,000). The balance outstanding at the beginning of the year was £36,000, and the balance at the end of the year, which was also the highest amount outstanding, was £228,000.

During the year, the Group made sales totalling £958,000 (2008 £744,000) to Book Sales Inc, a fellow subsidiary of The Quarto Group, Inc. At the year end, Book Sales Inc owed £596,000 (2008 £406,000) to the Group.

22 **Contingent liabilities**

The Company is party to a Group bank syndicated facility. Unlimited guarantees are given in favour of other companies in the Group headed by The Quarto Group, Inc.

23 **Ultimate parent company and parent undertaking of larger group**

The Company is a subsidiary undertaking of The Quarto Group, Inc, which is the ultimate parent company and the controlling party, incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by The Quarto Group, Inc.

The consolidated accounts of The Quarto Group, Inc are available to the public and may be obtained from

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