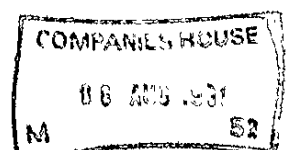
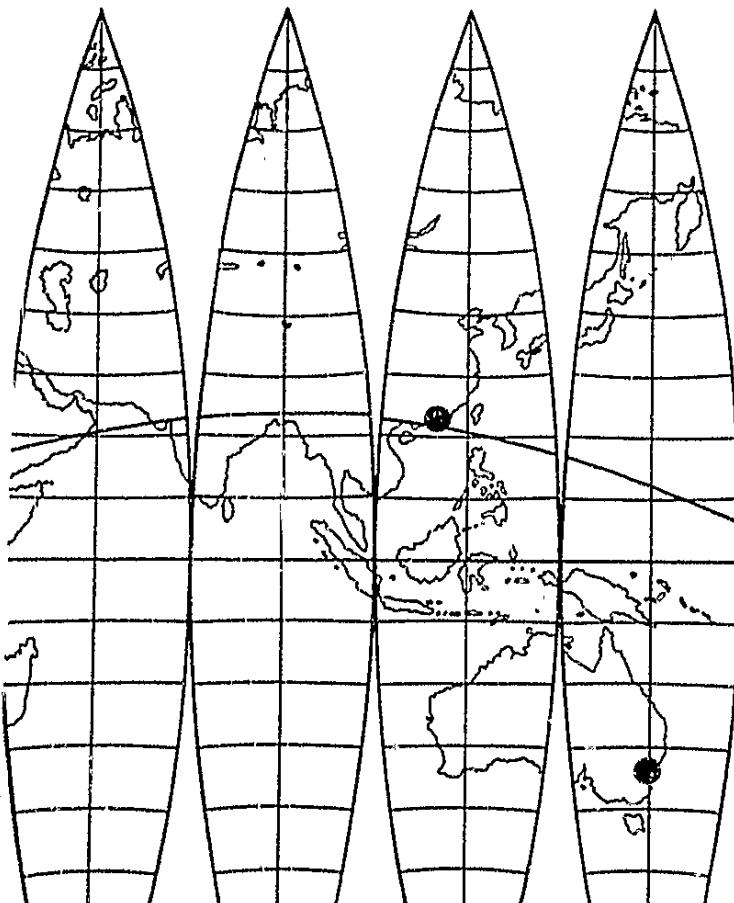


PC 13814

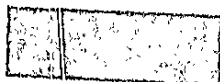
FINANCIAL HIGHLIGHTS

	1990 £000	1989 £000
Turnover	39,010	33,206
Profit before taxation	4,061	3,888
Net profit for the year	1,402	2,369
Dividends	1,119	1,119
Earnings per share	17.9p	17.7p

The Quarto Group is the international market leader in the field of book package publishing. It has also expanded into the twin fields of production and marketing support, helping commerce and industry to sell their products and services. Over 15 years of organic growth and acquisition, the Group has maintained its guiding philosophy — to identify market needs and fulfill them at the right price — which has enabled it to build a strong, healthy foundation on which to base future developments. These will ensure the Group becomes a major force in the world communications industry.



CHAIRMAN'S STATEMENT



I AM PLEASED TO BE ABLE to report that your Company achieved record sales and profits in the year ended 31 December 1990, in spite of the many economic problems encountered in our major trading markets. Turnover was £ 39,040,000 (1989 £ 33,202,000), profit before taxation was £ 4,001,000 (1989 £ 3,888,000) and earnings per share were 37.5p (1989 37.7p). The results include a first time contribution from Rockport Publishers, which has acquired in June, and trading losses in the magazine division, which has subsequently been disbanded.

The Board considers that the overall performance of the Group during 1990 was satisfactory and your Directors are proposing an unchanged final dividend of 3.375p (net) per ordinary share, which is payable on 4 June, 1991 to shareholders on the register on 23 April, 1991. Together with the interim dividend paid already, this makes a total of 4.875p (net) for the year.

The Group continues to attribute its success to its widely spread world markets, which protect it from excessive dependence on any single national economy; its size and strong reputation in the publishing industry, which allows it regularly to tap new markets and new customers; and the management philosophy which emphasizes the operating needs of our subsidiaries and avoids an overbearing centralization of functions and decision making.

These factors were the key to dealing with the gloomier economic scene in 1990. We encountered setbacks to our growth plan but the experience has helped to highlight the strengths of the Group.

The decision to disband the magazine division was taken after very careful review of its prospects. As I have mentioned previously, we were never able to achieve a critical mass or enough leading titles to sustain the division profitably during an advertising downturn. Despite strenuous efforts to reorient certain titles in the right direction, we failed to attract adequate advertising revenue and were unable to trim our costs sufficiently to conform to the revenues we needed to generate. The costs associated with the closure of the division are included in the financial statements as an extraordinary item.

The tough trading environment of 1990 has, at the same time, emphasized our strengths, namely, solid core businesses in both book package publishing and distribution and in marketing support and production services. In both areas a thorough understanding of the marketplace and an emphasis on margin and cost controls are second nature to our managers. Somewhat against the trend, we have not sought to integrate these businesses, except for the more routine administrative and financial functions. Instead, both at Board and divisional level we have encouraged a market led approach which, necessarily, requires each operating business to seek its own commercial success.

Review of activities

During the year the *Publishing Division* produced books, art prints, stationery and the *Artist's and Illustrator's Magazine*, which we launched in 1986 and never integrated with the other magazines. Its profits increased and circulation of the magazine also grew during the year.

Book package publishing continues to remain the largest single activity in the Group. Trading conditions generally weakened as the year progressed and we were affected by the collapse of a major customer in the UK. In addition the weak dollar and relatively strong pound deprived us of the opportunity to conclude certain sales and put additional pressure on margins for reprints. Nonetheless, I am pleased to report that our vigorous sales staff continued to expand our customer base around the world and we were successful in maintaining our customary high level of profitability despite these problems. Output of new titles remained stable with ninety-eight being launched during the year and reprints continuing to provide half of the revenue.

Important initiatives were taken during the year on two new fronts we decided to launch a children's division and a professional list. Initial proposals for a children's list were unveiled at the Frankfurt book fair in October and the titles will begin to appear in 1992. The fact that this is a crowded market is one of its attractions, since it is clear that it attracts parental and institutional spending. We now feel that we are developing the expertise to publish successfully for children the sort of illustrated, informational books on which we have built our reputation.

Additionally, in order to take advantage of our proven strengths in creating books in the visual arts fields and the sales and marketing strengths of Rockport and RotoVision, we embarked on a list of books designed exclusively for the professional in these fields. We expect to publish four titles in the series in 1991. RotoVision, our international distributor and publisher of graphic arts

books, was added in the Group by Rockport, which publishes and distributes books to much the same market. The combination of the two companies will enhance our dominant position in the field and it is going to see the resultant increase in both sales and profits.

During the year, Broughton Hall's directories were redesigned and improved editorially and new initiatives were taken on the publishing side to expand outside its confined range. In addition, at the end of the year the operations of all departments, with the exception of distribution, were consolidated in one location, thus allowing management to function more effectively. Broughton Hall faced pressure on its margins in the first half of the year because of a steep increase in distribution costs but the trading performance in the second half was most satisfactory, as a price increase and higher spending on advertising generated increased sales.

In other publishing activities, sales of art prints in Australia suffered from the lingering effects of the domestic airline pilots' strike but rebounded somewhat in the second half of the year. Lefax, our personal organiser business, found business to be tough, particularly against the background of the well publicised difficulties of its competitor, Filofax. However, since the year end, Lefax's sales efforts in North America have been taken over by Rockport and we are confident of achieving improvements in 1991.

The *Marketing Support and Production Services Division* includes our professional photo processing laboratory, our silk screen printing plants producing point of sale material, the print production and broking business and graphic design services. Most of the division's business is in the UK and trading conditions became more difficult as the year progressed. For the UK businesses, there was no overall growth and we suffered a slight erosion of margin. Regent, our print production and broking subsidiary in Hong Kong, continued to expand and to improve its profit, as it received an increased flow of work from its overseas sales representatives.

Regent postponed plans to open a second production office in Singapore as its Hong Kong suppliers responded positively to competitive pressures and increased the attractiveness of Hong Kong as a production base.

Outlook

We were buffeted in 1990 by many factors which served to demonstrate to your Board that your Company's fundamental businesses are solid and are run with keen attention to the bottom line. We expect this to continue in 1991 and to resist all temptations to trade sales for margin.

This conservative approach, within a generally entrepreneurial framework, has served the Company and its staff well. I wish I could say the same for the shareholders who, during the year, have seen the value of their investment fall substantially. It is unfortunate that this has happened because, effectively, it deprives management of access to the capital markets, which was the major reason for going public. We hope that investment perceptions will change with the City sharing your Board's confidence in the future of the Group.

Looking at the current year, external factors make it difficult to produce accurate forecasts. The first quarter of 1991 was dominated by the Gulf War and by deepening clouds of recession in the major English speaking economies and rumour of weakening demand in many other European countries. Whilst we can expect a halt to some of these recessionary influences there is little on the horizon to suggest substantial growth in demand during the year.

We have put the bad experiences of the magazines behind us and we are confident that our publishing operations will continue to expand both their sales and profitability in 1991. The forward orders for book package publishing are extremely encouraging and suggest a strong improvement on 1990. Continuing weak demand in the UK will undoubtedly affect our marketing support and production services activities, but the division expects continued growth because of the expansion of print production and broking.

In summary, the outcome of the current year will depend to a very great extent upon the economic environment in the markets in which we operate. However, we believe that our solid core businesses and strict financial controls will protect the Group from any further downturn and will position it to benefit in the best possible way from any upturn in the economy.

Finally, it remains for me to thank all our staff, suppliers and customers, whose support has helped us to achieve a gratifyingly satisfactory result for 1990 and which we shall continue to rely on in the future.



Lawrence E. Orbach
Chairman & Chief Executive

PUBLISHING DIVISION



ALL QUARTO'S PUBLISHING activities are governed by one essential factor — the recognition that our job entails targetting an audience, identifying its requirements and producing books to satisfy its needs. In other words, whether we are planning a book for amateur painters or for professional graphic designers, we start from the same standpoint. We define what we perceive as being the end user's needs and ask ourselves how we can help readers to enjoy their pastimes more, or to do their jobs better.

Our mission, then, is to inform and instruct. Our expertise lies in achieving both goals profitably. This means, above all, that we must provide and present information and instruction in an attractive, accessible, exciting way, at the right price. The best book in the world is of little value, if its intended readers cannot afford it; the publication of well-produced books can only continue if their originators are rigorous about controlling costs and conscious of the need to make profits.

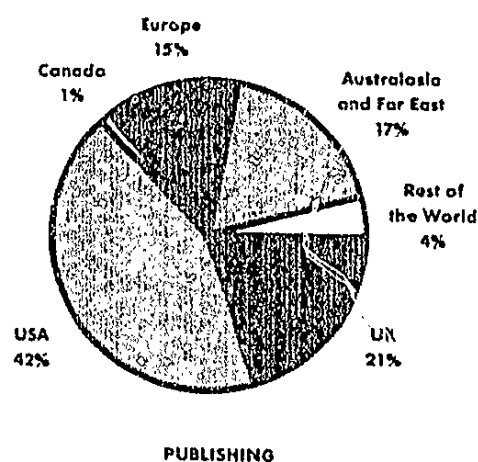
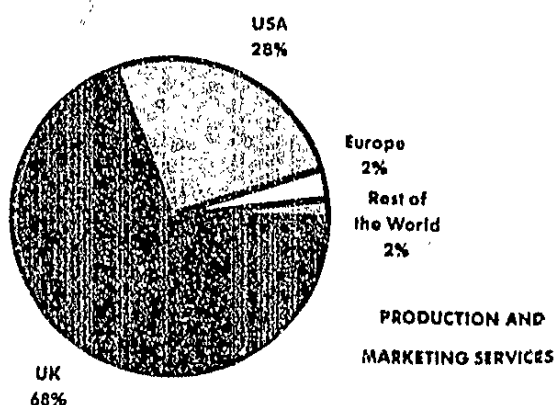
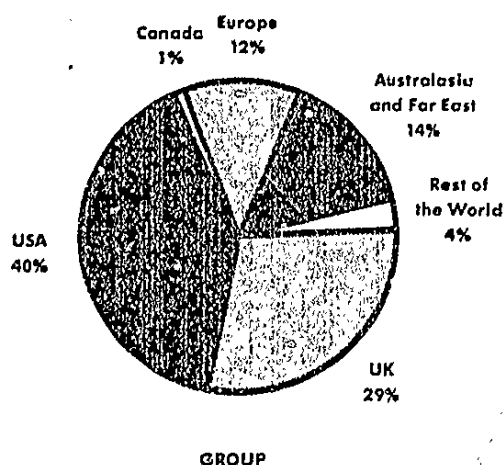
The Publishing Division

The core of this Division is Quarto Publishing. Based in London, this produces highly illustrated non-fiction books, which are sold, under licence, to an ever-increasing number of publishers across the world. The process is simple. We are responsible for creating a book concept, selling it to our publishing customers and then producing and delivering the finished books — all on a pre-arranged contractual basis. What we do not do is to publish, market and sell the finished product. This is the responsibility of our customers. Put another way, what we are providing is our expertise in

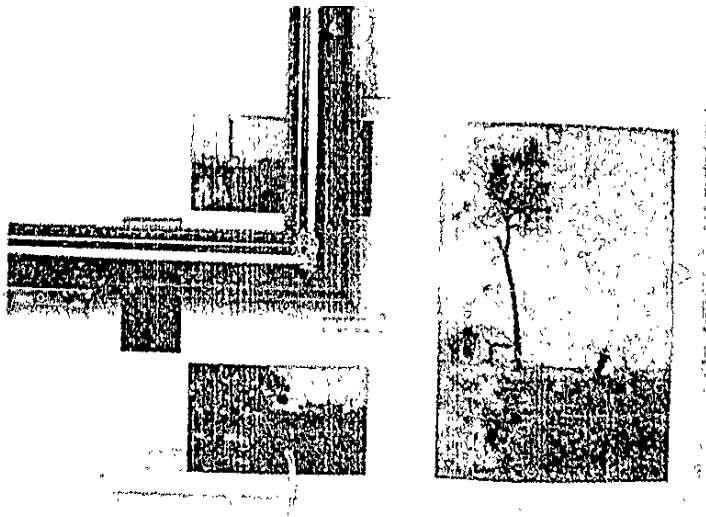


Robert Morley
Deputy Chief Executive

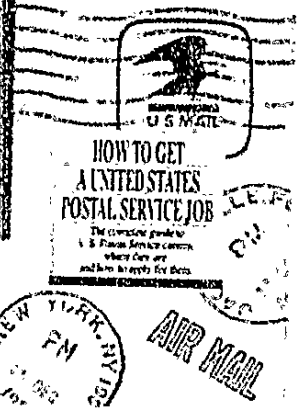
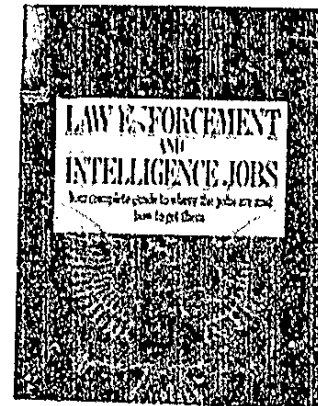
"All our publications are carefully edited and skillfully designed. What is special about them is that they are not author-centered, but driven by their readers' needs and concerns. When it comes to planning any project, this is the governing factor, regardless of whether the book is a trade directory, intended for professionals, a guide to growing healthy houseplants, or a manual showing how to paint better pictures. By targeting our audience carefully and finding out the sort of information they actually want, we ensure all our books possess strong and profitable backlist potential."



World Sales Distribution.
The percentage breakdown of Group sales, Publishing sales and Production and Marketing Services sales worldwide for 1990.

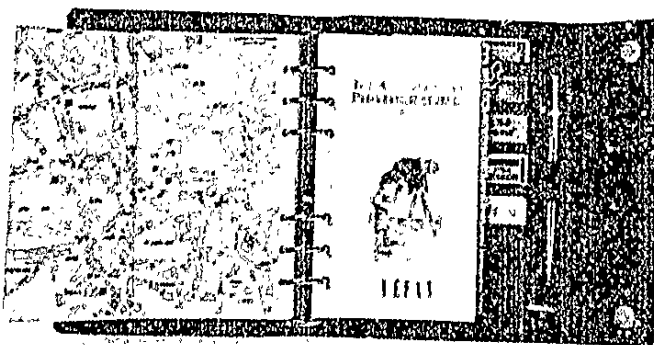


Art Nouveau publishes and distributes the work of some 50 leading Australian artists. The prints are marketed throughout Australasia and overseas, primarily to galleries in the USA.



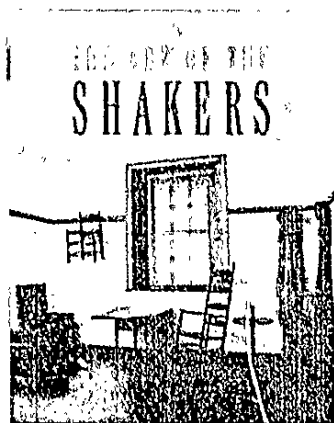
Rockport's effective international sales representation of an ever-increasing number of U.S. publishers, plus the illustrated art and design book it produces itself for world distribution, makes it a growing factor in Group strategy.

The Artist's and Illustrator's Magazine is a classic example of the Group's ability to identify a market niche — and fill it. Launched in 1986, the magazine is now the U.K. market leader both in circulation and advertising revenue.

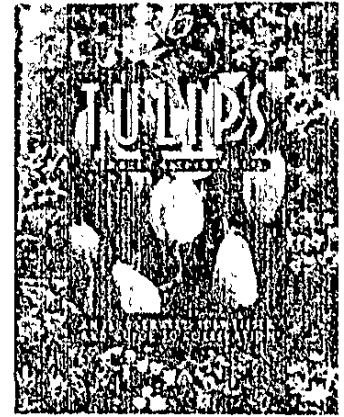


Lofax's prestigious range of personal organizers is aimed at the dedicated user

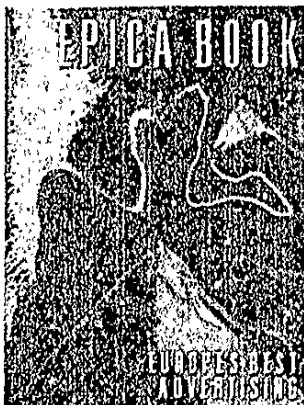
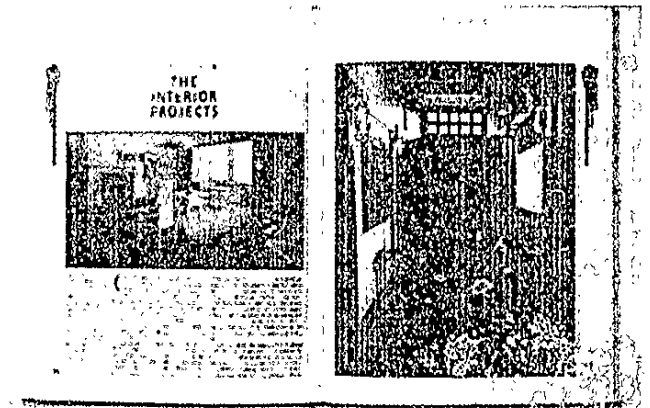




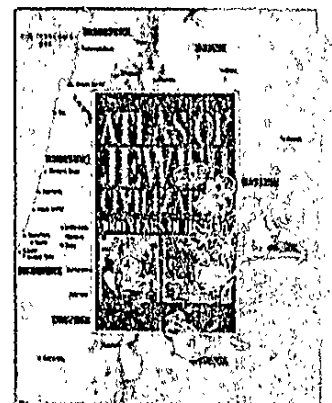
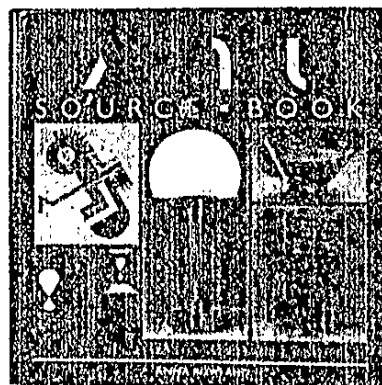
Quintet, a Quarto-Publi-Comp's popular arm, produces highly illustrated books on subjects of wide appeal for the general reader. Unlike Quarto books, which are normally sold on a title-by-title basis, Quintets are sold as exclusive ranges to distributors in the major market.



**BOOKS THAT
INFORM,
INSTRUCT —
AND SELL AT A
PRICE
READERS CAN
AFFORD**



Swiss-based RotoVision is the leading international publisher and distributor of applied visual arts books for the professional market. Ownership of RotoVision and Rockport have made the Group a dominant force in this important international field.



Quarto books are user-led. They inform, instruct and entertain. This makes them strong backlist sellers throughout the international market place.

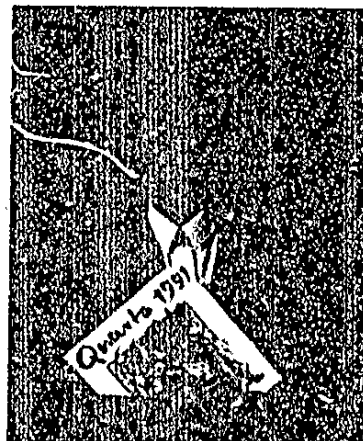
"Strong, sustained international selling provides the group with its lifeblood, so what I look for in any book is its ability to reprint regularly and profitably, both in English and in translation. Here, the strength of our constantly expanding backlist comes into play. With some 650 titles to draw on, Quarto Publishing can fill any market niche; half of our first list, published in 1977, is still reprinting. Furthermore, we do not rely on any one title as a major source of profit. No single title contributes more than one percent of sales,"

Jenny Manstead
Group Sales and Marketing
Director

understanding what our target readers really want, the devising of a saleable concept and, through our extensive editing, design and production skills, giving our publishing customers the product they want and can publish profitably at a competitive price. For their part, our publishing customers are providing us their skills in marketing and selling books to the book trade and to the reading public.

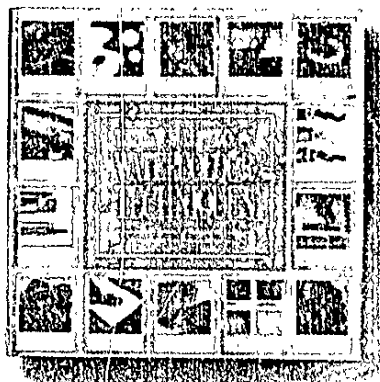
The investment in any title the Publishing Division produces is substantial. It can be recouped profitably only if our books are assured of a protracted life, with editions — in English and in translation — appearing and then reprinting on a regular basis. Such books are devised right from the start as backlist staples. They are destined to be used as working tools, or as a source of hard information, with a useful life of many years in contrast with the traditional bestseller, which often has a life of only nine months to a year before it vanishes from the bookstores. It is precisely because our books fulfill this backlist requirement that they are so successful in the long term. More than half of the Publishing Division's revenues come from reprints, all contributing to profits.

Quarto's relationship with its publishing customers is one of mutual self-interest. We want our co-publishers to keep our titles in print and on sale; in turn, this means understanding which kinds of books possess a truly timeless appeal and the constraints under which publishers operate, particularly where inventory levels are concerned. Stockholding is very expensive. We pride ourselves that we are adept at producing high-quality books without insisting that our publishing customers over-



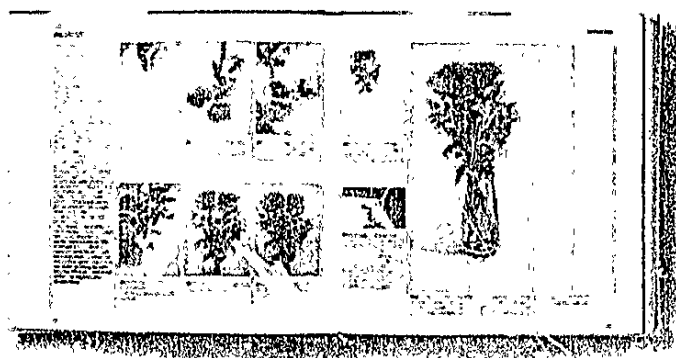
**FROM
INITIAL
CONCEPT
TO
FINISHED
BOOK**

Here is the story of a typical Quarto book, from starting point to publication.

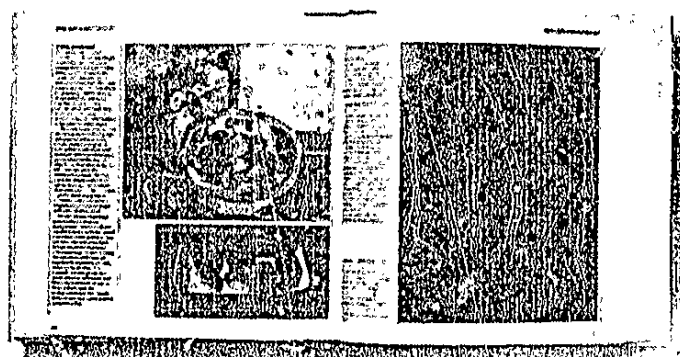


Initial market assessments are followed by the production of a book dummy, in which the basic visual and textual content and style is defined. Together with a synopsis, this is presented to our publishing clients.

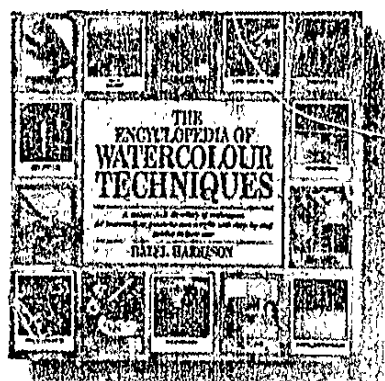
9



Research and experience told us that watercolour was the amateur artist's most popular subject area and that what readers wanted was an encyclopedic reference resource that explained all the techniques involved in instantly accessible step-by-step visual form. These pages show how this was achieved.



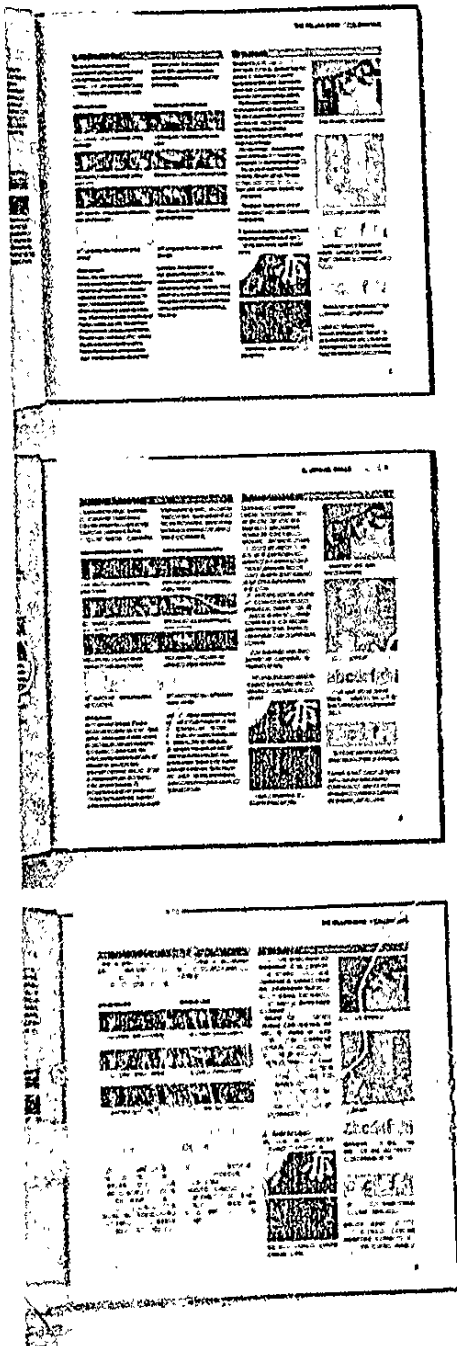
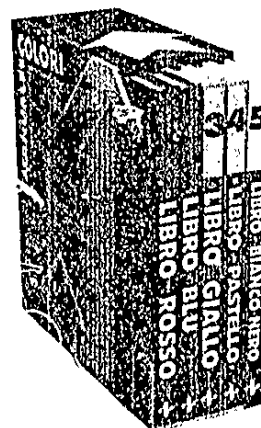
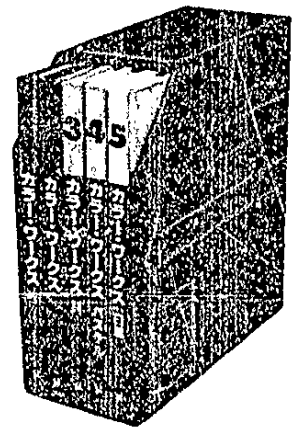
Readers also wanted to see how the various techniques had been used by leading artists. In response, we provided them with an inspirational gallery of great paintings.



The final book jacket makes an instant visual sales statement. It tells prospective purchasers exactly what the book is about.

MAXIMIZING WORLD SALES

All Quarto's books are designed for co-edition publishing — that is, to appear in many other languages in addition to English. Planning their approach and content to appeal across national and cultural boundaries and ensuring that overseas co-publishers can translate the books cost-effectively are the skills Quarto brings to the co-edition publication. In these pages from one volume of Quarto's *Color Works*, targeted at professional designers, you can see that the same basic layout works, regardless of whether the language involved is English, Italian or Japanese. You can also see that space has been allowed to meet the demands of translation: many translations are inevitably longer or shorter than the original. Foreign edition production normally runs slightly after that of the English-language edition, since most of our foreign publishing clients prefer to translate from printed sheets or finished copies.



extend themselves when committing to buy a title. This realistic policy is of mutual benefit.

As a result, the Publishing Division, with over half of its sales coming from its backlist, to which around 100 new titles are added each year, is largely immune to the fads and fashions of the industry. It is very well poised for growth in response to improvement in market conditions.

Expansion and diversification

While Quarto Publishing produces books in most major, popular non-fiction subject areas, its strongest concentration is in the arts, particularly in practical subjects. Building on this, we launched *The Artist's and Illustrator's Magazine* in Britain in 1986. It rapidly became the leading magazine in its field and it now sponsors a highly popular annual fair.

Further development took place in 1989, when we acquired RotoVision SA. Based in Geneva, RotoVision publishes directories aimed at graphic arts, photographic and advertising professionals. The company is also a leading international distributor of books for professionals in all three areas. In 1990, RotoVision was joined in the Quarto stable by Rockport Publishers, based in Massachusetts. Rockport also publishes books for these markets and sells them internationally. The combination gives Quarto a powerful position in this particular market area.

In 1989, we acquired Art Nouveau, based in Sydney, which produces and sells fine art prints, mostly by Australian artists. This operation was expanded in 1990 to include the sale of limited edition prints by Australian artists.

The Publishing Division also includes two other important businesses — Lefax Publishing and Broughton Hall. Lefax, acquired in 1988, is the originator of the personal organizer, whose origins go back to 1910 in

"At Rockport Publishing, we produce our own illustrated art and design books for world distribution. We're also an international sales and marketing organization, representing over 25 major U.S. and Canadian publishers in the world market place. Building on current success — particularly in the Far East, where we have spearheaded sales penetration of this important and growing market — we plan to increase our own output of titles from the current 25 to 30 a year to over 40 and increase our representation of other U.S. publishers."

Stan Patey
Rockport Publishing



"Since becoming part of the Group, Broughton Hall has editorially improved and redesigned its informational directories, plus expanding the scope and coverage of its product range. This has not only helped it to maintain its top leadership position in its industry sector, but means it has set new standards. Through our continuous contact with our audience, Broughton Hall remains responsive to the needs of its market. It is committed to providing value for money to its customers and its competitive position through creativity, innovation and cost-conscious house-keeping."

Pam Byrne
Broughton Hall Inc.



Luxury and Lefax are synonymous. Its range of some 350 inserts is the largest available in the personal organizer market place. The various styles of binder are designed to cater for a wide range of tastes.

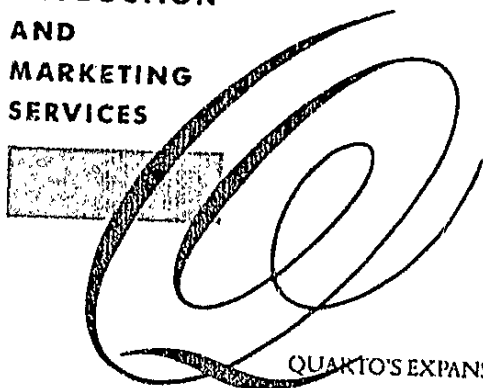
Philadelphia. Because it has deliberately positioned itself at the top end of the market, Lefax has never achieved the prominence of some of its rivals, even though it is universally recognised as possessing the best binders and inserts ever produced by a dedicated organizer company. Its range of some 350 inserts is the largest available.

Lefax will continue to grow, especially now that the organizer fad is passing. This may spell problems for some of its competitors, but not for Lefax, which has always targetted itself at the committed user. At the beginning of 1991, Lefax also moved its North American sales effort to Rockport, which will produce considerable benefits in the future.

Broughton Hall, acquired in 1989, is based in Santa Barbara, California. A publisher of mass-market directories, providing information about employment opportunities and ways to save and make money, it sells direct to the public through telemarketing. Each week, the company advertises in literally thousands of publications across the USA, from free sheets and daily newspapers to weeklies and monthly magazines. These advertisements generate thousands of calls to Broughton Hall, which operates 16 hours a day every day of the year, with the exception of Christmas Day. Dozens of trained telephone operators explain the products' benefits to the callers and close thousands of sales a day. A highly sophisticated monitoring system records and evaluates the effectiveness of the advertising media, while ideas for new products are regularly tested in them and on the telephone.

By remaining faithful to their mission of providing saleable products in areas of proven and consistent market interest, the Quarto publishing businesses will continue to grow profitably in the 1990s.

PRODUCTION AND MARKETING SERVICES



QUARTO'S EXPANSION INTO related business areas started early in the Group's history and has continued side by side with the growth of the Publishing Division. Our Production and Marketing Services Division is an important profit centre in its own right. It consists of a number of separate businesses, some of which receive work from the Publishing Division, but are independent of its activities.

The foundation of Regent Publishing Services in Hong Kong in 1985, for instance, was a logical extension of the Group's strict policies of cost control. Competitive reproduction and print-buying is a key factor in the success of any publishing activity; Regent's role is to source such facilities, at the same time closely monitoring their output in terms of cost-effectiveness, schedule-keeping and quality. In common with other Quarto subsidiaries, Regent has built up its own impressive client list, including many major publishing houses worldwide. It has sales offices in Hong Kong, London, New York and, since early 1991, in San Francisco.

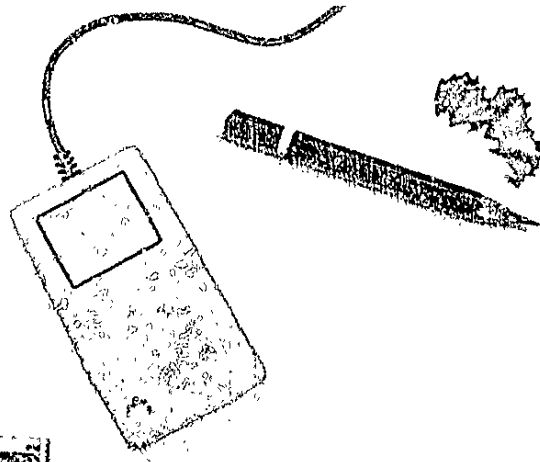
Just as Regent is closely involved with modern printing technology, so Western Signcraft, our Bristol-based subsidiary, and AP Screenprinters, with its base in Maidenhead, have utilised the most up-to-date technology to become market leaders in the fields of signmaking and retail display. Blending traditional craft-based skills with state-of-the-art technology, Western works successfully with a whole range of blue-chip companies, such as the Imperial Group and Woolf Tools; AP's clients include Thorn-EMI Electronics. Both businesses have invested heavily in modern screen-printing equipment to produce effective point-of-sale and retail display material.

The Atlas Photographic Group is an equally important member

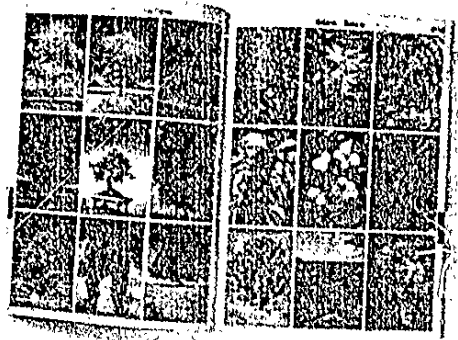
"Here in Hong Kong we're very much at the sharp end of the Group's activities, negotiating with major suppliers to ensure cost effectiveness, operating a rigid quality control service and monitoring production schedules carefully. In addition, with Group encouragement, we're expanding our own international customer base; our existing offices in Hong Kong and London have been joined by ones in New York and San Francisco."

George Tai
Managing Director
Regent Publishing Services





From a design concept for a corporate identity to finished stand displays or point-of-sale material, a Group company is there to meet the need efficiently and cost effectively. **Bridgewater Design** provides a complete design service for corporate clients.

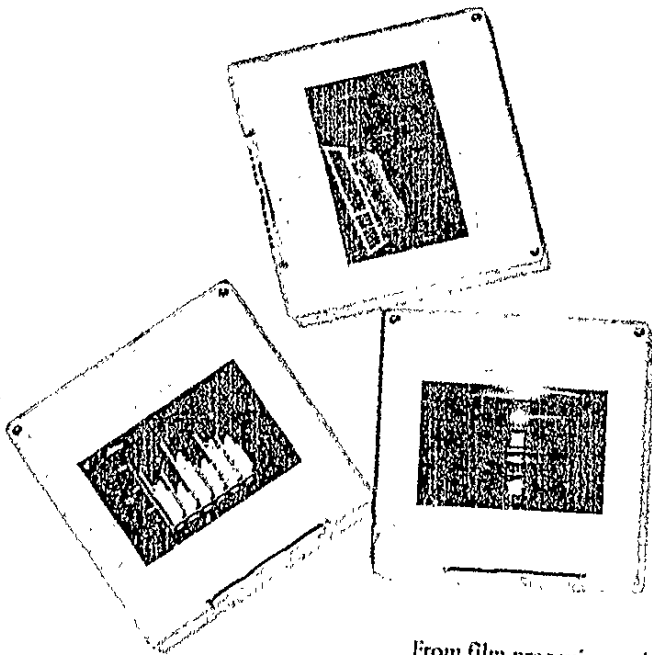


Regent Publishing Services co-ordinates top quality reproduction and printing for many publishing companies across the world. Its Hong Kong base means that it is constantly on top of the job, however complex or demanding it may be.

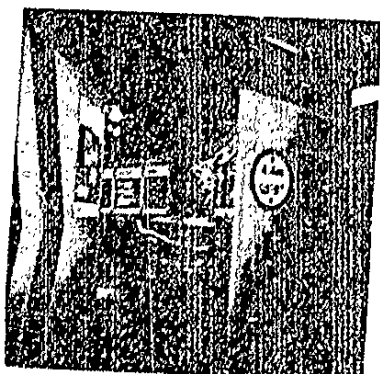
**EXPANDING
BUSINESSES,
ALL
SUBSTANTIAL
PROFIT
CENTRES**



AP Screenprinters and Western Signcraft can provide all kinds of sales aids, from signmaking and posters to point-of-sale material and all the other ingredients of retail display.



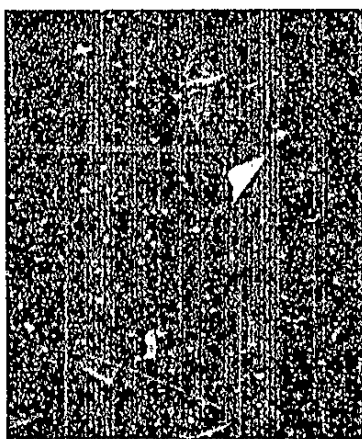
From film processing and printing to photographic and screen-printed exhibition displays and computer-generated audio-visual graphics, the **Atlas Photographic Group** provides an unrivalled service that has made it the market leader in its field.



of the Division, its origins going back to 1978, when Quarto established its first photography business. From its London headquarters, Atlas provides a full range of photographic services, from film processing and printing to photographic and screen-printed exhibition displays and computer-generated audio-visual graphics. With over 2,000 individual customers, including such household names as the BBC, British Gas, General Motors and the Department of Trade and Industry, Atlas is universally recognised as the market leader in its field.

So too is Bridgewater Design, a wide-ranging design consultancy located in Brighton. With its own range of corporate clients, Bridgewater's services in the fields of corporate identity, brochures, packaging and exhibition display material are widely in demand. In addition, it is heavily involved in book and magazine design.

In common with the Publishing Division, the businesses that make up Quarto's Production and Marketing Services Division continue to stress the virtues of quality, service and price, all of which have contributed to making them forces to be reckoned with in their respective fields.



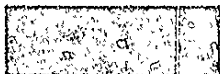
"The Group's ancillary activities grew out of its publishing activities and have developed side-by-side with them. What we look for in any of our businesses is the ability to combine flair and creativity with an awareness of the profit motive and, as a consequence, the importance of effective cost control. Quarto's reproduction and print buying power in the Far East, for instance, is channeled through Regent Publishing Services. We've encouraged Regent to develop and grow, since it's our belief that all our subsidiaries should primarily be independent profit centres, regardless of whether they trade with other Group companies."

Mick Mousley
Financial Director

FINANCIAL
REVIEW

1990

DIRECTORS AND ADVISERS



Directors

Laurence Francis Orbach (Chairman and Chief Executive) (USA)
Robert John Morley
Michael John Mousley, ACA
Jennifer Mary Manstead

Secretary

Cyrus Homi Bhore, ACA

Principal Place of Business

The Old Brewery, 6 Blundell Street, London N7 9BH

Stockbrokers

Smith New Court
20 Farringdon Road, London EC1M 3NH

Merchant Bankers

Samuel Montagu & Co. Ltd
10 Lower Thames Street, London EC3R 6AE

Auditors

KPMG Peat Marwick McLintock
1 Puddle Dock, London EC4V 3PD

Solicitors to the Company

Travers Smith Braithwaite
6 Snow Hill, London EC1A 2AL

U.S. Counsel to the Company

Youngstein & Gould
17 Bulstrode Street, London W1M 5FQ

Principal Bankers

National Westminster Bank PLC
250 Regent Street, London W1A 4RY

Registrars and Transfer Office

Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

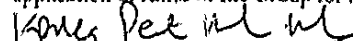
AUDITORS' REPORT



Report of the Auditors, KPMG Peat Marwick McLintock, to the Members of The Quarto Group Inc.

We have audited the financial statements on pages 20 to 32 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December, 1990 and of the profit and source and application of funds of the Group for the year then ended.


KPMG Peat Marwick McLintock
Chartered Accountants

2 April, 1991

DIRECTORS' REPORT



The directors present their report and audited financial statements of The Quarto Group Inc for the year ended 31 December, 1990.

Principal Activities and Business Review

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 embrace photographic processing, production services, silkscreen printing, a consumer magazine, informational directories, visual art books and fine art reproductions. A detailed review of the development of the business of the Group is given in the Chairman's Statement on pages 2-3.

Results and Dividends

The profit for the year after taxation, minority interests and extraordinary items amounted to £1,402,000 (1989: £2,369,000). The directors propose a final dividend of £459,000, subject to approval at the Annual General Meeting, in addition to the interim dividend paid of £204,000 and the preference dividend of £156,000, leaving a retained profit for the year of £283,000 which has been added to reserves.

Significant Changes in Fixed Assets

Particulars of changes in the fixed assets of the Group during the year are set out in note 8 to the financial statements.

Directors

The directors of the Company are as follows:

L. F. Orbach
R. J. Morley
M. J. Mousley
J. M. A. Manstead

All of the directors have service contracts with less than one year's duration.

Directors' Interests in Shares

The directors who held office at 31 December 1990 had the following beneficial interests in the share capital of the Company.

DIRECTORS' REPORT

	Number of US\$0.10 Shares of Common Stock	
	31 December, 1990	1 January, 1991
L.F. Orbach*	2,903,413	2,903,413
R.J. Morley	1,591,667	1,591,667
M.J. Mousley	8,461	6,242
J.M.A. Manstead	4,424	4,424

**The shares in which Laurence Orbach is interested are owned through his family trusts.*

M.J. Mousley held 1,309 convertible cumulative redeemable shares of preferred stock of par value US\$0.10 each.

M.J. Mousley and J.M.A. Manstead each held 35,000 shares under the Executive Share Option Scheme.

Between 31 December, 1990 and 18 March, 1991 there have been no changes in the interests of the directors.

Substantial Shareholders

As at 18 March 1991, the directors have been advised of the following shareholders, with the exception of the directors, who have an interest of 3% or more in the shares of common stock of the Company.

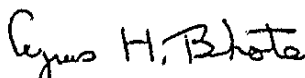
	Number of US\$0.10 Shares of Common Stock	Percentage
Framlington Group plc	829,172	6.10
Gartmore Investment Management Limited	549,519	4.04
Phillips & Drew Fund Management Limited	409,253	3.01
Prudential Corporation Group of Companies	900,843	6.63
Royal Exchange Trust Company Limited	490,000	3.61
Schroder Unit Trusts Limited	935,000	6.88
South Tyneside Metropolitan Borough Council	460,833	3.39

Taxation Status

The Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 during the year nor has there been any change since the year end.

Auditors

A resolution proposing the reappointment of KPMG Peat Marwick McLintock as auditors to the Company will be put to the Annual General Meeting.


C.H. Mote
Secretary

2 April, 1991

**CONSOLIDATED
PROFIT
AND LOSS
ACCOUNT
FOR THE YEAR
ENDED
31 DECEMBER
1990**



	Notes	1990 £000	1989 £000
Turnover	1	39,010	33,206
Cost of sales		(22,534)	(18,956)
Gross profit		16,476	14,250
Distribution costs		(3,038)	(2,591)
Administrative expenses		(4,586)	(3,993)
Other operating expenses		(4,506)	(3,686)
Other operating income		145	60
Operating profit	2	4,491	4,040
Net interest payable	3	(430)	(152)
Profit on ordinary activities before taxation		4,061	3,888
Taxation	4	(1,046)	(1,142)
Profit on ordinary activities after taxation		3,015	2,746
Minority interests		(122)	(152)
Profit before extraordinary items		2,893	2,594
Extraordinary items less taxation	5	(1,491)	(225)
Profit for the financial year		1,402	2,369
Dividends	6	(1,119)	(1,119)
Retained profit for year	18	283	1,250
Earnings per share	7	17.9p	17.7p

The notes on pages 23 to 32 form a part of these financial statements.

**BALANCE
SHEET AT 31
DECEMBER
1990**



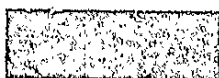
	Notes	Group		Company	
		1990 £000	1989 £000	1990 £000	1989 £000
Fixed Assets					
Tangible assets	8	4,046	3,717	—	—
Investments	9	—	—	2,839	3,173
		4,046	3,717	2,839	3,173
Current assets					
Stocks and work in progress	10	7,780	6,823	—	—
Debtors	11	14,322	14,803	9,475	12,295
Investments	12	13	34	—	—
Cash at bank and in hand		2,141	4,047	—	—
		24,256	25,707	9,475	12,295
Current liabilities					
Creditors falling due within one year	13	(16,483)	(14,062)	(633)	(638)
Net current assets		7,773	11,645	8,842	11,657
Total assets less current liabilities		11,819	15,362	11,681	14,830
Provision for liabilities and charges					
Deferred taxation	15	(518)	(841)	—	—
		7,003	10,271	11,681	14,830
Capital and reserves					
Share capital	16	969	1,168	969	1,168
Reserves — Paid in surplus	17	13,800	13,662	13,800	13,662
— Revaluation		1,018	1,018	—	—
— Other	18	5,047	4,861	(3,088)	—
		20,834	20,709	11,681	14,830
— Goodwill written off	19	(14,129)	(10,697)	—	—
Shareholders' funds		6,705	10,012	11,681	14,830
Minority interests		298	252	—	—
		7,003	10,271	11,681	14,830

The financial statements on pages 20 to 32 were approved by the Board of Directors on 2 April, 1991. The notes on pages 23 to 32 form part of these financial statements.

L. F. Orbach

M. J. Mousley
Directors

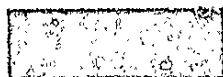
**CONSOLIDATED
STATEMENT
OF SOURCE
AND
APPLICATION
OF FUNDS
FOR THE YEAR
ENDED 31
DECEMBER
1990**



	1990 £'000	1989 £'000
Source of funds		
Profit before taxation	4,061	3,888
Extraordinary items before taxation	(1,802)	(345)
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	490	361
Exchange differences on working capital taken to reserves	(294)	(44)
Quoted investments adjusted to market value	12	(3)
Profits on disposal of fixed assets	(14)	(28)
Funds generated from operations	2,453	3,829
Taxation in subsidiary acquired	269	—
Issue of shares net of expenses	—	6,610
Proceeds on disposal of fixed assets	167	107
Creditors due after more than one year	48	3,772
Total source of funds	2,937	14,318
Application of funds		
Goodwill on acquisitions	3,432	7,024
Fixed assets purchased	1,036	1,395
Taxation paid	1,040	496
Dividends paid	1,119	920
Minority interest purchased	15	108
Cancellation of shares	—	1,032
Total application of funds	6,642	10,975
Net movement of funds	(3,705)	3,343
The net movement of funds is represented by the following movement in working capital:		
Stocks	957	2,692
Debtors	(481)	3,580
Investments	(9)	14
Creditors due within one year	(1,202)	(3,725)
	(735)	2,561
Movement in net liquid funds	(2,970)	782
	(3,705)	3,343

See note 21 for a summary of the effect of the acquisitions made during the year.

ACCOUNTING POLICIES



The significant accounting policies that have been adopted in the financial statements, which are presented under the historical cost basis of accounting (as modified by the revaluation of freehold property), are as set out below and conform with applicable UK Accounting Standards. The Company is an "overseas company" within the meaning of the Companies Act 1985 and has not taken advantage of the modifications and exemptions from disclosure that are set out in the Oversea Companies (Accounts) (Modifications and Exemptions) Order 1982. The financial statements have been prepared to conform with the accounting and disclosure requirements of Schedule 4 to the Companies Act 1985.

Basis of Consolidation

The consolidated financial statements represent a consolidation of the audited accounts of the companies in the Group. The accounting reference date of the Company, Quarto Inc., Follow Me Publications Pty. Limited, Rotovision S.A., Broughton Hall, Inc., Rockport Publishers Inc. and Concept Publications Inc. is 31 December and of all the other trading companies in the Group is 30 November. The financial statements incorporate the results of the above companies to those dates.

The results of companies acquired during the year are included from the date of acquisition. Goodwill arising on acquisition is charged directly to reserves.

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

Foreign Currency

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 companies together with exchange differences on related borrowings are accounted for through reserves. Exchange differences arising on the translation of the nominal value of the issued share capital, which is denominated in US dollars, are included as movements to share capital as set out in note 16. All other exchange differences are recorded as ordinary trading items.

Depreciation

Depreciation is calculated to write off the cost of fixed assets by annual instalments over their estimated economic lives at the following annual rates:

Long leasehold	: 2% straight line
Short leaseholds	: over the period of the lease
Plant, equipment and motor vehicles	: 15 — 25% straight line
Fixtures and fittings	: 15 — 20% straight line

No depreciation is provided on freehold properties because the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant.

Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value. Production costs (excluding unit print costs), including an appropriate proportion of overheads, in respect of a book are written off over its estimated economic life (not more than three years) commencing from the date of first printing and are disclosed in the financial statements as work in progress.

Deferred Taxation

Provision is made for deferred taxation using the liability method on all material timing differences which are not expected to continue for the foreseeable future.

Turnover

Turnover represents the invoiced value of goods and services supplied to third parties excluding Value Added Tax.

Copyrights

The Group owns the copyright in its titles. No value is attributed to these rights.

Leases and hire purchase contracts

Where assets are acquired by hire purchase contracts the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this cost in equal annual amounts over the estimated useful lives of the assets.

Expenditure on operating leases is charged to the profit and loss account in the period to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

Activity analysis:

Publishing

Marketing support and production services

Geographical analysis:

United Kingdom

United States of America

Canada

Europe

Australasia and the Far East

Rest of the World

2 Operating profit

Activity analysis:

Publishing

Marketing support and production services

Operating profit is stated after charging (crediting):

Depreciation

Auditors' remuneration

Exchange difference on foreign currency borrowings

Operating lease rentals in respect of

Plant and machinery

Other assets

Income from quoted investments

Of the profit for the year a loss of £1,969,000

(1989: profit £1,119,000) has been dealt with in the accounts of the Company.

Employees

Staff costs including directors' emoluments comprise:

Wages and salaries

Social security costs

Pension costs

All of the Group's pension schemes are defined contribution schemes, costs are charged to profit and loss account as they arise. The average weekly number of persons employed by the Group during the year was:

Publishing

Marketing support and production services

Group administration

	1990 £000	1989 £000
1 Turnover		
Activity analysis:		
Publishing	31,975	27,589
Marketing support and production services	7,035	5,617
	<u>39,010</u>	<u>33,206</u>
Geographical analysis:		
United Kingdom	11,347	11,574
United States of America	15,441	12,369
Canada	460	565
Europe	4,752	3,663
Australasia and the Far East	5,529	4,285
Rest of the World	1,481	756
	<u>39,010</u>	<u>33,206</u>
2 Operating profit		
Activity analysis:		
Publishing	3,729	3,377
Marketing support and production services	762	663
	<u>4,491</u>	<u>4,040</u>
Operating profit is stated after charging (crediting):		
Depreciation	490	361
Auditors' remuneration	109	90
Exchange difference on foreign currency borrowings	(84)	200
Operating lease rentals in respect of		
Plant and machinery	84	65
Other assets	415	349
Income from quoted investments	(1)	(2)
Of the profit for the year a loss of £1,969,000 (1989: profit £1,119,000) has been dealt with in the accounts of the Company.		
Employees		
Staff costs including directors' emoluments comprise:		
Wages and salaries	6,213	4,987
Social security costs	531	431
Pension costs	85	89
	<u>6,829</u>	<u>5,507</u>
All of the Group's pension schemes are defined contribution schemes, costs are charged to profit and loss account as they arise. The average weekly number of persons employed by the Group during the year was:		
	1990 Number	1989 Number
Publishing	233	175
Marketing support and production services	146	141
Group administration	20	20
	<u>399</u>	<u>336</u>

**NOTES TO THE
FINANCIAL
STATEMENTS**

2 Operating profit (continued)

	1990 £000	1989 £000
Directors' remuneration		
Directors' emoluments including the estimated monetary value of benefits in kind in respect of motor vehicles and health insurance amounted to:		
Emoluments (including pension contributions)	252	244
The directors' remuneration disclosed above included amounts (excluding pension contributions) paid in respect of:		
Chairman and highest paid director	81	67
The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:		
	1990 Number	1989 Number
£ 5,001 – £10,000	–	1
£10,001 – £15,000	–	2
£15,001 – £20,000	1	–
£20,001 – £25,000	1	–
£25,001 – £30,000	–	1
£30,001 – £35,000	1	–
	1990 £000	1989 £000

3 Net interest payable

Interest payable

On bank overdrafts and other loans

repayable within 5 years by instalments

On loans repayable after more than 5 years

Hire purchase and other

Interest receivable

4 Taxation

On profit for the year

United Kingdom corporation tax at

34.25 percent

Deferred taxation – UK

– Overseas

Overseas tax

5 Extraordinary items less taxation

Loss on disposal of magazines

Taxation credit

Expenses of full listing

418	260
99	63
143	120
660	443
(230)	(291)
430	152
460	624
91	(32)
(125)	461
620	89
1,046	1,142
1,688	345
(311)	(120)
1,377	225
114	–
1,491	225

NOTES TO THE FINANCIAL STATEMENTS

6 Dividends

Ordinary: Interim paid of 1.5p per share (1989: 1.5p per share)	204	204
Ordinary: Final proposed of 3.375p per share (1989: 3.375p per share)	459	459
Preference:	456	456
	<u>1,119</u>	<u>1,119</u>

7 Earnings per share

The calculation of basic earnings per share is based on post-tax profit attributable to shareholders before extraordinary items, after deducting preference dividends, of £2,437,000 (1989: £2,138,000) and the weighted average number of shares in issue during the year of 13,587,015 (1989: 12,065,447). Fully diluted earnings per share is not materially different from basic earnings per share (1990: 17.3p, 1989: 17.0p).

	Freehold property £000	Leasehold property £000	Plant, equipment and motor vehicles £000	Fixtures and fittings £000	Total £000
8 Tangible fixed assets					
Group					
Cost or valuation					
At 1 January 1990	2,074	187	2,153	574	4,988
Exchange differences	7	(18)	(62)	(28)	(101)
Additions	-	292	636	68	996
Subsidiaries acquired	-	-	56	-	56
Disposals	-	-	(232)	(11)	(243)
At 31 December 1990	<u>2,081</u>	<u>461</u>	<u>2,551</u>	<u>603</u>	<u>5,696</u>
Depreciation					
At 1 January 1990	33	72	914	252	1,271
Exchange differences	-	(6)	(18)	(13)	(37)
Subsidiaries acquired	-	-	16	-	16
Charge for the year	-	21	388	81	490
Eliminated in respect of disposals	-	-	(83)	(7)	(90)
At 31 December 1990	<u>33</u>	<u>87</u>	<u>1,217</u>	<u>313</u>	<u>1,650</u>
Net book value					
At 31 December 1990	<u>2,048</u>	<u>374</u>	<u>1,334</u>	<u>290</u>	<u>4,046</u>
At 31 December 1989	<u>2,041</u>	<u>115</u>	<u>1,239</u>	<u>322</u>	<u>3,717</u>
Cost or valuation at 31 December 1990 is represented by:					
Surplus on valuation	1,018	-	-	-	1,018
Cost	1,063	461	2,551	603	4,678
	<u>2,081</u>	<u>461</u>	<u>2,551</u>	<u>603</u>	<u>5,696</u>

The net book value of plant, equipment and motor vehicles included £620,000 (1989: £601,000) in respect of assets held under hire purchase contracts. The depreciation charged on these assets during the year was £127,000 (1989: £122,000). The total charge to revenue during the year was £177,000 (1989: £160,000).

Included in addition to leasehold property is £290,000 in respect of a long leasehold. The net book value at 31 December 1990 was £287,000.

Freehold property in the UK was revalued on the basis of an open market value for existing use at 31 December 1989 by Conway Kersh, Professional Valuers. The valuation was £1.7 million but the directors have ascribed a value of £1.4 million in view of the current market conditions.

**NOTES TO THE
FINANCIAL
STATEMENTS**

9 Fixed asset investments

Subsidiaries

Cost at 1 January 1990

Additions

Disposals

Amount written off

Exchange differences

At 31 December 1990

Company	
1990	1989
£000	£000
3,173	870
414	2,302
—	(39)
(684)	
(64)	40
2,839	3,173

27

The Company has the following trading subsidiaries, which operate principally in their place of incorporation, all of which, other than Quarto Publishing plc, are private companies:

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage Business held	
Quarto Publishing plc	England: 1 April 1976	100,000 shares of £1 each	100	Publishing
Quarto Inc.	Florida, USA: 16 October 1986	60 shares of no par value	100	Publishing
Quarto International Limited	England: 27 July 1981	100 shares of £1 each	100	Publishing
Western Signcraft Limited	England: 24 November 1961	1500 shares of £1 each	100	Production Services
Bridgewater Design Limited	England: 11 March 1987	100 shares of £1 each	100	Production Services
The Great American Trading Company Ltd.	England: 24 February 1982	100 shares of £1 each	51	Publishing
The Artist's & Illustrator's Magazine Limited	England: 20 May 1986	1,000 shares of £1 each	100	Publishing
Atlas Photography Limited	England: 23 June 1949	9,020 shares of £1 each	100	Production Services
Regent Publishing Services Limited	Hong Kong: 23 October 1985	1,000 shares of HK\$10 each	70	Publishing
Apple Press Limited	England: 5 June 1984	100 shares of £1 each	100	Publishing
Design Base Limited	Hong Kong: 22 August 1986	250,000 shares of HK\$1 each	90	Production Services
Follow Me Publications Pty. Limited	Australia: 14 September 1981	8 redeemable preference shares of A\$1 each and 103 ordinary shares of A\$1 each	100	Publishing
AP Screenprinters Limited	England: 30 September 1980	1,000 shares of £1 each	100	Production Services
Quarto Magazine Corporation	New York, USA: 17 June 1988	10 shares of US\$1 each	100	Publishing
Lefax Publishing Limited	England: 11 June 1988	2 shares of £1 each	100	Publishing
Lefax Publishing Company Inc.	New York, USA: 25 July 1984	10 shares of no par value	100	Publishing
Lefax France SARL	France: 30 May 1988	500 shares of FF100 each	100	Publishing
RotoVision S.A.	Switzerland: 18 July 1977	1,500 shares of SFr500 each	100	Publishing
Broughton Hall Inc.	Florida, USA: 16 March 1989	100 shares of \$1 each	100	Publishing
Rockport Publishers Inc.	Massachusetts, USA: 4 December 1985	4,000 shares of no par value	100	Publishing
Concept Publications Inc.	Massachusetts, USA: 11 December 1987	100 shares of no par value	100	Publishing

NOTES TO THE FINANCIAL STATEMENTS

10 Stocks and work in progress

Finished goods
Work in progress
Raw materials
Less: Payments on account

Group		Company	
1990	1989	1990	1989
£000	£000	£000	£000
2,444	2,429	—	—
5,311	4,415	—	—
140	152	—	—
(115)	(173)	—	—
7,780	6,823	—	—

11 Debtors

Trade debtors
Amounts due from subsidiaries
Prepayments and accrued income
Other debtors
Advance corporation tax recoverable

13,486	14,029	—	—
—	—	9,322	12,117
376	337	—	—
307	284	—	25
153	153	153	153
14,322	14,803	9,475	12,295

12 Current asset investments

Quoted investments at market value:
On The International Stock Exchange in London
Other

—	13	—	—
13	21	—	—
13	34	—	—

13 Creditors falling due within one year

Bank overdrafts
Current loan instalments
Trade creditors
Amounts due to subsidiaries
Other creditors including taxation and social security:
Corporation tax
Advance corporation tax payable
Dividend payable
Social security
Other creditors
Accruals and deferred income

3,128	2,010	—	—
467	521	—	—
6,660	6,390	—	—
—	—	21	26
810	655	—	—
297	297	153	153
459	459	459	459
238	250	—	—
3,511	2,053	—	—
913	1,427	—	—
16,483	14,062	633	638

14 Creditors falling due after more than one year

Bank loans (£946,000 secured on freehold premises and long leasehold)
Other creditors including tax and social security:
Loans
Hire purchase liabilities
Other creditors

3,729	2,799	—	—
—	466	—	—
219	245	—	—
350	740	—	—
4,298	4,250	—	—

Repayable as follows:

Between one and two years
Between two and five years
In five years or more

728	1,484	—	—
2,834	2,001	—	—
736	765	—	—
4,298	4,250	—	—

The above loans are at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS

14 Creditors falling due after more than one year (continued)

Total bank loans and other
borrowings are repayable as follows:

	Group		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Bank loans and overdrafts:				
In one year or less, or on demand	3,595	2,531	—	—
Between one and two years	464	530	—	—
Between two and five years	2,529	1,589	—	—
In five years or more	736	680	—	—
	<u>7,324</u>	<u>5,330</u>	<u>—</u>	<u>—</u>

Other borrowings:

	1990	1989	1990	1989
	£000	£000	£000	£000
In one year or less, or on demand	381	304	—	—
Between one and two years	164	614	—	—
Between two and five years	55	62	—	—
In five years or more	—	35	—	—
	<u>600</u>	<u>1,015</u>	<u>—</u>	<u>—</u>

Total loans and other borrowings:

	1990	1989	1990	1989
	£000	£000	£000	£000
In one year or less, or on demand	3,976	2,835	—	—
Between one and two years	628	1,144	—	—
Between two and five years	2,584	1,651	—	—
In five years or more	736	715	—	—
	<u>7,924</u>	<u>6,345</u>	<u>—</u>	<u>—</u>

15 Deferred taxation

Deferred taxation provided in the
financial statements is as follows:

	Group		Potential liability	
	1990	1989	1990	1989
	£000	£000	£000	£000
Excess of capital allowances over depreciation	125	139	125	139
Other — UK	(301)	(95)	(301)	(95)
Other — overseas	694	797	791	898
Revaluation of freehold property	—	—	338	356
	<u>518</u>	<u>841</u>	<u>953</u>	<u>1,298</u>

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

	Group
	£000
Provision at 1 January 1990	841
Exchange difference	(132)
Subsidiary acquired	154
Transfer to profit and loss account	(34)
Transfer from extraordinary items	(311)
Provision at 31 December 1990	<u>518</u>

16 Share capital

Authorised 22,000,000 Shares of common stock of
par value US\$0.10 each ("shares of common stock")
Authorised 5,212,587 8.75p (net) convertible
cumulative redeemable shares of preferred stock of
US\$0.10 each ("shares of preferred stock")

	1990	1989
	£000	£000
Authorised 22,000,000 Shares of common stock of par value US\$0.10 each ("shares of common stock")	1,134	1,025
Authorised 5,212,587 8.75p (net) convertible cumulative redeemable shares of preferred stock of US\$0.10 each ("shares of preferred stock")	269	324
	<u>1,403</u>	<u>1,349</u>

NOTES TO THE FINANCIAL STATEMENTS

15 Share capital (continued)

Allotted, called up and fully paid: 13,587,015

Shares of common stock of par value

US\$0.10 each

Exchange difference

1990
£000

1989
£000

844 282

(144) 62

700 844

Allotted, called up and fully paid:

5,212,587 shares of preferred stock of

US\$0.10 each

Exchange difference

324 289

(55) 35

269 324

969 1,168

At 31 December 1990 the following shares of common stock were subject to options under The Quatro Group Inc. Executive Share Option Schemes.

Number of Shares	Date exercisable	Option price per share
133,600	10 November 1990 - 15 November 1997	150p
188,000	12 April 1992 - 11 April 1999	182p
68,000	14 November 1992 - 13 November 1999	160p

The shares of preferred stock are convertible into shares of common stock on 1 June 1990 and annually thereafter at a rate of 60 shares of common stock for every 100 shares of preferred stock. The Company may at any time purchase shares of preferred stock in the manner described in the rights attaching to such shares. The Company is obliged to redeem all outstanding shares of preferred stock in 2005 at a price of £1.

17 Reserves — Paid in surplus

At 1 January 1990

— as previously reported

— goodwill written off in prior years
separately disclosed

— as restated

Excess of proceeds from share issue

during the year over nominal value of
shares

Excess of purchase price of shares
purchased from A.N. Campbell over
nominal value of shares

Expenses payable by Company in
connection with the share issue and the
purchase of shares from A.N. Campbell

Exchange difference

At 31 December 1990

Group
1990 1989
£000 £000

Company
1990 1989
£000 £000

3,378 5,133 13,662 8,393

10,284 3,260 — —

13,662 8,393 13,662 8,393

— 6,872 — 6,872

— (945) — (945)

— (599) — (599)

138 (59) 138 (59)

13,800 13,662 13,800 13,662

**NOTES TO THE
FINANCIAL
STATEMENTS**

	Group		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
18 Reserves — Other				
At 1 January 1990	4,448	3,235	—	—
— goodwill written off in prior years separately disclosed	413	413	—	—
— as restated	4,861	3,648	—	—
Retained profit	283	1,250	(3,088)	—
Difference on translation of net assets and profit and loss accounts of non- UK companies	(97)	(37)	—	—
At 31 December 1990	5,047	4,861	(3,088)	—

	Group	
	1990	1989
	£000	£000
19 Reserves — Goodwill written off		
At 1 January 1990	—	—
— as previously reported	—	—
— goodwill written off to paid in surplus and other reserves	10,697	3,673
— as restated	10,697	3,673
Goodwill written off in year	3,432	7,024
At 31 December 1990	14,129	10,697

The goodwill arises on the acquisitions
during the year and comprises:

	£000
Rockport Publishers Inc.	2,285
Others	1,147
	<u>3,432</u>

The acquisition of Rockport Publishers Inc. was accounted for as follows:

	Book value	Acquisition adjustments	Fair value
	£000	£000	£000
Tangible fixed assets	40	—	40
Stocks and work in progress	219	—	219
Debtors	735	—	735
Creditors	(1,127)	(205)	(1,332)
Deferred taxation	(154)	—	(154)
Cash	76	—	76
Net liabilities	(211)	(205)	(416)
Cost of investment (including expenses)			<u>1,869</u>
Goodwill written off			<u>2,285</u>

Rockport Publishers Inc made a loss before tax of £172,000 in the five months to 31 May 1990 and a profit of £108,000 in the year ended 31 December 1989.

NOTES TO THE FINANCIAL STATEMENTS

19 Reserves (continued)

The other acquisitions were accounted for as follows:

	Book value £000	Acquisition adjustments £000	Fair value £000
Tangible fixed assets	5		5
Stocks and work in progress	145	(59)	86
Creditors	(91)	(1)	(92)
Minority interest	15		15
Net assets	<u>74</u>	<u>(60)</u>	<u>14</u>
Cost of investment (including expenses)			<u>1,161</u>
Goodwill written off			<u>1,147</u>

The acquisition adjustments represent the cost of integrating the acquisitions into the Group structure, including development of reporting systems.

Of the consolidated profits before tax £287,000 is attributable to the acquisitions.

20 Financial commitments

As at 31 December 1990 the Group had commitments to make payments under operating leases during the next year as follows for leases expiring:

	Land and Buildings £000	Other £000
Within one year	13	29
Between two and five years	215	34
Over five years	<u>154</u>	<u>63</u>
	<u>382</u>	<u>63</u>

The land and buildings leases are subject to rent reviews.

21 Note on the consolidated statement of source and application of funds.

The figures in the consolidated source and application of funds include the following amounts that relate to the effect of the acquisitions made during the year:

	£000		£000
Assets acquired:		Discharged by:	
Tangible fixed assets	45	Cash	3,030
Stocks and work in progress	305		<u>3,030</u>
Debtors	735		
Cash at bank and in hand	76		
Bank overdraft	(166)		
Creditors — less than one year	(1,136)		
— taxation	(115)		
— more than one year	(5)		
Deferred taxation	(154)		
Minority interest	15		
	<u>(402)</u>		
Goodwill	3,432		
	<u>3,030</u>		

**HISTORICAL
COST
FIVE-YEAR
SUMMARY
(UNAUDITED)**



	Year ended 31 December				
	1986 £000	1987 £000	1988 £000	1989 £000	1990 £000
Turnover	9,029	11,780	19,467	33,206	39,010
Operating profit	1,146	1,530	2,384	4,040	4,491
Share of associated company profits	20				-
Interest payable	(203)	(153)	(197)	(152)	(430)
Profit on ordinary activities before taxation	963	1,377	2,187	3,888	4,061
Taxation	(357)	(395)	(624)	(1,142)	(1,046)
Profit on ordinary activities after taxation	606	982	1,563	2,746	3,015
Minority interests	(32)	(71)	(106)	(152)	(122)
Profit before extraordinary item	574	911	1,457	2,594	2,893
Extraordinary item	(3)		-	(225)	(1,491)
	571	911	1,457	2,369	1,402
Dividend	(37)	(296)	(444)	(1,119)	(1,119)
Retained profit	534	615	1,013	1,250	283
Earnings per share	7.8p	10.2p	14.0p	17.7p	17.9p

Earnings per share have been adjusted to reflect the shares issued in exchange for Western Signcraft Limited in 1987, the bonus issue element of the Rights Issue in 1987 and the bonus element of the share issue in 1989.