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OS AA01

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

Companies House

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

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COMPANIES HOUSE

Part 1 Corporate company name

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

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

All fields are mandatory unless specified or indicated by *

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

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

A1 Legislation

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

Legislation ❷	COMPANIES ACT 2006

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

A2 Accounting principles

Accounts

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

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

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

Name of organisation or body ❸	UK GAAP

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

A3 Audited accounts

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

Part 3 Signature

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

OS AA01

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

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Company name

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Post town

County/Region

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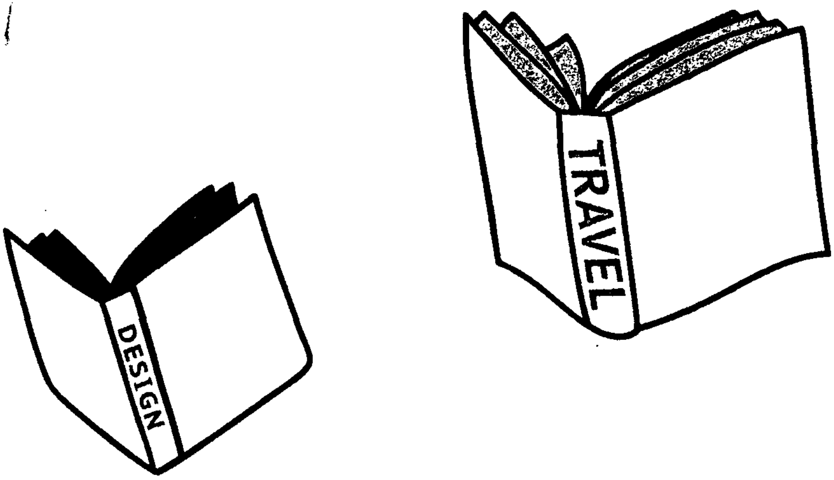
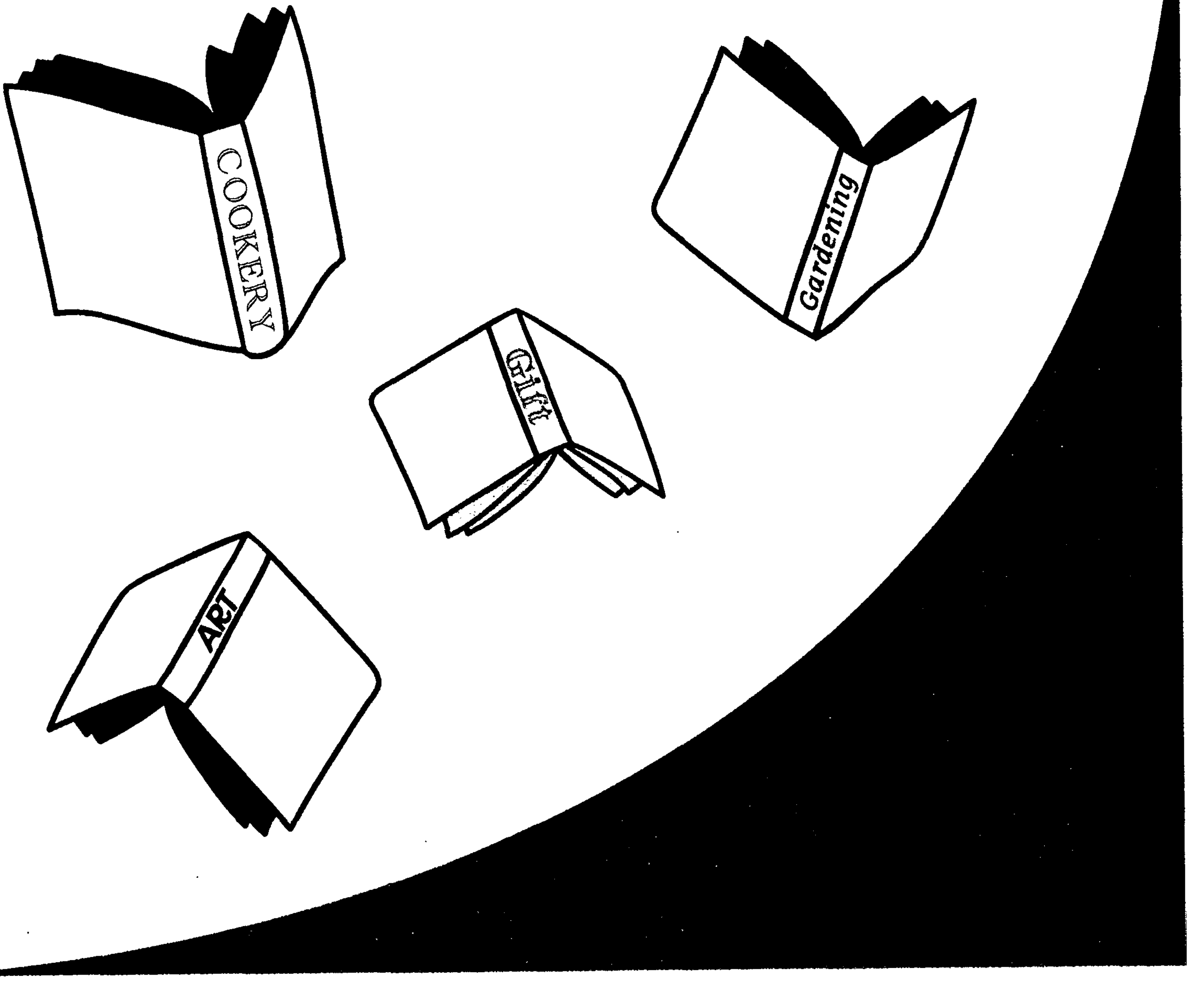


Quarto

Annual Report 2022



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Overview

The Quarto Group Inc is an entrepreneurial, independent, worldwide publisher listed on the London Stock Exchange, with offices in London, Brighton, New York, Beverly and Hong Kong.

Over the past 45 years, we have grown significantly, moving away from a pure co-edition model to a mix of co-edition and trade publishing, building an award-winning foreign rights sales team, diversifying our distribution channels through non-traditional retailers, and pursuing international business ventures.

Today, we are a global leader in illustrated nonfiction publishing. Innovation is still in our DNA as we constantly explore how to maximize the use of our intellectual property.

At the heart of what we do, our mission hasn't changed - to make and sell books that entertain, educate, and enrich the lives of adults and children around the world.

Highlights

FINANCIAL

"Continued strong performance across all areas of the business, with enhanced profitability and cash generation"

REVENUE ($M)

2022	141.0
2021	151.5

ADJUSTED[1] OPERATING PROFIT ($M)

2022	21.3
2021	16.0

EBITDA ($M)

2022	23.4
2021	17.8

PROFIT BEFORE TAX ($M)

2022	20.9
2021	14.2

BASIC EARNINGS PER SHARE (CENTS)

2022	40.6
2021	24.3

ADJUSTED[1] BASIC EARNINGS PER SHARE (CENTS)

2022	37.8
2021	24.3

OPERATIONAL

- Clear focus on maximizing the Group's core strengths, retaining a disciplined business model and developing future growth opportunities
- Increase in Adjusted Operating Profit of 33% due to tight cost control, lower pre-publication and amortization costs
- Profit Before Tax up 47% at $20.9m
- Revenue of custom publishing channel of $14.2m, up 33% year on year
- Net debt down by $4.9m[2] to $0.6m
- New Shoe Press launched in 2022 with 25 titles repurposing existing IP to compete at a value price point. Short-run printing allows low inventory level responding to demand
- Kaddo, a new gift imprint, created with the first products publishing in autumn 2023. Product lines span both the adult and children's market consisting of games, card decks and jigsaw puzzles many of which are based on existing book content
- We are also targeting growth in one of the largest sectors of the book market and will be launching a new imprint focused on food and wellness
- SmartLab, our Toy business, was sold to Educational Development Corp. to focus on our core publishing activities

1 Adjusted measures are stated before amortization of acquired intangible assets and exceptional items. Management believes this is a better reflection of our trading performance.
2 Net debt excludes lease liabilities relating to right-of-use assets (IFRS 16).

Quarto at a Glance

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

GLOBAL CREATIVE AND SALES FORCE IN GROWTH SEGMENTS

- Far-reaching global sales platform
- Over 100 sales and marketing professionals and representatives

DE-LEVERAGED BALANCE SHEET

- Cash at bank of $13.3m
- Repayment of sub-ordinated loans of $15m

TREASURE TROVE OF IP GENERATES STEADY INCOME

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

ENABLED BY TECHNOLOGY AND DATA ANALYTICS

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

c. 15,000
TITLES IN OUR CATALOG

c. 305
TALENTED EMPLOYEES IN 5 OFFICES (UK, US & CHINA)

c. 619
INTERNATIONAL PUBLISHING PARTNERS

c. $18.1m
ANNUAL INTELLECTUAL PROPERTY INVESTMENT

Over 50
COUNTRY MARKETS THAT WE SELL INTO

c. 58%
OF ANNUAL SALES FROM BACKLIST TITLES

Chairman's Statement

"The resilience and performance of the business have been outstanding."

Andy Cumming
Chairman

Continuing the theme of recent years, the strategic direction of the Board in 2022 has been to maintain a clear focus on:

- maximizing the Group's core strengths;
- retaining a disciplined business model;
- further debt reduction; and
- developing future growth opportunities.

The financial performance of the business was ahead of Board expectations, notwithstanding a challenging backdrop of declining consumer spending and supply chain issues. Following all the progress made in recent years, the balance sheet position of the Group is now extremely robust which puts us in a strong position to successfully navigate the current economic downturn and at the same time allow us to proactively consider opportunities for growth.

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

In reviewing 2022, the resilience and performance of the business has again been outstanding and whilst the continuing strong support from our major shareholders cannot be over emphasized, it is the staff within Quarto which makes the Group such a positive experience - their enthusiasm, creativity and commitment are all first class.

I am proud to act as Chairman of Quarto and look forward to the future with excitement as Alison Goff and her talented team continue with the development of the business. I also take this opportunity to express my gratitude to all the staff within Quarto for their dedication and hard work over the last year and their contribution to the ongoing success of the business - a truly inspirational team.

Dividend

The Board has not recommended a payment of a final dividend, given the need for further investment in the business. The dividend policy will, however, remain under consultation with shareholders and other stakeholders.

Corporate governance

In June 2022 I was delighted to welcome the Group CEO Alison Goff onto the Board. 2022 was also the first year for Ken Fund as a Non-Executive Director and he was proactive in securing the disposal of SmartLab.

2022 saw the Company make progress in reporting against the TCFD framework as it assessed climate-related risks. The Group's Diversity and Inclusion Committee formed in 2020 continued the Company's focus on diversity and inclusion amongst its staff and in its publishing. Quarto's approach to corporate governance is set out in the Directors' Report.

Andy Cumming
Chairman
31 March 2023

Group Chief Executive Officer's Statement

"A year of strong results achieved through nimble publishing and good cost-control."

Alison Goff
Group Chief Executive Officer

Introduction

I have very much enjoyed my first year at Quarto and am pleased to be writing this reporting on another year of strong results. Over this past year there have been significant changes to our teams and I believe we now have in place outstanding publishers who will deliver success in the years ahead. We have invested in both our people culture and working environment to make Quarto a destination for talent across the industry.

Business review

The company ended the year with sales of $141.0m down from the prior year by 7% (2021: $151.5m); operating profit before amortization of acquired intangibles and exceptional items increased by 33% to $21.3m (2021: $16.0m); profit before tax increased to $20.9m (2021: $14.2m) and net equity improved to $67.3m (2021: $53.2m). The group ended the year with net debt down 89% at $0.6m (2021: $5.5m). Results were driven by nimble publishing maximizing opportunities which arose, strong cost-control and reduced finance costs.

During 2022 most markets around the world reopened and we saw a return to buying in physical bookstores with a corresponding reduction in our online sales.

With the economic pressures squeezing consumer spending the overall book market contracted slightly in 2022 with non-fiction sales showing one of the biggest declines, down by c. 7%. Notwithstanding the sale of SmartLab during 2022, Quarto outperformed the market delivering increased market share in all our core categories.

The balance of our business remains in favor of adult publishing with 69% of our revenue derived from adult titles. New titles accounted for 42% of sales and our strong back catalog continues to perform well delivering 58% of overall revenue. Our US and UK publishing operations drive broadly equal shares of our overall revenue.

Our most valuable series *Little People Big Dreams* continues to grow and we will publish the 100th title in this series in 2023. This series delivered $8.3m revenue in the year. Another valuable property in our children's publishing the *Story Orchestra* series delivered $2.7m in the year from just seven titles.

During the year we ceased offering sales services to other publishers and exited a non-core business with the sale of SmartLab.

Publishing

Quarto's publishing remains focused on key categories: Cookery, Home and Garden, Art and Craft, Children's, Reference and Wellbeing. These sectors remain strong internationally. Each of our imprints has a distinct focus and develops new titles aiming to grow our market share in targeted categories. We also make extensive use of our backlist where existing content may be repurposed to create new products.

HIGHLIGHTS OF 2022

- Quarto kids is the #1 publisher of children's general non-fiction in the UK
- Best-selling author of *Little People Big Dreams* - Maria Isabel Sanchez Vegara - is the #2 non-fiction children's author in the UK
- *McDonald's Happy Meal* program will put *Little People Big Dreams* books into the hands of 40 million children around the world
- Strong growth in the Manga and Anime market where Quarto has built significant market share
- New range of graphic novels produced in partnership with *Saturday AM*

STRATEGIC REPORT

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FINANCIAL STATEMENTS

- *Beautiful Boards:* 50 amazing snack boards for any occasion continues to sell strongly - over 200k copies and $2.5m revenue in the year - some 3 years after publication
- Custom publishing deal with Pokemon creating 4 titles which delivered $1.5m in the year
- Speed to market an important factor with *Wordle Challenge* created and delivered within 8 weeks
- Start-up of a new gift imprint which will launch in 2023 producing puzzles, games and related products from existing content
- Timely publication of *Little People Big Dreams: Queen Elizabeth* selling over 175k copies
- New cookery and health imprint to launch in 2023 expanding our reach into one of the largest categories in non-fiction publishing

Sales performance

One of Quarto's great strengths is our foreign language co-edition sales team who delivered a strong performance in 2022 despite some challenging international situations. Trade with Russia and Ukraine was halted and persistent lockdowns in China severely impacted that market. All other foreign language markets delivered growth. Reprints of existing titles were 5% up on prior year and core series continued to perform well. We also saw a resurgence in sales of reference titles which had been reduced during the pandemic in favour of practical titles.

Our international sales team began travelling again in 2022 with bookfairs and in-person meetings back on the agenda. Overall these sales were 6% down on prior year but with mixed results by region. South East Asia delivered growth +14% and the Middle East +8% accounting for over $500k for the first time. Sales to Europe held steady but Australia and China were both down -7% and -34% respectively.

UK sales were 2% down on 2021 with new titles performing well but backlist sales $2.3m down from the pandemic peak which was driven by lockdown hobbyists. The reopening of physical bookstores saw our field sales reps deliver over £1m for the first time in three years.

US sales were down 11% on prior year with both Amazon and the main bookstore chain, Barnes & Noble, showing much slower ordering patterns. However, we saw a marked increase (+17%) in our sales through independent bookstores as customers returned to stores.

Our Chartwell division targets the value end of the market creating books primarily from existing content. Books are sold non-returnable. This division had an outstanding year delivering sales significantly ahead of budget and 32% up on the previous year.

Operations

During the year we continued our development of systems and processes to improve our operational efficiency. Our goal is to be free of reliance on third party systems by 2024.

Supply chain

Disruptions to the supply chain continued through much of 2022 with longer than usual shipping times resulting from strikes and port disruptions. To mitigate the impact of these our operations team remained nimble switching onward shipping to trucks rather than rail when necessary and putting in place local printings. Whilst these measures incurred some extra costs there were significant benefits in maintaining supply to the market. In Q4 we saw much improved freight prices and improved shipping times. We believe the market has now stabilized and we do not anticipate a return to the volatility of 2021 and 2022.

Post COVID-19 working

During 2022 we saw staff returning to our offices both in the UK and US. We now operate a blended working model. This ongoing flexibility has become an important factor in the workplace. We do however firmly believe that in-person collaboration is vital to our creative business and essential to team building and staff morale.

Strategy

Quarto's strategic goals in the short to medium term will be to continue to drive organic growth through its publishing and we will launch two new imprints in 2023. We will also look at acquiring other related businesses where we believe they can be leveraged across our existing operations and provide a good strategic fit.

Outlook

Quarto remains in a good financial position with a strong pipeline of new title publishing for 2023 and beyond. Our large back catalog is a significant strength and continues to perform well. We feel confident in our ability to navigate the challenging market conditions expected of 2023 and in the broad appeal of our books.

Our people culture has been a focus in 2022 and will remain so during 2023. Attracting and retaining high-caliber staff is vital for the long-term health of the business.

We remain confident and focused on delivering a sustainable, profitable business for the future.

Alison Goff
31 March 2023

STRATEGIC REPORT

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US publishing

Whilst sales were down on the previous year, our adjusted operating profit was up 5% to $10.5m (2021: $10m) due to a combination of factors:

- Total revenue dropped by 7% from $81.1m to $75.3m, partly impacted by the disposal of SmartLab impacting revenue by $2.4m during 2022. *Beautiful Boards* continued to perform strongly, with sales in line with 2021.
- The continued challenges to supply chain issues, impacted margins, although we did see a rebound in the Foreign Language co-edition margin.
- Reduction in pre-publication amortization and impairment of 32% contributed to the performance for the year, following the change in write down policy in 2021.
- We continued to control our overheads, with costs being broadly flat.

UK publishing

As with the US, whilst sales were down on the previous year, our adjusted operating profit was up 70% to $11.9m (2021: $7m), largely due to an increase in the gross profit margin. Following the change in write down policy of publication costs during 2021, there was a reduction in amortization and impairment of publication costs during 2022. Print margins were also slightly ahead.

Total revenue decreased by 7% from $70.4m to $65.7m, with Trade and English Language Co-Edition sales, down $3.1m and $2.9m respectively. Overhead costs were broadly flat.

Group overhead

Group overhead, or corporate costs, were flat.

Adjusted Operating Profit ($m)	2022	2021
US Publishing	10.6	10.0
UK Publishing	11.9	7.0
Group overhead	(1.2)	(1.0)
Total adjusted operating profit	**21.3**	**16.0**
Exceptional items[1]	0.8	–
Operating profit	**22.1**	**16.0**

1 Exceptional items can be found detailed in the Financial Review. See note 5.

Market Overview

UK market outlook

PHYSICAL TRADE SALES

In 2022 we saw a very strong and successful re-emergence of our physical Trade business, including an outstanding year for our Supermarket sales. We are expecting the Physical Trade business to hold steady in 2023, representing about 43% of our overall UK trade business. With Supermarket space continuing to be extremely competitive to secure, we have put strategies in place to ensure growth from our field sales channel, independent bookshops, as well as good growth also expected from our museum business, now that this sector is back to full power. With excellent account/buyer relationships, we feel confident of support, and strong retail visibility across our key titles and brands throughout the year ahead.

ONLINE RETAIL

After a challenging 2022, where we saw revenue for Online drop back to just over the 2019 level, we expect this part of our UK business to stabilize during 2023. We should see a return to growth with consumers looking for online discounts in uncertain financial times, and by the end of the year, we expect Online to be approximately 40% of our overall UK trade business, increasing from 37% in 2022. First half sales patterns are likely to remain soft, with the upside landing in the key Q3/4 gifting period. Amazon inventory should remain at a more consistent, but lower level, as they move generally towards a 3-week only stock holding business model, especially in the slower Winter/Spring months.

SPECIAL MARKETS

This remains a key focus for our UK trade business in 2023. With a new team now firmly in place, and working well, the ambition for special markets is for significant growth, focusing on being best-in-class with our existing key accounts to encourage extra growth, as well as continuing to prioritize initiatives for essential new business development and partnerships.

US market outlook

PHYSICAL TRADE SALES

The US Trade business has a positive outlook as we move into 2023. The independent bookstore market continues to thrive, and we are seeing an uptick in sales as consumer shopping is starting to shift back to physical stores. As independent bookstores are expected to be a growth area, we have signed with a new sales rep group in the Southeast of America to give us dedicated coverage across the entire US as the buying pattern and selling techniques are specific to the channel. In a similar fashion, trade book chains are moving to a new buying pattern of buying regionally and in concentrated sections and expanding the distribution as books prove their shelf value through sales. We are responding to the new demand driven marketplace with an emphasis on placing books in the key areas of the country and helping these sell through to expand the store count.

ONLINE RETAIL

The online business is also seeing a shift to a demand driven buying pattern and we are seeing smaller upfront purchases as customers order closer to initial orders instead of anticipating demand. The move to demand buying allows us to strategically distribute stock across the channel while keeping our initial expenditures lower. Working closely with author platforms whilst strategically planning our marketing campaigns helps us keep a steady demand for titles at all stages (pre-publication, publication and after).

SPECIAL MARKETS

New partnerships with national chains established in 2022 will give us a wider distribution for key titles. While we are seeing that customers are focusing on larger quantities of fewer successful titles, we have also been able to grow our footprint in stores by expanding into new categories with our bestselling titles in each area. Our subscription box and catalog business remain steady as we look to build a corporate premium program and capitalize on our brand partnerships as well as striving for a larger presence within the literacy community.

International market

PHYSICAL TRADE SALES

Sales for English language books across EMEA, Asia, and ANZ remain robust, particularly children's publishing - with the reinvigorated *Little People Big Dreams* series, but some on-going issues such as inflation and regional political disruptions must be taken into consideration. Measures to mitigate these risks on a region-by-region basis will need to be employed. Pivoting our sales efforts and working with suitable partners will be essential. We have contracted with a new agency for the Middle East and are diversifying our revenue streams in India e.g. direct deliveries and local Indian printings. Opening new business across all markets and specifically in developing markets remains a key priority.

FOREIGN RIGHTS SALES

After two very strong years, reprints will decrease, partially offset by some growth in new titles sales. Sales of adult books are more sensitive to economic slowdown and are likely to generate slightly less revenue; sales of children's titles should remain more vibrant. We expect further growth in picture book sales with Mariajo Illustrajo's second title *Lost* and Marianna Coppo's *Best Bad Day Ever*, amongst other, joining our solid backlist. In non-fiction, *Cat Family Christmas* and its follow-up title *Museum* should sell a combined 100,000 copies; new title *Darwin's Super-Pooping Worm Spectacular* attracted a lot of attention and should sell its first twelve languages. Revenue from franchises *Little People, Big Dreams* and *Story Orchestra* should be in line with 2022.

After two exceptionally strong years in 2021 and 2022, sales in the Central and Eastern European regions are expected to retreat, as inflation and the impact of the war continues to affect Poland in particular; Asia is showing signs of recovery and most territories except China should improve; French, German, Dutch and Nordic sales will remain stable. We expect a good performance in South and Latin American markets, supported by re-emergence of the Brazilian market and progression in smaller countries such as Portugal and Greece.

Margins will be under pressure as consumers' purchasing power has shrunk and publisher's buy-in prices are restricted by a strong dollar. However, with production more complex than before the pandemic and higher prices here to stay, foreign sales will continue to benefit overall. Demand for our titles and services is strong as co-editions and rights acquisition remain a useful tool to expand and complement publishers' catalogs, with low creation costs and a predictable unit price.

One Content, Multiple Channels

UNMATCHED SALES COVERAGE TO MAXIMIZING THE POTENTIAL OF OUR CONTENTS

TRADE SALES | **Quarto** | **CO-EDITION & CUSTOM SALES**

US Trade	English Language Co-Edition
UK & EU Trade	Foreign Rights & Co-Edition
Int'l Trade	Custom Sales

Global Sales Coverage

SERVED BY OVER 100 SALES AND MARKETING PROFESSIONALS AND REPRESENTATIVES

Key
International partnerships
English language markets
Foreign language markets

QUARTO OFFICES

USA
BOSTON
NEW YORK

UK
LONDON
BRIGHTON

CHINA
HONG KONG

Financial Review

"Profit before tax increased by 47% to $20.9 million (2021: $14.2 million)."

Daniel Logan
Group Finance Director

Group results

Revenue was $141.0m, a decrease of 7%, compared to 2021 ($151.5m). Adjusted operating profit was up at $21.3m (2021: $16.0m) and represented 15.1% (2021: 10.5%) of revenue. Diluted earnings per share increased to 40.6c (2021: 24.3c). Two of our titles exceeded 1% of Group revenue, with *Beautiful Boards* being the top revenue earner. The following titles were our top ten sellers in 2022, with their respective revenue for 2022 and year of publication:

Beautiful Boards (2019)	$2,503,069
Squishy Human Body (2006)	$1,941,282
Queen Elizabeth (2022)	$798,198
Tiny Baking! (2019)	$581,403
Wordle Challenge (2022)	$533,774
Story Orchestra: The Nutcracker (2017)	$448,204
All New Square Foot Gardening, 3rd Edition (2018)	$436,216
David Attenborough (2021)	$396,554
National Parks of the USA (2018)	$393,673
Moon Magic (2019)	$391,792

US publishing

Revenue for this segment was down 7% at $75.3m (2021: $81.1m). Operating profit before amortization of acquired intangibles and exceptional items ("adjusted operating profit") was up 6% at $10.6m (2021: $10.0m). We achieved an adjusted operating profit margin of 14% (2021: 12%).

UK publishing

Revenue for this segment was down 7% at $65.7m (2021: $70.4m). Adjusted operating profit was up 70% at $11.9m (2021: $7.0m). We achieved an adjusted operating profit margin of 18% (2021: 9.9%).

Corporate costs

Corporate costs were broadly flat, with an increase in costs of $90k on 2021.

Exceptional items

Exceptional items were made up of two elements:

- During 2022, the Cares Act Loan of $2.422m relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA was forgiven to the value of $2.272m. See note 5.
- We incurred a loss on disposal of $1.498m due to the sale of the intellectual property of SmartLab on 1 September 2022 and the sale of its inventory on 29 November 2022.

Finance costs

Finance costs were $1.2m (2021: $1.8m). The reduction was attributable to continued reduction of debt.

Tax

The tax charge for the year was $4.3m (2021: $4.2m).

Balance sheet

The Group's net assets increased to $67.0m from $53.2m, driven by the improved trading performance. The most significant change in the balance sheet related to the decrease of trade payables of $20m due to quicker turnaround of printing invoices. Long term borrowings reduced from $28.5m to $9.3m due to the repayment of $16.9m loans and accrued interest to 1010 Printing Limited and C.K. Lau, along with $3.3m paid off the Bank's term loan. This was partly offset by the drawdown of $1.5m from the revolving credit facility with the Bank.

Cash flow and indebtedness

At the year end, our net debt was $0.6m, a reduction of 89%, compared to 2021, when it was $5.5m[1]. Free cash flow reduced down to $5.6m, down 68% compared to 2021, when it was $17.3m.

1. Included in the debt of $5.5m at the end of 2021 is a loan of $2.4m relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA. During 2022, this loan was forgiven to the value of $2,272,000. Net debt excludes lease liabilities relating to right-of-use assets (IFRS 16).

Shareholder return

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

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties are set out on pages 17 to 19.

Viability statement

In accordance with Provision 31 of the 2018 revision of the UK Corporate Governance Code, the Directors assessed the prospects of the Group over both a going concern period to 31 March 2024 and a viability period to 31 December 2025. The going concern period has a greater level of certainty and was therefore, used to set budgets for all our businesses which culminated in the approval of a Group budget by the Board. The Directors have determined that the three year period is an appropriate term over which to provide its viability statement, being aligned with both the publishing program cycle and the long-term incentives offered to Executive Directors and certain senior management.

The Directors have considered the underlying robustness of the Group's business model, products and its recent trading performance, cash flows and key performance indicators. They have also reviewed the cash forecasts prepared for the three years ending 31 December 2025, which comprise a detailed cash forecast for the period ending 31 December 2023 based on the budget for that year and standard growth assumptions for revenue and costs for the years ending 31 December 2024 and 2025. This is to satisfy themselves of the going concern assumption used in preparing the financial statements and the Group's viability over a three year period ending on 31 December 2025. As part of this work, the model was sensitized initially by an 8% reduction in revenue to ensure headroom within the covenants. This is deemed as a plausible scenario, given in 2022 revenue dropped 7% year on year. Management performed a reverse stress test to assess the point in which the banking covenants were breached. This occurred at a reduction in revenue of 13%. It is considered unlikely that such a reduction of revenue would occur, given, sales dropped 7% in 2022 and also dropped 7% during 2020.

In February 2021, the Group renewed its bank facilities, which run until July 2024. Management do not foresee any issues with regards to the repayment of loans or longer-term viability of the Company. In the three year model we have shown that the business is profitable and therefore capable of repaying the bank loans in line with the facility agreements of $2.7m. We continue to receive support from the banks. In carrying out their analysis of viability, the Directors took account of the Group's projected profits and cash flows and its banking facilities and covenants.

In addition to the agreement to the facility, 1010 Printing Limited (a subsidiary of the Lion Rock Group Limited) and C.K. Lau extended the original $13m unsecured and subordinated loans to the Group (entered into on 31 October 2018) on identical terms and on normal commercial terms. Furthermore, 1010 Printing Limited agreed to provide a further $10m unsecured and subordinated loan to the Company on normal commercial terms. Whilst these unsecured and subordinated loans were repayable by 31 August 2024, the loan of $13m to C.K. Lau was fully repaid including interest at 3.75% during 2022. A repayment of $2m was also made including interest at 4% to 1010 Printing Limited during the year, reducing the balance to $8m. In the three year forecast we have shown that the business is profitable and therefore capable of repaying the remainder of the subordinated loans as per the agreements. The forecast also allows for the repayment of the remaining $8m subordinated loan and interest in Q1 2023. Approval for these specific subordinated loan repayments was agreed by the banks and payment was made in Q1 2023. We continue to receive support from 1010 Printing Limited.

The Directors also took account of the principal risks and uncertainties facing the business referred to on pages 17 to 19. The review focused on the occurrence of severe but plausible scenarios in respect of the principal risks and considered the potential of these scenarios to threaten viability.

The key principal risk that the business faces is a downturn caused by a global recession. The financial impact of this downturn has been quantified to illustrate the Group's ability to manage the impact on liquidity and covenants, with sensitivity analysis on the key revenue growth assumptions and the effectiveness of available mitigating actions. In considering this analysis, the Directors took account of the mitigating actions that had been previously taken. These actions included reductions in investment in pre-publication costs, print volumes, staffing levels and other variable costs.

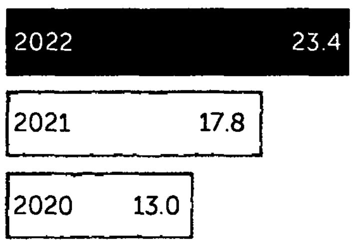
Based on the above indications, after taking into account the downside scenario projections, the Directors strongly believe that the Group has adequate resources to continue in operation and meet its liabilities throughout the viability period to 31 December 2025.

Daniel Logan
Group Finance Director
31 March 2023

Our Key Performance Indicators

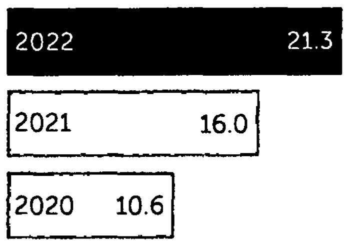
Our strategy is to grow our revenue and margins by leveraging our size, scale and reach as the leading global illustrated book publisher, to build a business with sustainable growth in earnings per share while also managing our net debt.

EBITDA ($M)[2]



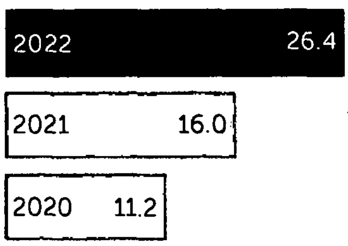
EBITDA is used to measure the operational performance of the Group and is used for banking purposes. EBITDA up 31% due to tight cost control. See note 29.

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



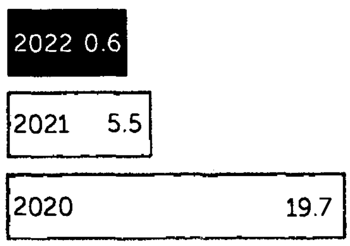
Adjusted operating profit is used to show our operational performance. This is a key measure for management and is noted in the financial review on page 10.

RETURN ON NET OPERATING ASSETS (%)[4]



The Board uses this ratio to evaluate the long-term financial health of the Group. Improved return on Operating Assets driven by increased profitability.

NET DEBT ($M)[2]



Net debt is used as a measure as it has been a strategic goal to reduce our debt. Our net debt has reduced by 89% in 2021. See note 29.

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

2022	37.8
2021	24.3
2020	14.1

The Board uses this ratio to evaluate the quality of the Company's earnings.

Improved profitability has increased the EPS by 67%.

BACKLIST % OF SALES

2022	58.0
2021	58.0
2020	60.0

Backlist is a measure of the performance of our intellectual property. Backlist titles are classed as sales from titles that were published over a year ago.

INVENTORY % OF REVENUE (%)

2022	15.5
2021	13.5
2020	12.2

This is a measure of our inventory value as a proportion of revenue.

With the increase in inventory costs and the need to mitigate the supply chain issues, our inventory value has increased.

INTELLECTUAL PROPERTY DEVELOPMENT SPEND ($M)

2022	18.1
2021	20.2
2020	20.3

This shows our investment in new titles against frontlist revenue. See note 12 of the Financial Statements on page 76.

CHILDREN'S PUBLISHING REVENUE ($M)[5]

2022	44.4
2021	50.7
2020	44.7

Children's publishing revenue represents 31% of Group revenue, down 2% from 2021.

RETURN OF FRONTLIST INVESTMENT

2022	2.9
2021	3.1
2020	2.1

Return on investment is the ratio of frontlist revenue generated from investment in frontlist intellectual property. Our frontlist return has decreased 6% year on year, as revenue has decreased.

1 Adjusted measure are stated before amortization of acquired intangible assets and exceptional items.
2 See note 29.
3 See note 9.
4 Operating profit before amortization of acquired intangibles and exceptional costs over Group net assets plus unallocated net liabilities from operating segment.
5 During 2022, the Quarto US Children imprints were incorporated into the Quarto US Adult imprint parent. Any revenue previously categorized as children under these imprints, is now classed as adult revenue.

Our People

As a creative business, Quarto strives to create a culture in which all our people flourish and foster strong values to create a fair working environment. Quarto employs c. 305 people across 5 locations in the UK, US, and Hong Kong, and utilizes a network of creative contributors and freelancers.

Quarto operates in a competitive international marketplace and needs to attract, develop and retain creative, talented and resourceful employees. We invest in our people by providing them with the tools, technology, and training needed to meet the dynamic challenges of our market and the evolving needs of customers.

We publish books by and for everyone to promote inclusion and enable diverse writers and illustrators to reflect and shape our culture and society. We value continuing to learn, grow, and understand each other's differences, and view them as strengths. At the heart of this is a commitment to equality, diversity, and inclusion. They make Quarto an attractive place to develop a career, and a responsible organization.

We condemn systemic racism in society in all its forms. The Quarto Group is an equal opportunities employer. We believe that employing a diverse workforce is an important factor in our success and make recruiting decisions based on applicants' experience and skills. We welcome applications from all members of society irrespective of age, gender, disability, sexual orientation, race, religion, or belief.

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

The Diversity Committee formed in 2020 continued in 2022 taking forward initiatives to support an equitable and inclusive culture at Quarto. The Committee comprises representatives from all locations in the UK and US, providing a voice across a broad section of management levels. The work in 2022 focused on engagement with staff through a program of social and learning events to encouraging cultural appreciation and inclusion and drives awareness for diversity and inclusion issues. During 2022 the Committee focused on engagement activities that brought staff from all locations together. A new tool was added to the Company's intranet that promoted newsworthy items related to diversity and inclusion with members of the Committee regularly posting content. The Committee also supported the launch of a sensitivity toolkit for editorial staff and worked with respective HR teams in the UK and US to engage on inclusivity.

Our Values

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

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

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

At the end of 2022, the breakdown of directors, senior managers and employees was:

	Male	Female
Directors	4	3
Senior managers	3	6
Employees	66	233

Corporate Responsibility and Sustainability

Corporate responsibility and sustainability

We strive to make our business more sustainable by considering the sustainability aspects of our most important business decisions. We take social and environmental responsibility for our work, considering the impact our activities have on the environment, as well as the best ways of making a positive contribution to society. We hold ourselves accountable for our values, not only by making inspirational books and actively supporting our communities, but also by focusing on the impact that we have on the world around us.

Supporting communities

During 2022 the Company continued to support both local and international communities. Quarto maintained its association in the US with Humble Bundle which sells ebook bundles online and donates a portion of the proceeds to charities. Bundles in which Quarto participated generated donations of $63,491 in 2022. We also participated in Packed with Hope, a project supporting displaced children from Ukraine. We have donated books to various schools, libraries and charities in the UK and US including Book Aid, Children's Book Project. More than 25,000 books were donated during 2022 to support literacy and access to books. Supporting our local communities, the Company also participated in a winter clothes initiative that donated clothes to Beverly Bootstraps (USA) and Winter Wishes Adopt a Family Gift Giving Drive for the same charity.

Environmental impact and sustainability

Most of our impact arises through the materials and services we procure such as printing, production, distribution, recycling and disposal of books.

To reduce our impact, we adopt the following practices:

- Our first choice in printing is to always use sustainable paper when available. Most of our books are printed on Forest Stewardship Council (FSC) paper supplies, or, for domestic US printing, we use Sustainable Forestry Initiative (SFI) paper when available. In 2022, we estimate about 60% of books were printed on sustainable paper. 2022 continued to be disrupted by paper shortages.
- Increasing sustainable operations: we continue to consolidate shipments wherever possible so that the number of journeys made is minimized. During the reporting year we collected emissions data related to transportation. We will continue to widen the data sets in 2023, which will better inform decision-making for the future.
- Ethical production: we continue to work with our suppliers to adopt ethical standards of manufacture using ICTI and SEDEX Care protocols.
- Office requirements are reviewed routinely.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Section 172 Statement

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

(A) LIKELY CONSEQUENCES OF DECISIONS IN THE LONG TERM

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

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

(B) INTERESTS OF THE COMPANY'S EMPLOYEES

Quarto is a publishing company and having creative and motivated employees is essential. Andy Cumming, an independent Non-Executive director, is the designated employees' liaison as recommended by the Code.

The Company offers competitive market rates of remuneration and associated employment benefits. It reviewed the position in late 2021 and in January 2022 made appropriate adjustments. The Diversity Committee established in 2020 to promote workplace inclusiveness and diversity equitability continued in 2022, becoming the Diversity and Inclusion Committee (more details are given on page 14). Additionally, the Company encourages community interaction through the Quarto Foundation, established in 2017 (page 15 indicates some of the charitable work the Company has supported).

At the beginning of 2022, in recognition of the work undertaken by staff in 2021, a two week bonus was awarded to all employees with service over 6 months. In April 2022, the annual salary review took into account the forecast for 2022, along with the cost of living and external factors. In December 2022, the company made a one off cost of living payment to UK full time employees earning up to £50,000. Quarto will continue to monitor unusual increases in energy and other cost of living expenses and offer help where possible to the lower paid staff.

Following Covid-19, flexible working has been introduced across the business.

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

(C) FOSTERING THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS
The Company benefits from its association with Lion Rock, a Hong Kong based international printing group (https://www.lionrockgrouphk.com/default.aspx), which operates as one of Quarto's key suppliers enabling it to maintain a positive relationship with an essential supplier base. This connection also allows Quarto to print outside China and so provide a better service to US customers particularly sensitive to US tariffs. Major shareholder 1010 Printing Limited is a member of the Lion Rock Group and is a print supplier to the Company (purchases are made on a job-by-job basis at arm's length, as disclosed on page 38 and note 28 to the Financial Statements).

The Board recognizes the need to offer a flexible service to its customers, be that offering them outside-China printing, or customised publishing, as well as the need to cultivate suppliers of print-on-demand in order to manage the business efficiently and still fulfill customers' orders. By exploring all the technologies available, Quarto maximizes its offer to its customers. Having realized the need for more flexible production times, and considering the delays we have experienced in the global supply chain in 2022, the Company has secured additional capacity in the domestic US printing market and is negotiating with printers in continental Europe to mitigate the supply chain disruptions.

(D) IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT
The Company seeks to minimize its impact on the environment and during 2022 it reviewed its operations in relation to TCFD requirements (see page 42). It takes advantage of schemes that promote green energy where possible; and when refitting its offices, it accommodates energy-saving elements (e.g. LED lighting). Energy used by its IT operations has reduced as the Company has adopted cloud-based services, and new equipment is increasingly energy-efficient. At the start of 2023, we relocated our London office to a smaller office to embrace flexible working and reduce energy consumption. The Company adopts competent maintenance regimes for its office equipment so that efficient operation is maintained and energy consumption is minimized.

Quarto continues to publish socially responsible and inspiring titles such as the *Little People Big Dreams* series, *The ABC Series*, *Greta and the Giants* (endorsed by Greenpeace and 350.org), and *This Book is Anti-Racist*. We participated in charity events with Humble Bundle in the US and have helped them raise $137,031 in 2021 and $63,491 in 2022.

Through the Quarto Foundation, which is very much staff led, Quarto contributes to local causes.

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

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

(E) DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT
The Board complies with the requirements of the UK's 2018 Code of Governance (as outlined on pages 40 and 41). The Board is confident that it has the right composition to deliver its strategy to the benefit of its employees, customers, and shareholders.

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

The Company has an established whistle-blowing policy and anti-bribery policy. Since 2019 as supply agreements are negotiated, Quarto's terms and conditions of supply are updated to include undertakings from print suppliers confirming that their operations comply with the Modern Slavery Act (2015), permit Quarto to audit operations, and permit Quarto to terminate a supply agreement with immediate effect should there be an instance of non-compliance.

(F) NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY
The Company issues a single class of common shares. 1010 Printing Limited, a company controlled by C.K. Lau, is a controlling shareholder which increased its holding to 50.07% in 2022 (the current level of major shareholdings is shown on page 39). The Company and controlling shareholder parties entered into a relationship agreement to ensure that controlling shareholders do not exert improper influence over the Company. In 2020, the Company's by-laws were amended to complete the requirements of the Listing Rules in relation to controlling shareholders. The Company maintains an up-to-date investor section on its website detailing giving governance disclosures and announcements along with a calendar detailing its results announcement schedule. As a listed company, Quarto makes timely announcements to investors through the Regulatory News Service, as well as these adding announcements to the investors' section of the Company's website. Executive Director C.K. Lau and Chairman Andy Cumming are responsible for responding to investor queries, and Senior Independent Director Jane Moriarty is available to shareholders if they have concerns that cannot be resolved through normal channels.

Risk Management, Principal Risks and Uncertainties

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

The Board maintains a risk register which is reviewed, updated and approved at each meeting of the Audit and Risk Committee, and presented at each quarterly Board meeting for review; this means that the register is reviewed, typically, as many as seven times a year.

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

Details of the Group's financial risk management objectives and policies are set out in note 21 to the Financial Statements. During the year, climate-related risks were incorporated into the risk management framework. These have been added to existing risk categories, where appropriate, with one new category 'Transition to Net Zero Economy' added. The business risk review has identified the following risks that face our business.

MARKET AND FINANCIAL RISKS

Risk	Description	Mitigating factor
Economic conditions	The Group operates across many of the major world economies and its revenues and profits depend on the general state of the economy in those territories. A downturn caused by a global recession, potentially as a result of the Covid-19 pandemic, inflationary pressures and the Ukrainian-Russian conflict, could reduce consumer discretionary spending, which might result in a reduction in profitability and operating cash flow. In addition, the UK's exit from the European Union and US-Sino relations (resulting in the introduction of tariffs in 2019) contributes to uncertainty in the economic environment.	The Group has adequate liquidity with up to $22m in available debt facilities. In addition, the Directors have the ability to take a number of mitigating actions, including the reduction of spend on pre-publication costs, inventory printings and other discretionary items. The Group offers non-Chinese printing for customers in order to avoid US tariffs on books. The Company's management information systems allow it to assess sales performance quickly and so take the appropriate steps to maximize operating performance. The Group has shown itself to be adaptable by quickly accommodating the changes necessary to its sales and marketing activities during the Covid-19 pandemic and to subsequent supply chain pressures. The Group has a very limited exposure to the Russian and Ukrainian markets.
Currency	The Group's businesses operate in a number of currencies giving rise to a risk of exchange loss from fluctuating exchange rates.	The Group has a natural hedge that mitigates against currency movements impacting its earnings in that one of its largest costs, which is print costs, are paid in US Dollars.
Financial	The Group has a banking facility that requires it to operate within covenant limits.	In 2021, a three year and five months banking facility of $20m was secured, together with additional shareholder support. Performance during 2022 allowed the Company to accelerate its debt reduction.

OPERATIONAL RISKS

Risk	Description	Mitigating factor
Customer	A significant dependency on a small number of customers, for instance co-edition partners or retailers, could be problematic if one of them tried to secure preferential terms or stopped doing business with the Group. The failure of a major customer, or a distributor, could impact revenue and profits.	The Group has a long-established strategy of diversifying its international customer base, including specialty retailers, resulting in the fact that with one exception, no customer has over 20% of the business. Customer relations are managed to ensure a fair-trading relationship. Management monitors debts closely and maintains close relationships with its customers and distributors, which may provide early warning of likely failure. The Group continues to adapt to supporting online selling and continues to offer and promote e-book versions of its books.

OPERATIONAL RISKS (continued)

Risk	Description	Mitigating factor
Supply chain and raw materials	The Group relies on a group of print suppliers, many of which are based in southern China. There is a risk that an interruption in the availability of printing services in that area or the financial failure of one printer could disrupt the supply of new books to customers. As an acute climate-related risk this is considered to be a short (1-3 years) term risk. Any increase in costs such as oil, port charges etc. would also impact shipping costs. Any disruption in supply of paper could lead to an increase in costs and production disruption. Both increased costs and production disruption are deemed to be short (1-3 years) and medium (3-6 years) risks. There is also a reputational risk of using non-environmentally friendly paper. There is a risk that an interruption caused by climate-related events could disrupt our manufacturing base. This may be through either scarcity of raw materials as a result of either acute or chronic climate change, or disruptions to manufacturing and distribution facilities. Chronic climate change has been classified as a medium (3-10 years) and long (10+ years) term risk. The Covid-19 pandemic continues to disrupt freight and shipping and has caused severe delays and increased shipping and freight costs. At the point of publication of this report, we have seen an easing in the issues previously faced.	The Group maintains relationships with printers in other parts of the world and is confident that printing could be carried out by an alternative range of printers if supply from China was interrupted or to mitigate shipping costs. We maintain close relations with our printers, reducing the risk of a lack of knowledge of any printer being in financial trouble. The Group has worked with its major printers on a plan to adopt sustainable paper and recently instituted a Forest Stewardship Council (FSC) paper or Sustainable Forestry Initiative (SFI) paper policy across all our imprints. By monitoring frequency of factory downtime from acute climate events (days lost) and using forecasting data as part of scenario planning to model chronic climate change, the Company will be better prepared in the selection of global suppliers. Further development of internal scenario planning tools, and through working more closely with suppliers on identified risks, the Group can mitigate the potential impact of longer-term climate changes and ensure security of supply. Acute interruptions to either raw materials or manufacturing are mitigated by maintaining a flexible manufacturing supplier base. The Group can mitigate the impact of regional climate events by relocating manufacturing globally. This approach was tested successfully during the Covid-19 pandemic.
Product safety	Our business is faced with increasing safety and testing requirements on various product components. The risk of a product recall due to children's safety would have a severe reputational impact on the business.	All components receive safety testing from specialist and accredited independent third parties. Management carefully selects suppliers for the components the Company uses. The Company continues to monitor the regulatory impact of product testing following the UK's departure from the European Union and maintains a European presence to ensure compliance with European Union Product Safety legislation following the UK's departure from the European Union.
Loss of intellectual property	A loss of stored IP through failure of storage medium or loss of back-ups would impact our ability to process reprints and revisions and could cause a loss of revenue.	A cloud storage solution is integrated into our production workflow to provide storage, back-up and recovery services for product files in development. Complete backlist archives are stored in a mirrored storage array.
Laws and regulations	As a creative and IP business, any changes to copyright laws could have an impact on the Group's activities and any infringement could lead to increased costs. Inconsistent internal practices for negotiating contracts or clearing rights could lead to IP claims. The global transition to carbon net zero economies presents a risk of increased regulation across different jurisdictions. The risk of increased regulation has been considered across all three (short, medium and long term) time periods.	Quarto reviews its licensing, permission-acquisitions and other contracts routinely receiving advice from relevant professional firms (including the possible impact of Brexit) so that legal instruments remain current and represent best practices so that we ensure that our practices are aligned and consistent across imprints, and Quarto's IP rights are properly protected. By establishing a watching brief on regulatory changes, particularly in relation to taxation as a response to national government responses to climate change, the Company can be better placed to address and integrate climate-related risks and opportunities into our business planning processes to find opportunities to capitalize of decarbonizing opportunities.

OPERATIONAL RISKS (continued)

Risk	Description	Mitigating factor
Cyber security	Like many organizations, the Group is at risk from cyber-attack. This presents a potentially serious risk of disruption to the production process and could have a significant impact on the profitability of the business and the security of its IP assets.	The Group uses enterprise level firewalls and IT controls to prevent attack as well as maintaining cloud-based copies and offsite back-up of IP. Computerized files of the Group's books are also maintained by printers. We do not store any personal or credit card data on our websites www.quarto.com or www.quartoknows.com. The Group undertakes industry standard system penetration testing.
People	As in any creative business, the Group is heavily reliant on its people and operates with the inherent risk of not making the 'right' books or creativity being uneven year-on-year. Failure to retain talent and attract new talent could ultimately lead to a failure to generate successful new titles, leading to a drop in revenue. The departure of the UK from the EU ('Brexit') in 2020 has altered the right-to-work permissions of EU-citizens to work in the UK potentially disrupting the recruitment opportunities of our UK-based rights selling team.	Our portfolio of imprints and large number of products spread this risk. The overall portfolio is well diversified with no single title exceeding 1.8% of our total revenue in 2022 and no series accounted for more than 5.8% of our total revenue in 2022. Quarto's Publishers are experienced and talented professionals who work alongside sales and marketing teams and strive to stay close to publishing trends and markets. The Group encourages diversity and inclusion in its workforce and offers competitive market rate remuneration packages and works hard to make Quarto an attractive place to work. The Group operates a flexible hybrid working regimen. Quarto monitors the UK's rights-to-work requirements closely, taking note of the advice of the UK Government so that it is ready to support any staff affected by post-Brexit regulations and to support its recruitment of EU-citizens so that any potential disruptions can be minimized.
Transition to net zero economy	As a global organization, the Group operates across multiple jurisdictions. Varied responses to the challenges of climate change may have unforeseen impacts on our business models and operating costs. In the transition to a carbon net zero economy, there is a risk that the Group will not be able to meet demands of customers for products with a lower carbon footprint and increased scrutiny on environmental impacts. The risk of not meeting these demands has been classified as a medium or a long term risk.	By engaging in its own emissions-reducing ambitions and as supply sectors themselves transition towards net-zero practices, the Group will be better placed to address climate-related transitional risks. Increasing our engagement at industry level will support establishment of best practice approaches. The Group continues to engage with customers and explore emerging channels to ensure that the Group remains competitive. By working in partnership with customers the Company will be better placed to mitigate these risks. We have also used insight gained from Ivy Eco, an environmentally led imprint launched in 2020, to better understanding market forces and customer levers. The Company has also established a register identifying the environmental offerings available through its global supplier base to ensure that all customer climate-related needs can be met.

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

Alison Goff
Director
31 March 2023

Board of Directors

Andy Cumming | Non-Executive Chairman

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

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

Andy is currently a Non-Executive Director of (i) Lloyds Development Capital, the private equity arm of Lloyds Banking Group, (ii) Bluestone Investment Holdings Limited, a multinational financial services business, and (iii) Integrity Capital Ltd, a company investing in asset backed secured lending.

Alison Goff | Group Chief Executive Officer

Alison joined Quarto on 2 January 2022 and was appointed to the Board on 1 June 2022.

Alison has a long track record in illustrated publishing and prior to joining Quarto, spent over 20 years with Hachette UK as CEO of Octopus Publishing Group. During that time, she led ambitious growth plans, acquiring and integrating other businesses and launching new imprints to diversify the publishing.

Chuk Kin Lau | Executive Director

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

C.K. is a member of the Remuneration and Nominations Committees.

Ken Fund | Non-Executive Director

Ken joined the Board as an Executive Director on 11 July 2018 and retired from the Company on 1 December 2021 becoming a Non-Executive Director on 1 December 2021. Until 1 December 2021 he was Group COO and CEO of Quarto US. Ken joined the Group in 1999 as President and CEO of the Group's subsidiary Rockport Publishers company.

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

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

Jane Moriarty | Non-Executive Director

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

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

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

Mei Lan Lam | Non-Executive Director

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

Andrea Giunti Lombardo | Non-Executive Director

Andrea was elected to the Board on 10 February 2020.

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

Nominations Committee Report

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

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

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

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

The Committee met three times during the year and was active in appointing the Group Chief Executive Officer to the Board.

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

Andy Cumming
Chair of the Nominations Committee
31 March 2023

Audit and Risk Committee Report

In line with FRC guidance the Committee has had two members throughout the year, Jane Moriarty as Chair and Andy Cumming.

Responsibilities

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

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

Committee meetings

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

By invitation the Company's CEO, the Group Finance Director, and representatives of the Company's auditor also attend Committee meetings although part of some meetings is exclusively for Committee members without executive management present.

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

The Committee met five times during 2022 and once so far in 2023.

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

Activities of the Committee

During 2022 and 2023, to date, the work of the Committee included:

- Appointment of Mazars LLP as auditor, replacing Grant Thornton UK LLP.
- Review of the plan and scope of the external audit.
- Review of the external auditor's report on the 2022 year-end audit and approval of the preliminary announcement and the annual report.
- Consider the external auditor's comments in relation to internal controls and review the need and potential scope of internal audit functions.
- Consider the Group's banking agreements, particularly with respect to ensuring the Group's compliance with its banking covenants.
- Review and consider the goodwill impairment review. See Significant Audit Risks below for more details.
- Review and consider recoverability of pre-publication costs.
- Review and consider revenue recognition and sales returns.
- Review TCFD related disclosures.
- Review of forecasts and budgets.
- Consider underlying robustness of the Group.

Significant audit risks, key findings and financial judgements relating to year end accounts 2022

The Committee concentrated on the following in relation to the 2022 accounts.

GOING CONCERN AND COVENANT COMPLIANCE

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

The Group's financial performance in 2022, and its forecast future performance, reflects the positive impact of the Group's renewed focus on core products and titles and the fund raising and resulting debt position of the open offer to shareholders that occurred in January 2020.

ASSESSMENT OF THE CARRYING VALUE OF GOODWILL

Goodwill arising from acquisitions is stated at cost, less any accumulated impairment losses. In accordance with IAS 36, the Group tests the goodwill on an annual basis for impairment. In the tests carried out at 31 December 2022, the value in use calculation exceeded the carrying value of goodwill.

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

RECOVERABILITY OF PRE-PUBLICATION COSTS

Amortization of pre-publication costs is charged to the income statement on a 50% reducing balance method. Pre-publication costs are capitalized in accordance with IAS 38. Further detail is set out in note 12 to the Financial Statements.

REVENUE RECOGNITION AND SALES RETURNS

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

External audit

The Committee assesses the effectiveness of its external auditor through on-going dialogue and communication with the auditor. During 2022, Mazars LLP was appointed as external auditor. The audit cycle includes formal meetings. The audit planning meeting, which happens prior to the audit, was when the Committee discussed reporting developments, significant accounting risks, improvement in relation to risk management and internal control and controls in the accounting process.

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

The auditor showed diligence and openness with the Committee during meetings and through written communication and during intermediate briefing sessions with the Chair of the Audit and Risk Committee. The auditor gave the Committee forthright views on judgement areas whilst recognizing that the decisions lay with the Committee. The Committee is satisfied with the auditor's effectiveness in 2022.

Appointment of auditor and independence

The Committee considers the appointment of the external auditor each year and considers the performance of the lead Audit Partner and the Audit Manager during the audit process.

For the 2022 audit of the Group and the Company's accounts, Mazars LLP charged $360,000 (2021: Grant Thornton UK LLP $365,000).

Non-audit services

No non-audit services were used in 2022. The Company has a policy in regard to the provision of non-audit services by the auditor which is reviewed annually.

Internal audit

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

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

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

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

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

The Company's risk register is reviewed routinely by the Committee and by the Board (see page 17) and the Committee reviews the Company's internal control systems and frameworks for effectiveness annually, reporting to the Board on any matters affecting effectiveness or compliance. We consider the following items to be significant to the effectiveness of the internal control and risk-management framework in the accounting and consolidation processes which were found to be satisfactory:

- Identification of significant risk and control areas of relevance to the Group-wide accounting process,
- Controls to monitor the consolidation process and its results at the level of the Executive Board and at the level of the companies included in the consolidated financial statements,
- Preventative control measures in the accounting system of the Group and in the processes that generate significant information used to prepare the consolidated financial statements - areas include the Group management report, segmental analysis and commitment disclosures,
- The risk register adequately addresses the principal risks facing the Group.

Jane Moriarty
Chair of the Audit and Risk Committee
31 March 2023

Remuneration Committee Report

Annual Statement

DEAR SHAREHOLDER
I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022, which has been prepared by the Committee and approved by the Board.

For the year ended 31 December 2022, there were no substantial changes in Directors' remuneration arrangements.

Though an overseas company within the meaning of the Companies Act 2006, the Company elects to continue to report in line with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The report is divided into two sections:

The first is Quarto's Remuneration Policy recommended by the Board, which will apply from 24 May 2023 subject to approval at the 2023 Annual Meeting. The proposed policy continues the existing policy implemented on 24 May 2022.

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

In line with The Large and Medium-sized Companies and Group's (Accounts and Reports) (Amendment) Regulations 2013 the following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for each Director, including annual bonus outcomes for the financial year ended 31 December 2022; pension entitlements; payments for loss of office; and Directors' shareholdings and share interests. All other parts of the Directors' Remuneration Report are unaudited.

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

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
31 March 2023

Remuneration Committee meeting attendance 2022

Committee membership	Number of meetings held during the year: 2[1]
Andy Cumming (Appointed 1 March 2018, Chair from 17 May 2018 to 7 March 2019)	2 of 2
Jane Moriarty (Appointed 12 November 2018, Chair from 7 March 2019)	2 of 2
C. K. Lau (Appointed 17 May 2018)	2 of 2

1 Under the terms of reference of the Remuneration Committee there would normally be three meetings per year, however during 2022 the Committee was able to conduct all necessary business with two meetings.

Policy

This section sets out Quarto's Remuneration Policy for Directors which is recommended by the Board for approval at the 2023 Annual Meeting. The Group's principal remuneration policy aim is to ensure that the Executive Directors' remuneration is designed to promote long-term value creation through transparent alignment with the agreed corporate strategy.

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

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

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

Quarto's remuneration policy summary

FIXED PAY

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

VARIABLE PAY

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

VARIABLE PAY (continued)

Element of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Performance Share Plan (PSP)	Ensures that the Executive's interests are aligned with those of shareholders through reward for providing shareholders with substantial increases in shareholder value and/or for achievement of a measure of sustained growth in earnings over the medium to long term.	Awards of nominal-cost (or nil-cost) options may be granted annually as a percentage of base salary. Vesting is based on performance measured over four years. The performance period normally starts at the beginning of the financial year in which the date of grant falls. Dividends accrue on PSP awards and are paid on those shares which vest. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. Payments made under the PSP are subject to clawback, for the later of one year following date of vesting or completion of the next audit of the Group's accounts, in the event of a fraud or material misstatement of results being identified in relation to the years in which the PSP is earned.	Award opportunities for participants are up to 50% of base salary. Awards of up to 100% of base salary may be provided in exceptional circumstances (e.g. recruitment). 20% of maximum vests for Threshold, rising on a straight-line basis to full vesting for Stretch performance.	Awards to Executives are subject to four-year cumulative earnings per share (EPS) and/or total shareholder return (TSR) performance (see page 35). In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic PSP outcome within the Plan limits to ensure alignment of pay with the underlying performance of the business during the performance period.

FIXED PAY

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

Performance measure selection and approach to target setting

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

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

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

Differences in remuneration policy operated for other employees

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

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

Shareholding guidelines

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

Remuneration policy for new Directors

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

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

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

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

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

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

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

Director	Effective date of contract	Notice period
C.K. Lau	17 May 2018	3 months
Alison Goff[1]	1 June 2022	6 months

1 Alison Goff joined the Company on 2 January 2022 and joined the Board on 1 June 2022.

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

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

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

Non-Executive Director	Date of Appointment	Notice period
Andy Cumming	1 March 2018	1 month
Mei Lan Lam	17 May 2018	1 month
Jane Moriarty	12 November 2018	1 month
Ken Fund	1 December 2021[1]	1 month
Andrea Giunti Lombardo	10 February 2020	1 month

1 Date on which Ken Fund became a Non-Executive Director having formerly been an Executive Director.

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

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

No payments were made to past Directors in the year.

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

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

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

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

External appointments

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

EXECUTIVE DIRECTORS: APPLICATION OF REMUNERATION POLICY

Illustration of the application of the remuneration policy

This illustration applies the Company's remuneration policy which was approved at the Company's Annual Meeting held on 24 May 2022 to Group CEO Alison Goff in the manner set out below. Alison Goff is the only Executive Director who receives a salary and benefits from the Company. As shown on page 33, Executive Director C.K. Lau does not receive a salary, benefits, or a bonus from the Company.

Alison Goff joined the Company on 2 January 2022 as CEO and was appointed to the Board on 1 June 2022. No bonus plan or any PSP awards has been made to Alison Goff and so the illustration given below represents the potential maximum opportunity available to Alison Goff as CEO under the current remuneration policy. The remunerations made to Alison Goff in 2022 are set out on pages 33 and 35; these fixed remunerations details form the "Minimum" amounts used in this illustration, and the amounts to which the remuneration policy has been applied in order to complete this illustration.

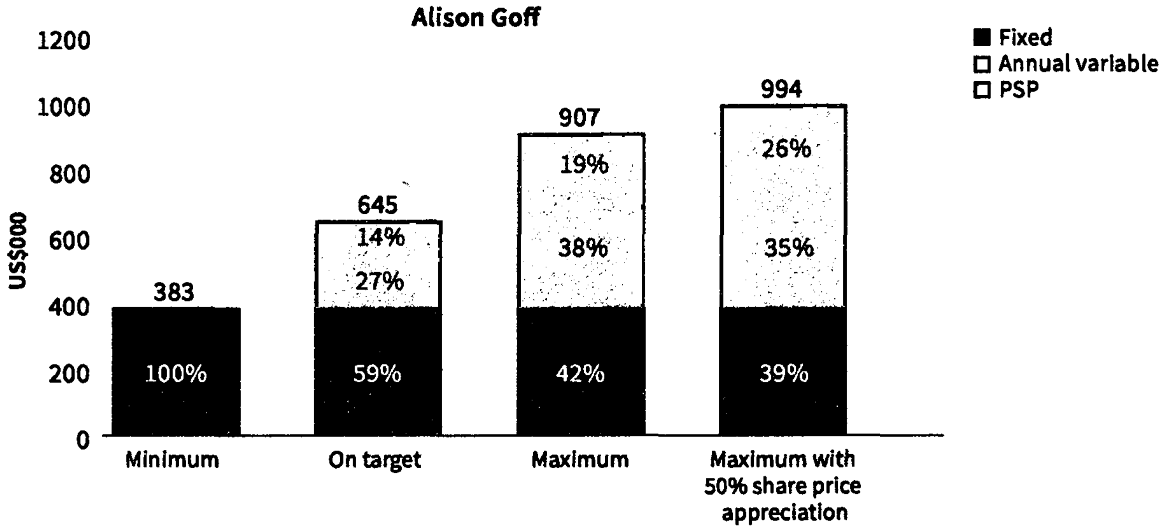
In illustrating the application of the remuneration policy, the following assumptions have been made:

Scenario	Assumptions used
Minimum	Basic salary, pension or cash in lieu of pension and benefits. No bonus and no vesting of a PSP.
On target	As for the 'Minimum' scenario, plus a PSP[2] award that vests and a bonus award each at 50% of the maximum opportunity permitted by the Company's remuneration policy.[1]
Maximum	As for the 'Minimum' scenario, plus a PSP[2] award that vests and a bonus award each at 100% of the maximum opportunity permitted by the Company's remuneration policy.[1]
Maximum where share price increases by 50%	As for the 'Maximum' scenario but where the value of the PSP[2] award at the time of vesting increases because of a 50% appreciation of the share price.

1 As already noted, the application of the remuneration policy represents the maximum opportunity for the 'On target' and 'Maximum' scenarios and is for illustration only as no bonus plan or PSP option scheme has been granted for Alison Goff at present. All amounts are expressed on an annualized basis.

2 Details of PSP awards are given on page 35. There are no option schemes currently in operation.

EXECUTIVE DIRECTORS: APPLICATION OF REMUMERATION POLICY (continued)
Illustration of the application of the remuneration policy (continued)



Consideration of conditions elsewhere in the Group

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

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

Consideration of shareholder views

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

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
31 March 2023

Annual Report on Remuneration

THE REMUNERATION COMMITTEE

The Committee's Terms of Reference are available on the Group's website. Though an overseas company within the meaning of the Companies Act 2006, the Company has chosen to continue to provide this report on remuneration in line with UK's The Large and Medium-sized Companies and Groups (Accounts and Reports)(Amendment) Regulations 2013.

The Committee is responsible for:

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

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

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

Review of the Remuneration Policy and remuneration arrangements for 2023

For the year ending 31 December 2023, no substantial changes in Directors' remuneration arrangements are proposed.

Statement of shareholder voting at the 2022 Annual Meeting

The following table shows the results of the advisory vote on the 2021 Annual Remuneration Report and the vote on the Remuneration Policy presented at the Annual Meeting on 24 May 2022.

	Annual Remuneration Report		Remuneration Policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	30,536,234	100	30,534,234	100
Against	–	–	–	–
Total votes cast	30,536,234	100	30,534,234	100
Withheld			2,000	

Single total figure of remuneration (audited)

The table below sets out a single figure for the total remuneration received (or receivable) by each Director for the year ended 31 December 2022 and the prior year. These amounts are shown in the reporting currency, although the payments that were settled through the UK were paid in Sterling. The exchange rates used in 2022 and 2021 were 1.2375 and 1.3741, respectively.

Director	Year	(A) Salary/ Fees[7]	(B) Benefits[1]	(C) Annual Bonus[2]	(D) Long-term incentives	(E) Pension	(F) Payment for loss of office	Total[3]	Total fixed remuneration[4]	Total variable remuneration[5]
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive Directors*										
Alison Goff[6]	2022	349	7	–	–	27	–	383	383	–
	2021	–	–	–	–	–	–	–	–	–
C.K. Lau	2022	–	–	–	–	–	–	–	–	–
	2021	–	–	–	–	–	–	–	–	–
Ken Fund[8]	2022	–	8	–	–	14	144	166	22	–
	2021	318	18	–	281	20	29	666	356	281

Single total figure of remuneration (audited) (continued)

Director	Year	(A) Salary/ Fees[7]	(B) Benefits[1]	(C) Annual Bonus[2]	(D) Long-term incentives	(E) Pension	(F) Payment for loss of office	Total[3]	Total fixed remuneration[4]	Total variable remuneration[5]
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-Executive Directors*										
Andy Cumming	2022	89	–	12	–	–	–	101	89	12
	2021	99	–	–	–	–	–	99	99	–
Mei Lan Lam	2022	–	–	–	–	–	–	–	–	–
	2021	–	–	–	–	–	–	–	–	–
Jane Moriarty	2022	62	–	12	–	–	–	74	62	12
	2021	69	–	–	–	–	–	69	69	–
Ken Fund[8,9]	2022	85	–	–	–	–	–	85	85	–
	2021	3	–	–	–	–	–	3	3	–
Andrea Lombardo Giunti	2022	43	–	–	–	–	–	43	43	–
	2021	49	–	–	–	–	–	49	49	–

* For period as a Director/Non-Executive Director.

1 Benefits comprise private medical insurance contributions.
2 Annual bonus for performance over the relevant financial year. Further details can be found in note 6.
3 The sum of columns A + B + C + D + E + F
4 The sum of columns A + B + E
5 The sum of columns C + D
6 Joined as Group CEO on 2 January 2022 and was appointed to the Board from 1 June 2022. Remuneration shown refers to all of 2022.
7 Details of fees for Non-Executive Directors can be found on pages 34 and 35.
8 Ken Fund became a Non-Executive Director in December 2021. Reference to Benefits (viz. healthcare), Pension, and Payment for loss of office payments made in 2022 relate to residual payments made in relation to early termination of Ken Fund's role as Group COO in 2021. The incentive award payment made in 2022 relates to a long-term retention award granted in 2020 (described on page 35).
9 In 2022 Ken Fund received $40,000 non-executive director's fee plus $45,000 in consulting fees in relation to the disposal of SmartLab.

Directors' shareholdings

The share interests of the Directors who held office during the year ended 31 December 2022 and of their connected persons in the share capital of the Company are shown below:

Executive Directors	Number of share options of common stock: 31 December 2022[2]	Number of share options of common stock: 31 December 2021	Number of US$0.10 shares of common stock[1]: 31 December 2022[2]	Number of US$0.10 shares of common stock[1]: 31 December 2021
C.K. Lau[3]	–	–	20,473,006	16,859,569
Alison Goff[4]	–	–	–	–

During the year the market price of the shares of common stock ranged between 108.5p and 178p. The mid-market price on 31 December 2022 was 118p.

Non-Executive Directors	Number of US$0.10 shares of common stock: 31 December 2022[2]	Number of US$0.10 shares of common stock: 31 December 2021
Andy Cumming	–	–
Mei Lan Lam	–	–
Jane Moriarty	–	–
Andrea Giunti Lombardo[5]	9,134,320	8,177,820
Ken Fund[6]	24,000	24,000

1 The allotted share capital of the Company is 40,889,100 shares of common stock.
2 Or at date of resignation.
3 Shares are held by 1010 Printing Limited, a company over which C.K. Lau exercises control.
4 Appointed to the Board on 1 June 2022.
5 Shares held by Andrea Giunti Lombardo are jointly held with Sergio Giunti and by Montecristo 2019 S.r.L. (a private limited company incorporated under the laws of Italy; it is an entity ultimately controlled by Sergio Giunti and Andrea Giunti Lombardo, which holds 7,144,320 shares).
6 Ken Fund was an Executive Director before becoming a Non-Executive Director from 1 December 2021.

No Director receives, or has an entitlement to receive, shares in the Company as part of his or her remuneration. A 50% appreciation in the Company's share price would have no impact on a Director's remuneration; the impact of such appreciation is included in the Remuneration Policy illustration for Executive Directors on page 31 in the event of the award of PSP options.

Directors' share options

Shares: Common Stock of $0.10 each

Share options were granted to Ken Fund on 19 April 2016 (49,692 shares) and 28 April 2017 (25,496 shares). In both cases the options did not vest. No other Director has been granted share options and there are no current share option schemes.

Executive directors' base salaries/fees

During the year 2022, C.K. Lau, appointed on 17 May 2018, received $nil, in accordance with his service contract.

During the year 2022, Alison Goff, appointed to the Board on 1 June 2022, received $349,387 from January 2022 in accordance with her service contract.

Pension and other benefits

During the year 2022, the Group made a contribution to the personal pension plan of Alison Goff of $26,565 and $7,291 for medical insurance for 2022.

Long-term incentives - PSP awards

Under the Remuneration Policy, awards of nominal-cost (or nil-cost) options may be granted annually up to 50% (in exceptional circumstances up to 100%) of base salary to the Executive Directors. Adhering to the same principles, other applicable employees may receive an award (up a maximum of 40% of base salary, but typically much less). In considering the size of awards, the Remuneration Committee has regard to the principles set out on page 28 of this report. The share options granted in April 2016 did not vest in April 2020; and the options granted in April 2017 did not vest in April 2021. No option schemes have been introduced since April 2017; there are currently no share option schemes in operation.

The PSP schemes granted in April 2016 and April 2017, neither of which vested, were granted on the basis outlined below.

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

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

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

Retention awards

In 2020, Ken Fund was granted a retention award that offered a total payment of $500,000 that comprised of two elements: (i) a payment of $350,000 so long as he remained employed by the Company until 30 September 2021, and (ii) a performance-related payment of up to $150,000 assessed on profit-achievement by the Group for financial years 2020 and 2021. Both of the conditions were met, with payment being spread over 2021 and 2022.

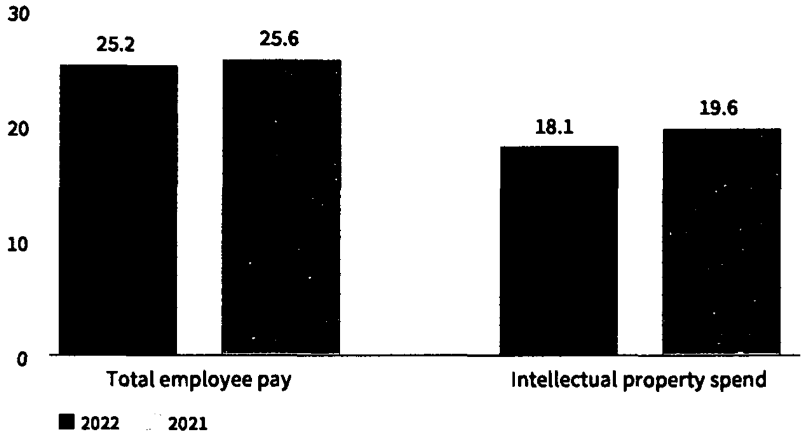
Alison Goff is entitled to receive two milestone payments: £42,000 payable on completion of one complete year of service (from 2 January 2022), and £280,000 payable on completion of five complete years' service (from 2 January 2022).

Chair and Non-Executive Director fees

The Non-Executive Directors' annual fees for 2022 were as follows: Andy Cumming £72,000 ($89,100), Jane Moriarty £50,000 ($61,875), Mei Lan Lam $nil, Ken Fund (appointed as Non-Executive Director on 1 December 2021) $40,000, and Andrea Giunti Lombardo £35,000 ($43,313).

Relative importance of spend on pay

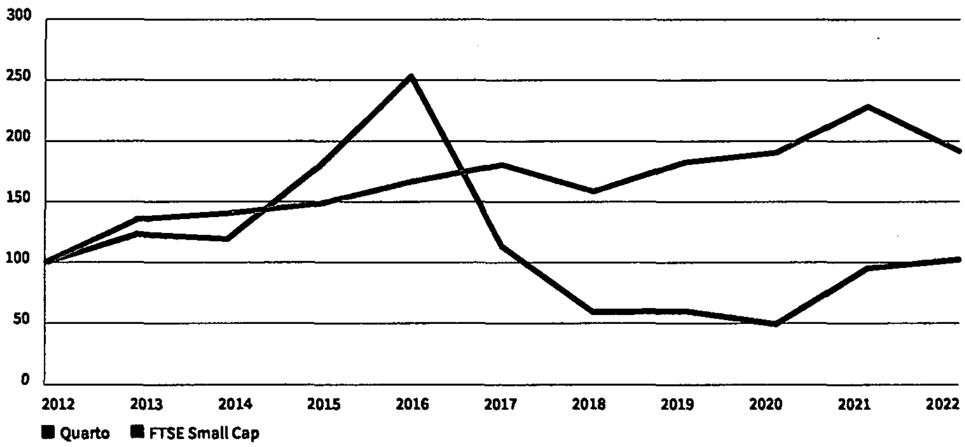
The graph below shows how total employee pay compares with expenditure on intellectual property for years ended 31 December 2021 and 31 December 2022. No dividend was paid in either year, nor was there any share buyback.



Review of group performance

The chart below compares the annual value on 31 December of £100 invested in the Company's common shares (the only class of shares issued) on 31 December 2012 compared to the equivalent FTSE Small Cap Index investment for the past ten financial years ending 31 December 2022. This index has been chosen as it comprises companies of a broadly similar size to Quarto. Where dividends are paid by the Company they are assumed to be re-invested to purchase Company shares, and a corresponding amount is added to the hypothetical FTSE Small Cap Index investment.

Performance graph



The table below gives the total remuneration figure of the CEO for the relevant period of ten financial years ending on 31 December 2022, plus the annual bonus paid and PSP vesting level expressed as a percentage of the maximum opportunity.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration ($'000)	870	842	929	3,252	701	230[1]	–[2]	119[3]	285[4]	383[5]
Bonus awarded (%)	56.9	33.5	95.0	12.0	31.0	–	–	–	–[6]	–
PSP vesting (%)	–	–	–	100	–	–	–	–	–	–

1 Remuneration to Marcus Leaver who resigned on 24 May 2018. C.K. Lau was Group CEO thereafter and did not receive any salary, benefits or bonus from the Company.
2 C.K. Lau was Group CEO and did not receive any salary, benefits or bonus from the Company.
3 C.K. Lau was Group CEO until 18 September 2020 when Polly Powell was appointed Group CEO.
4 Remuneration received by Polly Powell up to her resignation on 1 July 2021. C.K. Lau was Group CEO for the remainder of the year.
5 Group CEO, Alison Goff, joined the Company on 2 January 2022 and joined the Board on 1 June 2022. The figure shown is remuneration received for the year.
6 Group CEO received a discretionary bonus of £20,000.

Annual percentage change in remuneration of directors and employees

The annual percentage change for Directors' remuneration in relation to salary/fees, benefits, and bonuses for years 2020 onwards (i.e. the percentage change from 2020 to 2021, and 2021 to 2022) is summarized below where these data can be compared to the average all-employee amounts for the corresponding elements (on a full-time equivalent basis).

Director	Comparing 2022 with 2021			Comparing 2021 with 2020		
	Salary/Fees	Benefits[3]	Bonus	Salary/Fees	Benefits[3]	Bonus
Executive Directors						
C.K. Lau[1]	0%	0%	0%	0%	0%	0%
Ken Fund[2]	n/a	n/a	n/a	1%	29%	n/a
Polly Powell[4]	n/a	n/a	n/a	0%	n/a	–[9]
Alison Goff[5]	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors[6]						
Andy Cumming	0%	0%	–[7]	0%	0%	0%
Jane Moriarty	0%	0%	–[7]	0%	0%	0%
Ken Fund[2]	n/a	n/a	n/a	n/a	n/a	n/a
Mei Lan Lam[1]	0%	0%	0%	0%	0%	0%
Andrea Giunti Lombardo[8]	0%	0%	0%	0%	0%	0%
Average Employee	**-24%**	**-3%**	**15%**	**455%[10]**	**16%**	**-1%**

1 Director does not receive a salary or fees, a bonus or other benefits from the Company.
2 Ken Fund became a non-executive director on 1 December 2021.
3 Relates to healthcare and changes in year generally reflect changes in premiums.
4 Appointed on 10 February 2020 and resigned on 1 July 2021. Polly Powell's salary remained constant throughout this period.
5 Joined the Company as CEO on 2 January 2022 and joined the Board on 1 June 2022.
6 The annual fee for Non-Executive Directors has remained unchanged year-on-year throughout the reporting period shown (see point 2 above).
7 In 2022 director received a discretionary bonus of £10,000; no bonus payment was made in prior years.
8 Joined the Board on 10 February 2020.
9 Polly Powell received a bonus in 2021 of £20,000 but did not receive a bonus in 2020.
10 Large increase from 2020 to 2021 due to introduction of all staff bonus in 2021.

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

Dilution limits

The Group has at all times complied with the dilution limits set out in the rules of its share plans (principally a limit of 10% in 10 years). In the ten year period to 31 December 2022, awards made under the Group's share schemes represented 1.6% (2021: 1.6%) of the Group's issued share capital.

Directors' shareholding guidelines and share scheme interests

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

Jane Moriarty

Jane Moriarty
Chair of the Remuneration Committee
31 March 2023

Directors' Report

Group
The Directors present their report and the audited financial statements of The Quarto Group, Inc., for the year ended 31 December 2022.

Though an overseas company within the meaning of the Companies Act 2006, the Company has chosen to continue to include this report in line with the UK's The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Results
The profit for the year was $16.6m (2021: $9.9m). As already noted on page 4, the Directors do not propose a dividend (2021: nil dividend).

Key performance indicators showing the Company's performance in 2022 and the prior two years can be found on pages 12 and 13. An indication of likely future developments in the business of the Group is included in the Strategic Report on page 6.

Directors
Serving Directors during the year were as follows:

Andy Cumming*	(Non-Executive Chairman) Appointed 1 March 2018
C.K. Lau	(Executive Director; President; Group Chief Executive Officer between 1 July 2021 and 2 January 2022) Appointed 17 May 2018
Alison Goff	(Executive Director; Group Chief Executive Officer from 2 January 2022) Appointed 1 June 2022
Mei Lan Lam	(Non-Executive Director) Appointed 17 May 2018
Ken Fund	(Executive Director; Chief Operating Officer until retirement on 1 December 2021 becoming Non-Executive Director) Appointed 11 July 2018
Jane Moriarty*	(Non-Executive Director; Vice-Chair; Senior Independent Director) Appointed 12 November 2018
Andrea Giunti Lombardo	(Non-Executive Director) Appointed 10 February 2020

* Considered by the Board to be independent.

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

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

Following the resignation of Polly Powell on 1 July 2021 C.K. Lau took over the role of Group CEO until 2 January 2022 when Alison Goff joined the Company as Group CEO.

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

LR 9.8.4 R requirement:	Location:
Directors' remuneration	Annual Report on Remuneration, pages 33 to 37.
Details of Long-term Incentive Plans	Annual Report on Remuneration, pages 33 to 37.
Related Party Transactions	The Company purchases printing services from 1010 Printing Limited, a company over which C.K. Lau exercises control. Mei Lan Lam is also a director of 1010 Printing Limited. These purchases are made on a job-by-job basis at arm's length. Financial Statement note 28 summarizes purchases of printing services from 1010 Printing Limited. Unsecured loans provided by 1010 Printing Limited and C.K. Lau are summarized in Financial Statement note 28. Revenue generated from Giunti Editore spa, a company over which Non-Executive Director Andrea Giunti Lombardo exercises control, is summarized in Financial Statement note 28.

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

Employees

Applications for employment of disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. During 2022 the Company established regular quarterly Town Hall meetings to update the entire business on key priorities and employees are consulted regularly on a wide range of matters.

The Board recognizes the importance of diversity amongst its employees and is committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. The Company continued to make the Company's workplace inclusive and diversity equitable as described on page 14. During 2022, the Diversity and Inclusion Committee continued to play a vital advocacy and engagement role and supported in the work described on page 14. Staff ethnicity and disability status was collected during the reporting year. Further engagement will take place in 2023 to increase the quality and completeness of the data with new goals to be established. The gender split across the Group as at 31 December 2022 is illustrated in the table below.

	Males	Females
Board	4	3
Senior managers	3	6
Employees	66	233

Substantial shareholders

The Directors have been advised of the following shareholders who have an interest of 5% or more in the shares of the common stock of the Company at 31 December 2022 and 28 March 2023. 28 March 2023 is the latest practicable date prior to the publication of this report.

	As at 31 December 2022		As at 28 March 2023	
	Number of US$0.10 shares of common stock[1]	% holding of the issued capital of the Company	Number of US$0.10 shares of common stock	% holding of the issued capital of the Company
1010 Printing Limited (C.K. Lau)[2]	20,473,006	50.1	20,473,006	50.1
Giunti[3]	9,134,320	22.3	9,134,320	22.3
L.F. Orbach	4,103,615	10.0	4,103,615	10.0

1 *The allotted share capital of the Company is 40,889,100 shares of common stock.*
2 1010 Printing Limited is ultimately controlled by C.K. Lau.
3 Sergio Giunti and Andrea Giunti Lombardo (shareholders of the Company holding 1,990,000 shares at 31 December 2022) plus Montecristo 2019 S.r.L. (registered holder of 7,144,320 shares at 31 December 2022), a private limited company incorporated under the laws of Italy (an entity ultimately controlled by Sergio Giunti and Andrea Giunti Lombardo).

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

The Company may amend its By-Laws by special resolution approved by the affirmative vote of the holders of a majority of the voting power of the shares. The Directors' interests in the shares of the Company are set out on page 34. There are no restrictions on the number of shares that Directors can hold.

Bank facilities
On 16 February 2021, the Group concluded its refinancing, repaid its syndicated loan (a multi-currency facility that comprised a $25m term loan, a $8m revolving credit facility and a $2m overdraft facility), signing a new facility agreement which ends 16 July 2024. The multi-currency facility comprises a $10m term loan, a $8m revolving credit facility and a $2m overdraft facility. On the same date, Lion Rock Group Limited, a related party agreed to provide the Group a $10m loan note at 4% interest, repayable on 31 August 2024.

Risk management strategy
The Group is exposed to a number of principal risks and uncertainties. The Group's financial risk management strategy is set out in on page 17 of the Risk Management Review. Operational risks are set out on pages 17 to 19 of the Risk Management Review.

Post balance sheet events
Quarto repaid the remaining loan of $8m plus accrued interest to 1010 Printing Limited in February 2023. This repayment was made outside the agreement due to a favorable liquidity position at this point in time and had been agreed by the bank.

Corporate governance
The Company is committed to high standards of corporate governance and supports the principles laid down in the UK Corporate Governance Code issued by the Financial Reporting Council in 2018 (the 'Code'), available from the FRC website at www.frc.org.uk. The Board considers that the Company has been in compliance with the principles and provisions of the Code throughout the year ended 31 December 2022 and to the date of this report with the exception of Provisions 11 and 24.

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

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

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

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

Section 172 statement, KPIs and principal risks, Financial instruments
The Company's section 172 statement can be found in the Strategic Report on pages 15 and 16. Included within the section 172 statement are the disclosures relevant for stakeholder engagement (SI 2008/410 Sch 7 (11B)) and employee engagement (SI 2008/410 Sch 7 (11)). KPIs can be found on pages 12 and 13; and risk management, principal risks and uncertainties can be found on pages 17 to 19. Risks associated with the use of financial instruments are reported in note 21 to the Financial Statements.

Attendance by Directors at Board and Committee meetings in 2022

	Board	Audit and Risk Committee	Nominations Committee	Remuneration Committee
Andy Cumming	6	5	3	2
C.K. Lau	6	–	3	2
Alison Goff[1,2,3]	4	–	–	–
Ken Fund[2]	6	–	–	–
Mei Lan Lam[2]	5	–	–	–
Jane Moriarty	6	5	3	2
Andrea Giunti Lombardo[2]	6	–	–	–
Total number of meetings	6	5	3	2

1 Attended Remuneration Committee meetings in 2022 by invitation.
2 Not members of the Remuneration Committee.
3 Joined the Board on 1 June 2022.

In addition to the points made regarding compliance with the Code in the Corporate governance section above (page 40), the principles of the Code have been applied as follows:

a) The Board of Directors represents the shareholders' interests in maintaining and growing a successful business including optimizing consistent long-term financial returns.
b) As at 31 December 2022, the Board comprised two Executive Directors and five Non-Executive Directors. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. The different roles of the Chairman and Chief Executive Officer are acknowledged. Jane Moriarty, the Senior Independent Director, is available to shareholders, if they have concerns that are not able to be resolved through normal channels. Two Non-Executive Directors, Andy Cumming and Jane Moriarty were considered by the Board to be independent throughout 2022.
c) There are a number of standing Committees of the Board to which various matters are delegated. They all have formal terms of reference approved by the Board which are available on the Company's website (www.quarto.com).
d) The Board met six times in 2022. Attendance details are set out above. A formal agenda is prepared for each meeting and all board papers and information are circulated to the Board at least five business days before the meetings except in the case of meetings that are convened on short notice.
e) All of the Directors are subject to re-election by the shareholders at the Annual Meeting. The Board is satisfied to support the re-election of Andy Cumming, Jane Moriarty, Mei Lan Lam, Andrea Giunti Lombardo and Ken Fund as Non-Executive Directors as they have individually produced excellent performance in their duties and have shown a high level of commitment to their roles.
f) The remuneration of the Executive Directors is recommended by the Remuneration Committee, comprising Jane Moriarty, who is the Committee Chair, Andy Cumming, and C.K. Lau. A separate report with respect to Directors' remuneration is included on page 33. In the year ended 31 December 2022 the Committee met two times.
g) The Audit and Risk Committee comprises Jane Moriarty, who is Committee Chair, and Andy Cumming. The Board is satisfied that the members of the Committee have appropriate financial experience to fulfill their role. Further details of the Committee's work can be found on pages 23 to 24.
h) The Nominations Committee comprises Andy Cumming, who is Committee Chair, Jane Moriarty and C.K. Lau. Details of the work of the Nominations Committee during the year are set out in its report on page 22.
i) C.K. Lau and the Company Chairman are responsible for investor relations. They meet with major shareholders during the course of the year in order to understand their views, that are then communicated to the rest of the Board at Board meetings. The Non-Executive Chairman and Senior Independent Director will meet with major shareholders from time to time. Shareholders are invited to attend the Annual Meeting at least twenty days in advance of the meeting.
j) The Board has a procedure for Directors to take independent professional advice at the Company's expense, if required.
k) All Directors have access to the advice and services of the Company Secretary.
l) For January 2022 Quarto arranged appropriate insurance cover in respect of legal action against the Directors. From February 2022, the Company indemnified the Directors in accordance with its By-Laws.
m) The Company has an established whistle-blowing policy and anti-bribery policy.

TCFD statement

The Company is making the following disclosures pursuant to the requirements of the Financial Conduct Authority ("FCA") and the listing rule LR 9.8.7R. The table below sets out the extent of disclosures against the TCFD framework.

Recommended Disclosure		**Response**	
Governance	Board oversight	Disclosed below	
	Management's role	Disclosed below	
Strategy	*Climate-related risks and opportunities*	*Partially disclosed* below	*In 2022 risks and opportunities were* identified and evaluated. These have been incorporated into Principal Risks, however the Company is still to set long term targets
	Climate resilience	Partially disclosed below	Risks and mitigations have been disclosed but further work is required to incorporate resilience into longer term business planning
Risk	Identification and evaluation of climate-related risks	Disclosed	
	Integration into risk management framework	Disclosed - see pages 17 to 19	Included in Principal Risks and Risk Management section of this report.
Metrics	Climate metrics	Partially disclosed below	Metrics have been identified and data compiled. For internal reporting, estimates have been used however we have chosen to exclude estimated data to ensure future accuracy
	GHG emissions	Disclosed below	See page 47.
	Climate targets	Partially disclosed below	Short term targets have been set but further work is required to incorporate long term targets in business and financial planning

PROGRESS

2022 represents the second year that the Company has made disclosures under the TCFD framework. We used the framework and guidance to establish our understanding of climate-related risks and to set out how climate-related matters can be integrated into both financial and operational planning. Significant progress was made across all four pillars; highlights in the year include:

- *Identification of suppliers and partners with the greatest impact to greenhouse gas emissions*
- Engagement with key supplier groups on both establishing metrics and understanding common climate-related strategic goals
- Identification and selection of climate metric methodologies
- Incorporation of climate-related risks into the existing risk management framework
- Establishment of core and ancillary data sets across key supplier groups

GOVERNANCE

Board Oversight

The Group Board has responsibility for overseeing the Company's response to climate-related risks and is responsible for setting the Company's environment and climate-related strategy; the Board is supported by the management team identified below. Climate-related risks, which fall within the TCFD disclosures, were identified and integrated into the Company's risk register. The risks identified in the register are used by the Board in its planning processes informing budgets and strategic focus. Oversight of the risk management framework is held by the Audit and Risk Committee which reviews the Company's response three times per year and then reports to the Board.

Management's Role

The management team comprises:

- **Group Chief Executive Officer:** sponsor and strategic leader
- **Group Director, Transformations:** lead on operational impacts and opportunities related to climate-related risks
- **Group Finance Director:** lead on the financial impacts and requirements relevant to achieving the Company's TCFD targets
- **Group Procurement Services Director:** lead for principal supply chain partners to support the Company's TCFD efforts.

In bringing climate-related risk into the existing governance structure, climate-related risks are now part of periodic reviews and briefings. During 2022 briefing documents were presented to the Audit and Risk Committee and Board. Briefings and guidance were used by the management team throughout the year to evaluate and tailor the Company's response to climate-related risks and opportunities. The make-up of the management team and supporting advisors will be reviewed as the Company's response to climate-related risk matures. The Board and Board Committees review the effectiveness of this framework annually and, as part of this review process, will support in identifying future training needs.

Next Steps

As part of the transition plans, in 2023 a taskforce comprising key stakeholders from relevant business functions will be established, to drive further engagement with the risks and opportunities of climate change across the business. Education forms a key part of integrating climate related risk and opportunities within the business. During 2023, the management team will lead the development of functional toolkits, workshops and idea generation to both improve scenario planning and bring climate into decision-making across the business.

STRATEGY

Climate-related risks and opportunities

The Company started its second reporting cycle under TCFD by using the guidance and recommendations generated by both TCFD and FRC to establish a roadmap to integrate climate-related risks and opportunities into existing business planning and management. We were able to complete our initial scenario planning for both physical and transitional risks which resulted in a significant increase in the Company's knowledge and understanding of how climate-related risks may impact the business across multiple time horizons. The time horizons identified were, provisionally:

- **Short:** (up to 3 years) incorporated as part of our annual financial planning cycle
- **Medium:** (3 to 10 years) forming part of our business planning processes
- **Long:** (over 10 years) where it is expected that our portfolio and product mix will look very different

In order to bring climate-related risks and opportunities into business planning, risks and opportunities are evaluated for likelihood and impact and scored under the existing risk management processes. Details of identified risks are set out in the principal risk register on pages 17 to 19. Risks are evaluated by the Audit and Risk Committee. The focus for 2022 was on short and medium term risks and opportunities with the outcome of determining basic metrics that can be used across these time horizons. Time horizons for climate-relate risks have been incorporated into the risk register with risks and mitigations identified across different time periods. Using forecast data and scenario planning against an Orderly Transition (1.5°C) and a Hot House World (3°C)[1], acute and chronic climate-related risks were identified across our manufacturing base. Data from the World Bank's CCKP[2], and from IPCC[3] were used to model scenarios. Scenarios were used to stress-test the Company's exposure to risk, particularly with the current procurement practices, which focus on maintaining a flexible manufacturing base with manufacturing options maintained across multiple locations globally. This led to the incorporation of climate-related risk as part of our procurement processes and annual supplier evaluations covering both physical and transitional risks. By incorporating TCFD recommendations into our business planning practices, the Company is better placed to mitigate the impacts and capitalize on opportunities available from de-carbonizing the business and identifying less intensive channels and processes. In 2023 the Company will increase exploitation of digital channels as well as further exploring just-in-time and local printing.

1. https://www.ngfs.net/ngfs-scenarios-portal/
2. https://climateknowledgeportal.worldbank.org/
3. https://www.ipcc.ch/

TCFD statement (continued)

STRATEGY (continued)

Resilience

In 2021, the first year of TCFD reporting for the Company, we lacked both knowledge and understanding in order to effectively incorporate climate-related risks and opportunities into our planning and management processes. Our focus during 2022 was to establish a much greater understanding of climate-related risks and opportunities in order to address non-compliances in 2021, but also to establish the best approach for creating meaningful metrics and targets. We successfully incorporated climate-related risks into our principal risk register and significantly increased our understanding of how climate change is being addressed across our value chain. Recognizing that a significant proportion of indirect emissions arise through third-party suppliers, the management team engaged with suppliers globally to determine the best way of establishing appropriate metrics. Working with our suppliers we can identify goals that can be used in our business planning processes and to support our transition to net zero.

Next steps

- Use the reporting framework established in 2022 with increased stakeholder engagement, develop achievable transition targets and appropriate interim climate-related milestones.
- Recognizing that the Company shares suppliers with other publishers, we have identified the need for greater engagement at industry level to support transition goals in 2023.
- Working with our suppliers, we will incorporate environmental reporting into our procurement evaluation processes.
- During 2022 we worked to clarify sustainability objectives of our largest suppliers. In 2023 we plan to align more closely our goals with the sustainability goals of our key suppliers.

RISK MANAGEMENT

Identification and evaluation of climate-related risks

Climate-related risks have been incorporated into the Company's existing risk management framework. Risks identified have been categorized in the normal manner, by severity of impact and likelihood of impact. Risks are assessed as:

- Market risks (viz. those affecting consumer choice, including impact on the Company's reputation).
- Operational risks (viz. opportunities to improve the Company's market and product position and those issues that can disrupt operations, typically supply chain related).
- Financial risks (viz. increased costs arising from climate-related matters and the need for investment). As part of the Company's transition plan, increasing engagement across the value stream will improve the Company's aptitude for identifying emerging risks and ability to capitalize on opportunities.

Integration into risk management framework

In accordance with the Company's established risk management process, climate-related risks are identified and approved by the Board before being entered into the Company's risk register. The Chair of the Audit and Risk Committee reports on performance to the Board as part of the Company's established risk management practices.

Next steps

- During 2023 we will further develop our approach to climate-related reporting to ensure our risk management framework continues to address all relevant requirements of TCFD disclosures.
- Recognizing the global nature of climate-related risks and opportunities, in 2023 we will undertake a review of prospective regulatory and tax changes across our largest manufacturing and customer territories.

METRICS AND TARGETS

Metrics

Indirect Scope 3 emissions represent the largest source of carbon emissions for the Company. The focus for 2022 was on establishing robust data sets that can provide meaningful measures year-on-year. Categories were evaluated for financial materiality across all fifteen Scope 3 categories and scored based on appropriate GHG Protocol criteria. Using the intensity measure tCO_2e per staff member keeps reporting consistent with existing SECR and GHG reporting for the Company. We will monitor our approach to ensure it remains relevant in both what we measure and as stock exchange listing and disclosure rules further develop. We have included estimations based on best available data and methodology at time of publication. In preparing this report we have considered the completeness and robustness of the Scope 3 emissions calculations used at that time. Whilst we have included data in these disclosures, we recognize that it contains certain Scope 3 estimates and for this reason we consider ourselves to not be fully compliant with the TCFD requirements at this stage. During 2023, we will focus on developing our reporting processes to enable compliance.

Scopes 1, 2 and 3 direct GHG emissions will continue to be measured as tCO_2e using industry standards methods as reported below and as part of SECR requirements for the Company's UK subsidiary (as reported below). This year our reporting has expanded to include estimated GHG emissions from all our offices including our fully serviced offices. The intensity measure used remains tCO_2e per staff member.

Direct emissions are managed by the Company, and opportunities for improvement can be achieved through suitable office systems controls, adopting technological developments (e.g. video conferencing) to reduce business travel, and adopting renewable electricity supplies where possible.

Scope 3 Category	Evaluation Status*	Explanation	tCO_2e	tCO_2e per employee[1]
1. Purchased Goods & Services	Relevant and material	Calculated on an apportionment basis across Preferred[2] manufacturing suppliers representing 85% of group procurement	3,384.0	11
2. Capital Goods	Relevant, not material	Capital Goods purchased in the year fell below established level of materiality	–	–
3. Fuel & Energy Related Activities	Not relevant	Currently included under other Scope 3 categories (largely Categories 1, 4 and 9)	–	–
4. Upstream Transportation & Distribution	Relevant, not material	Calculated by suppliers using WTW methodology (transportation) and on a volume apportionment basis for distribution energy usage and transportation to customer depots[4]	1,436.8	4.7
5. Waste Generated in Operations	Relevant and material	Data is being captured, but is not currently comprehensive enough to provide a meaningful measure	–	–
6. Business Travel	Not material but calculated	Calculation forms part of voluntary SECR disclosures and is based on miles travelled[3]	229.5	0.8
7. Employee Commuting	Not material	Not currently calculated	–	–
8. Upstream Leased Assets	Not material	Electricity for leased offices has been calculated under Scope 2	–	–
9. Downstream Transportation & Distribution	Not material	Not currently calculated	–	–
10. Processing of Sold Products	Not relevant	Falls below established level of materiality	–	–
11. Use of Sold Products	Relevant	Not calculated yet, reporting framework remains to be determined	–	–
12. End of Life Treatment of Sold Products	Relevant	Not calculated yet, reporting framework remains to be determined	–	–
13. Downstream Leased Assets	Not relevant		–	–
14. Franchises	Not relevant		–	–
15. Investments	Not relevant		–	–

* Not relevant indicates that the category does not currently apply to the Company.
1. Total headcount in the year was 305.
2. Defined as any manufacturer operating under the Company's established Preferred Supplier terms.
3. Business travel has been calculated using 2022 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations.
4. Transportation is calculated on landed destination via road, rail and ship. Calculations for transportation in the reporting year include a proportion calculated on a weight-based formula to determine equivalent WTW emissions (51%) due to incomplete data.

TCFD statement (continued)
METRICS AND TARGETS (continued)

Targets
During 2022, the Company continued to reduce its office footprint. Two offices in the US were closed in the year and the Company took the decision to relocate the London office to new premises from January 2023. The new London premises will further reduce the Company's office footprint in 2023.

Time Period	Target	Metric
Short Term (2023 - 2026)	Continue to embed climate-related risk and opportunity into our business strategy and operations	Qualitative
	Expand data capture of waste and use of plastics to enable future disclosures under Scope 3 by 2024	GHG Protocol, average-data method
	Increase supply chain engagement on GHG emissions	Action plans in place to reduce carbon from top CO_2 contributors
	Achieve 100% green energy purchased across all office locations	Zero CO_2 from Scope 2 sources
	Establish data capture and measures across Scope 3 categories classified as relevant but not currently calculated	Completeness of data sets and reporting frameworks
Medium Term (2026 - 2036)	Reduce absolute Scope 1 and 2 GHG emissions by 2030	tCO_2e calculated against 2014 baseline (see GHG reporting below)
Long Term (2036 - 2050)	Reduce Scope 3 GHG emissions purchased goods and services	tCO_2e calculated on an apportionment basis against 2022 baseline
	Meet UK Net Zero GHG target	% zero carbon % carbon offsets

Next Steps
- *Work with industry bodies to determine measures relevant to the publishing sector to support standardized cross-industry metrics.*
- Establish key milestones to support medium and long term targets.

Greenhouse gas emissions reporting

During the year, the Group worked with Energy Management Ltd, an energy procurement and carbon consultancy, to develop GHG reporting protocol based on DEFRA and Wörld Resource Institute guidelines. Scopes 1, 2 and 3 direct GHG emissions will continue to be measured as tCO_2e using industry standards methods as reported below and as part of SECR requirements for the Company's UK company (as reported below). Direct emissions are managed by the Company, and opportunities for improvement can be achieved through suitable office systems controls, adopting IT systems to reduce business travel, and adopting renewable electricity supplies where possible. This year our reporting has expanded to include Scope 3 reporting relating to business travel. In 2022, Scope-reporting will expand further as the Company will estimate GHG emissions from all its offices including its fully serviced offices. The intensity measure used is tCO_2e per staff member.

This includes sites that have been disposed of during the reporting period. Scope 1 (Natural Gas) and Scope 2 (Electricity) are reported on below. The Group has estimated usage for serviced office based on square footage calculation.

The Group has identified GHG (Greenhouse Gas) emissions per employee as the most appropriate intensity ratio. The Base Year for these data remains 2014.

GHG emissions

BREAKDOWN OF ENERGY CONSUMPTION USED TO CALCULATE EMISSIONS (kWh)

Energy type	2022 Worldwide	2022 UK	2021 Worldwide	2021 UK
Mandatory requirements:				
Gas	59,078	59,078	37,741	37,741
Purchased electricity (non-serviced offices)	274,204	158,224	250,491	133,991
Purchased electricity (serviced offices)	110,176	35,254	167,428	28,085
Transport fuel[1]	0	0	0	0
Total energy (mandatory)	**443,458**	**252,556**	**455,660**	**199,817**

1 The Company does not operate any company vehicles.

BREAKDOWN OF EMISSIONS ASSOCIATED WITH THE REPORTED ENERGY USE (tCO_2e)

Emission source	2022 Worldwide	2022 UK	2021 Worldwide	2021 UK
Mandatory requirements:				
Scope 1				
Gas	10.8	10.8	6.9	6.9
Scope 2				
Purchased electricity (location-based):				
Non-serviced offices	75.7	30.6	77.8	34.4
Serviced offices	35.9	6.8	63.6	6.0
Total gross emissions (mandatory)	**122.4**	**48.2**	**148.3**	**47.3**
Intensity ratios (mandatory emissions only)				
Tonnes of CO_2e per employee	0.40	0.27	0.49	0.28
Energy use (kWh) per employee	1,454	1,435	1,499	1,175
Voluntary requirements:				
Scope 3				
Category 1: Purchased goods & services	3,384.0	–	3,282.0	–
Category 4: Upstream Transportation & Distribution	1,436.8	–	–	–
Category 6: Business travel (flights & rail)	229.5	69.7	47.6	4.0
Total gross emissions (voluntary)	**5,050.3**	**69.7**	**3,329.6**	**4.0**
Total gross emissions (mandatory & voluntary)	**5,172.7**	**117.9**	**3,477.9**	**51.3**
Intensity ratios (mandatory & voluntary)				
Number of employees	305	176	304	170
Tonnes of CO_2e per employee	**16.96**	**0.67**	**11.44**	**0.30**

Streamlined Energy and Carbon Reporting (SECR)

The Company's principal source of emissions arises from the operation of its facilities. UK emissions are identified in the above table as measured by tCO_2e and kWh for 2022 and 2021. The UK's SECR requirement expands on the emissions that relate to the Company's UK subsidiary, Quarto Publishing plc, and so an appropriate report will be given in that company's annual report.

During 2021, the Company started to report on its estimated Scope 3 related emissions for business travel and reviewed its UK office maintenance schedules (including TM44 inspections relating to air conditioning systems) and controls to ensure correct operation and avoid excess energy usage. This approach has been continued in 2022 and during the reporting year a decision was taken to relocate the London office. The Company will occupy new premises from January 2023. The selection of the new office took into consideration environmental impact. The new premises meet BREEAM accreditation and are anticipated to bring further reductions in emissions arising from the operation of its facilities.

Risk management and internal controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. As noted earlier, the Directors have carried out a robust assessment of the principal businesses and considered the controls in place to eliminate or mitigate the impact of key risks. The Board has in place risk management systems in relation to the Company's financial reporting process and the Group's process for the preparation of the consolidated financial statements.

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

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

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

The UK Corporate Governance Code introduced a requirement that the Directors perform on-going monitoring and review of the effectiveness of the Group's system of internal controls, to cover all controls including financial, operational, compliance, and risk management. The Board confirms that there are ongoing processes covering the identification, evaluation and management of the significant risks faced by the Group which cover all material controls. The processes are carried out through Group Board meetings, quarterly subsidiary management meetings, discussion and review by the Executive Board and the finance department during the several visits per year to individual operating units, and discussions with professional advisers where appropriate. We will continue to develop our risk management framework set out on pages 17 to 19 during 2023.

Michael Clarke
Company Secretary
31 March 2023
Company Registration Number: FC0 13814

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with 'UK Adopted' International Financial Reporting Standards (IFRSs) and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

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

To the best of our knowledge:

- the Group financial statements, prepared in accordance with 'UK Adopted' IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Alison Goff
Group Chief Executive Officer
31 March 2023

Independent auditor's report to the members of The Quarto Group, Inc.

Opinion

We have audited the financial statements of The Quarto Group, Inc. (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, notes to the financial statements, including a summary of significant accounting policies, the Company Balance Sheet, the Company Statement of Comprehensive Income, the Company Statement of Changes in Equity and notes to the Company accounts.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's and parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 which would have applied were the parent company incorporated in the United Kingdom.

Basis for opinion

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

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Obtaining and challenging the board approved going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in note 1E, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Key audit matters

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

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
COMPLETENESS AND ACCURACY OF THE RETURNS PROVISION FOR TRADE SALES (GROUP ONLY) We identified the completeness and accuracy of the sales returns provision as one of the most significant assessed risks of material misstatement due to the subjective and judgemental nature of the provision. The Group recognises revenue on trade sales net of a provision for returns on the basis that certain trade customers have a contractual right of return. At 31 December 2022, this provision totals $4,875,000. The returns provision involves management judgement in assessing the level of returns that will be received post year end for sales made before the year end and uses key assumptions in the calculation such as historical returns rates. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022** • Financial statements: Note 1D, General information and significant accounting policies and Note 20, Trade and other payables • Audit and Risk Committee Report: Page 23	Our audit procedures included, but were not limited to: • Obtaining an understanding of the design and implementation of controls in relation to the trade sales returns provision; • Recalculating management's returns provision at the year end to assess whether it is appropriately calculated in accordance with management's policy; • Testing the completeness and accuracy of the input data being used by management in the calculation of the returns provision; • Reviewing historical returns rates by customer to assess the appropriateness of the assumptions made by management, including post Covid-19 returns rates and whether management's methodology and assumptions remain appropriate; • Comparing actual returns for the period post year end against the returns provision for the same period and against previous years returns for the same period; and • Making inquiries of those outside of the finance function to obtain further evidence of potential new issues arising which will impact future returns for example titles with a specific returns profile. **OUR OBSERVATIONS** Our audit work did not identify any material errors in the completeness and accuracy of the sales returns provision.

Key Audit Matter	How our scope addressed this matter
VALUATION OF PRE-PUBLICATION INTANGIBLE ASSETS (GROUP ONLY) We have identified valuation of pre-publication intangible assets as one of the most significant assessed risks of material misstatement due to error. The Group capitalizes certain costs in relation to the development of a book as an intangible asset on the balance sheet, including a proportion of time spent by creative staff and a proportion of internal overhead costs. There is management judgement involved in assessing the proportion of overhead costs and creative staff time that is directly attributable to the development of books and therefore meet the criteria for capitalization under IAS38 'Intangible Assets'. There is further management judgement in assessing the useful economic life of pre-publication costs held on the balance sheet and the period over which such assets are amortized. In the prior year the useful economic life of the assets was amended from a three year straight line to a reducing balance method. Pre-publication costs capitalized on the balance sheet have a net book value of $25,473,000 at 31 December 2022. **RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022** • Financial statements: Note 1D, General information and significant accounting policies and Note 12, Intangible assets - pre-publication costs; • Audit and Risk Committee Report: Page 23	Our audit procedures included, but were not limited to: • Evaluating the appropriateness of the capitalization policy by checking whether it is in accordance with the financial reporting framework, including IAS 38 'Intangible Assets'; • Assessing the judgements made by management in determining which costs are directly attributable to the development of book titles; • Reviewing the assumptions made by management in determining the capitalization percentages applied to overheads and corroborating these assumptions to support where appropriate; • Making inquiries with members of the creative team to understand their role and the proportion of their time spent on book development; • Selecting a sample of costs capitalized in the year and agreeing to supporting documentation to confirm they are directly attributable to the development of book titles; • Evaluating any changes to the capitalization policy in the year and assessing whether amendments are supported by corroborating evidence. • Evaluating the appropriateness of the amortization policy by checking whether it is in accordance with the financial reporting framework, including IAS 38 'Intangible Assets'; • Assessing the appropriateness of the useful economic life used by management by reviewing historic sales patterns and assessing how well these support management's estimate; • Selecting a sample of the underlying sales and publishing data which underpins management's analysis and agreeing these to support; • Recalculating the amortization charge to confirm it is appropriate, in accordance with management's policy and reflects the economic pattern of the underlying assets useful life; • Recalculating management's impairment analysis of titles held in pre-publication intangibles, challenging management's underlying assumptions and agreeing a sample of the underlying data to support; **OUR OBSERVATIONS** Our audit work did not identify any material errors in the valuation of pre-publication intangible assets.

Our application of materiality and an overview of the scope of our audit

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

GROUP MATERIALITY

Overall materiality	$1,055,000
How we determined it	5% of profit before tax
Rationale for benchmark applied	We consider profit before taxation to be the most appropriate benchmark for Group overall materiality considering this is a key focus for the users of the financial statements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Group's control environment and the fact that this is our first year as the group's auditor, we set performance materiality at $633,000, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $32,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

PARENT COMPANY MATERIALITY

Overall materiality	$530,000
How we determined it	1% net assets
Rationale for benchmark applied	As the Parent Company operates solely as a holding company, we consider net assets to be an appropriate basis for determining materiality.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Parent Company's control environment and the fact that this is our first year as the parent company's auditor, we set performance materiality at $318,000, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $16,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, we considered that the only significant components of the group were Quarto Publishing plc and Quarto Publishing Group (USA) Inc. and these, along with the parent company, were subject to full scope audit. The audit of the parent company and Quarto Publishing plc were performed by the group audit team. The audit of Quarto Publishing Group (USA) inc. was performed by a component auditor, Mazars US. The full scope audits performed represent 100% of the group's continuing revenue for the year, 100% of the group's total assets, and 99.1% of the group's total liabilities. For the remaining components, analytical procedures to respond to any potential risks of material misstatement to the Group financial statements were performed by the group audit team.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006, were it to apply to the parent company

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

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

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

Matters on which we are required to report by exception, were the Companies Act 2006 to apply to the parent company

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

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

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

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

Corporate governance statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 11;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on page 11;
- Directors' statement on fair, balanced and understandable, set out on page 49;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 24;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 24; and
- The section describing the work of the audit committee, set out on page 23.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 49, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the year;
- Inspecting correspondence with relevant licensing and regulatory authorities; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the completeness and accuracy of the sales return provision for trade sales, revenue recognition (which we pinpointed to the cut off of co-edition revenue) and significant, one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the audit and risk committee, we were appointed by the Board on 8 July 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.

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

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

Use of the audit report

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

Claire Larquetoux (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
31 March 2023

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $000	2021 $000
Continuing operations			
Revenue	2	141,017	151,483
Cost of sales		(87,319)	(103,897)
Gross profit		53,698	47,586
Administrative expenses		(24,723)	(22,314)
Impairment of financial assets	16	(69)	(874)
Distribution costs		(7,582)	(8,439)
Operating profit before amortization of acquired intangibles and exceptional items		21,324	15,959
Amortization of acquired intangibles	13	–	(7)
Exceptional items	5	774	–
Operating profit	4	22,098	15,952
Finance costs	7	(1,213)	(1,796)
Profit before tax		20,885	14,156
Tax	8	(4,279)	(4,230)
Profit for the year		16,606	9,926
Attributable to:			
Owners of the parent		16,606	9,926
		16,606	9,926
Earnings per share (cents)			
Basic	9	40.6	24.3
Diluted	9	40.6	24.3
Adjusted earnings per share (cents)			
Basic	9	37.8	24.3
Diluted	9	37.8	24.3

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 $000	2021 $000
Profit for the year	16,606	9,926
Items that may be reclassified to profit or loss		
Foreign exchange translation differences	(2,475)	(506)
Tax relating to items that may be reclassified to profit or loss	–	66
Total other comprehensive income	(2,475)	(440)
Total comprehensive income for the year	14,131	9,486
Total comprehensive income for the year attributable to:		
Owners of the parent	14,131	9,486
	14,131	9,486

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2022

	Notes	2022 $000	2021 $000
Non-current assets			
Property, plant and equipment	10	7,677	5,181
Goodwill	11	18,622	19,286
Intangible assets: Pre-publication costs	12	25,473	29,941
Other intangible assets	13	1	51
Deferred tax assets	18	1,835	2,436
Total non-current assets		53,608	56,895
Current assets			
Inventories	15	21,826	20,393
Trade and other receivables	16	40,122	51,242
Cash and cash equivalents	17	13,290	28,432
Total current assets		75,238	100,067
Total assets		128,846	156,962
Current liabilities			
Short term borrowings	17	(4,636)	(5,438)
Trade and other payables	20	(33,869)	(53,789)
Lease liabilities	19	(944)	(1,363)
Tax payable		(3,295)	(7,467)
Total current liabilities		(42,744)	(68,057)
Non-current liabilities			
Long term borrowings	17	(9,301)	(28,508)
Deferred tax liabilities	18	(2,798)	(3,130)
Tax payable		(386)	(386)
Lease liabilities	19	(6,277)	(3,672)
Total non-current liabilities		(18,762)	(35,696)
Total liabilities		(61,506)	(103,753)
Net assets		67,340	53,209
Equity			
Share capital	23	4,089	4,089
Paid in surplus	23	48,701	48,701
Retained earnings and other reserves	24	14,550	419
Total equity		67,340	53,209

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

The financial statements were approved by the Board of Directors and authorized for issue on 28 March 2023. They were signed on its behalf by:

Alison Goff
Director
31 March 2023

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital $000	Paid in surplus $000	Translation reserve $000	Retained earnings $000	Equity attributable to owners of the parent $000
Balance at 1 January 2021	4,089	48,701	(5,607)	(3,470)	43,713
Profit for the year	–	–	–	9,926	9,926
Other comprehensive income					
Foreign exchange translation differences	–	–	(506)	–	(506)
Tax relating to items that may be reclassified to profit or loss	–	–	66	–	66
Total comprehensive income for the year	–	–	(440)	9,926	9,486
Transactions with owners					
Share based payments	–	–	–	10	10
Total transactions with owners for the year	–	–	–	10	10
Balance at 31 December 2021	4,089	48,701	(6,047)	6,466	53,209
Profit for the year	–	–	–	16,606	16,606
Other comprehensive income					
Foreign exchange translation differences	–	–	(2,475)	–	(2,475)
Tax relating to items that may be reclassified to profit or loss	–	–	–	–	–
Total comprehensive income for the year	–	–	(2,475)	16,606	14,131
Transactions with owners					
Share based payments	–	–	–	–	–
Total transactions with owners for the year	–	–	–	–	–
Balance at 31 December 2022	4,089	48,701	(8,522)	23,072	67,340

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $000	Restated[1] 2021 $000
Profit after tax		16,606	9,926
Adjustments for:			
Net finance costs	7	1,213	1,796
Depreciation of property, plant and equipment	10	2,029	1,741
Software amortization	13	50	101
Tax expense	8	4,279	4,230
Impairment of right-of-use assets	10	228	–
Share based payments	23	–	10
Amortization of acquired intangibles	13	–	7
Forgiveness of Cares Act loan	5	(2,272)	–
Loss on disposal of SmartLab	5	1,498	–
Loss on disposal of property, plant and equipment	10	3	–
Amounts expensed work-in-progress	12	2,875	4,433
Amortization and impairment of pre-publication costs	12	16,331	26,567
Operating cash flows before movements in working capital		42,840	48,811
Increase in inventories	15	(3,299)	(5,036)
Decrease/(increase) in receivables	16	8,594	(7,106)
(Decrease)/increase in payables	20	(17,119)	4,035
Cash generated by operations		31,016	40,704
Income taxes paid	8	(7,561)	(3,053)
Net cash from operating activities		23,455	37,651
Investing activities			
Proceeds from disposal of SmartLab	5	1,437	–
Investment in pre-publication costs	12	(18,067)	(20,229)
Purchases of property, plant and equipment	10	(1,238)	(111)
Net cash used in investing activities		(17,868)	(20,340)
Financing activities			
Interest payments	17	(397)	(1,866)
Lease payments	17	(1,708)	(1,426)
Drawdown of revolving credit facility and other loan	17	1,500	22,994
Repayment of term loan and revolving credit facility	17	(19,693)	(30,840)
Net cash used in financing activities		(20,298)	(11,138)
Net (decrease)/increase in cash and cash equivalents		(14,711)	6,173
Cash and cash equivalents at beginning of year		28,432	22,079
Foreign currency exchange differences on cash and cash equivalents		(431)	180
Cash and cash equivalents at end of year		13,290	28,432

1 Pre-publication costs for 2021 have now been split between work-in-progress and published product.

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

Notes to the Financial Statements

1 General information and significant accounting policies

The Quarto Group, Inc. is a company incorporated in the State of Delaware, United States. The address of the registered office is given on page 96. The nature of the Group's operations and its principal activities are set out in the Chief Executive Officer's Statement on page 5.

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

A) STATEMENT OF COMPLIANCE

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

The Group financial statements have been prepared and approved by the Directors in accordance with 'UK Adopted' International Financial Reporting Standards ('IFRS'). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, including The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'). These are presented on pages 89 to 94.

B) BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis.

C) STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

The Group has applied the following new standards and interpretations for the first time for the annual reporting period ending 31 December 2022:

- IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use
- IAS 37 Provisions, Contingent Liabilities and Contingent assets (Amendment): Onerous Contracts: Cost of Fulfilling a Contract
- IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework
- Annual Improvements Cycle 2018 to 2020

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any material impact on the financial position or performance of the Group.

Standards issued but not yet effective

At the date of authorization of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in the financial statements, were in issue but were not yet effective.

IFRS standards effective from 1 January 2023 onwards

- IAS 1 Amendment: Disclosure of Accounting Policies
- IAS 8 Amendment: Definition of Accounting Estimates
- IAS 1 Amendment: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 16 Amendment: Lease Liability in a Sale and Leaseback

The adoption of the above mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group or Company's financial statements.

D) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key estimates at the balance sheet date are:

GOODWILL

Note 11:

Management makes estimates and assumptions in measuring the carrying amount of goodwill. In considering whether goodwill has been impaired, the recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require management to estimate future cash flows, a long-term growth rate and an appropriate discount rate. The sensitivity of the carrying amount of goodwill to these variables is considered.

1 General information and significant accounting policies (continued)
D) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

INTANGIBLE ASSETS

Note 12:
Management makes estimates and assumptions in relation to intangible assets. The capitalisation of these assets and the related amortization and impairment charges are based on estimates about the value and economic life of such items. We use a 50% reducing balance method of amortization.

Work-in-progress is reviewed throughout the year and at each balance sheet date, to ascertain if any carrying value exists per title. If the title has no future economic value, the full value of the individual asset is expensed. During the year, a charge of $2.875m broken down between the US $1.640m and the UK $1.235m (2021: $4.433m US $2.108m UK $2.325m) was recognised in cost of sales in the Consolidated Income Statement.

The carrying amount of the intangible assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. At the end of 2022, published products are reviewed to ensure the asset's carrying value is the higher of the fair value, reflecting market conditions less cost costs to sell and value in use based on an internal discounted cash flow valuation. During the year a reversal of impairment of $0.729m broken down between the US $0.608m and the UK $0.121m (2021: impairment $6.759m US $3.066m UK $3.693m) was recognised in cost of sales in the Consolidated Income Statement.

SALES RETURNS ALLOWANCE

Note 1, 2, 20:
On certain contracts, the customer has a right to return the products. The Group makes an allowance for this, based on a review of the historical return patterns associated with each customer, as well as current market trends. Over the last two years, actual returns reduced on average by 28% year on year, which the directors believe was due initially to logistic and distribution issues that resulted in a significant backlog of returns in 2020 and more recently a change in customers buying on a just in time basis. The sales returns provision period, being the period that sales and returns are reviewed to form an expectation of the sales return percentage, was extended in 2021 from 1 year to 3 years with equal weighting given to each year. The estimated period that returns are made from the point of sale remains at 6 months, being the final six months of the financial year. The returns provision for the group was $4.875m at 31 December 2022 which in accordance with the requirements of IFRS 15 - Revenue from Contracts with Customers, represents a weighted expectation of returns and the estimation of the variable income as a result of the sales returns has been constrained to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized.

This allowance is included within other payables. The Group also recognize an asset in relation to stock which is expected to be returned within inventory, based on average print margins and an additional allowance for unsaleable returns.

Key judgement at the balance sheet date is:

PROPERTY LEASES

During 2022, new premises were entered into and the assumption was made that the termination date would be the break clause in the lease, which is consistent with management's expectations of when the lease is most likely to be exited.

E) GOING CONCERN BASIS

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

The Directors have considered the underlying robustness of the Group's business model, products and proposition and its recent trading performance, cash flows and key performance indicators. They have also reviewed the cash forecasts prepared in detail to 31 March 2024. Within the forecast, all future loan repayments are consistent with the loan agreements in place. This is to satisfy themselves of the going concern assumption used in preparing the financial statements. The base case model was built using a detailed sales forecast driven by the publishing program for 2023. Trade receivable days remaining consistent with 2022.

As part of this work, the model was sensitized initially by a 5% reduction in revenue to ensure headroom within the covenants. This is deemed as a severe but plausible scenario. Management performed a reverse stress test to assess the point in which the banking covenants were breached. This occurred at a reduction in revenue of 13%. It is considered unlikely that such a reduction of revenue would occur, given, sales dropped 7% in 2022 and dropped 7% during 2020. Should we start to see a reduction in revenue, then mitigating action will be taken, such as reduction in investment in pre-publication costs, print volumes, staffing levels and other variable costs.

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

1 General information and significant accounting policies (continued)

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

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

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

G) BUSINESS COMBINATIONS, INTANGIBLE ASSETS AND GOODWILL
All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the consideration transferred over the fair value of the net assets and any contingent liabilities acquired. Acquisition costs are expensed as incurred.

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Quarto identifies its cash-generating units based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes, in accordance with IAS36 - Impairment of Assets. Corporate overheads have been divided between cash-generating units and factored into the value in use calculation.

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

Amortization of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The amortization period for backlists is 5 years and for software is 4 years.

H) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS INCLUDING GOODWILL
The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow valuation.

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

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

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

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

1 General information and significant accounting policies (continued)
J) REVENUE RECOGNITION (continued)

Products
For sales of products, each is for an agreed price and revenue is recognized at a point in time when the Group satisfies performance obligations by transferring the products to its customers. This is determined with reference to delivery terms. This could be acceptance of the product by the customers freight forwarder or received into the customers warehouse directly. Invoices for products transferred are due on the terms specified in the contract. Contracts can span over 1 year. Where invoices are issued prior to transfer of the product to the customer, and there are unconditional rights to consideration the amounts invoiced are recorded as contract liabilities on the balance sheet, under deferred Income. In most cases this contract liability will be recognized within 12 months. When the product has been transferred to the customer, the liabilities are released and treated as revenue accordingly.

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

Publishing rights
Revenue from the sale of publishing rights is recognized at the point in time when the Group has performed all contractual obligations under the contract and the customer is able to use and benefit from the right to use the license. The sale of publishing rights includes the right to future sales based royalties. Revenue generated from the sales based royalties, is only recognized net of the initial royalty paid. Quarto licences the intellectual property rights to the customer on a right to use basis. This allows the customer to use the intellectual property as detailed in the contract. Once the term of the contract has expired, the licence becomes cancelled.

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

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

L) EXCEPTIONAL ITEMS
Exceptional items are those which the Group defines as significant items outside the scope of normal business that need to be disclosed by virtue of their size or incidence.

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

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

1 General information and significant accounting policies (continued)

O) PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairments in value.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives, which are reviewed annually. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Residual values are reassessed on an annual basis.

Estimated useful lives are as follows:

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

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

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

P) LEASED ASSETS
For any new contracts entered into on or after 1 January 2021, the Group considers whether a contract is, or contains, a lease. A lease is defined as a 'contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

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

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

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

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

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

1 General information and significant accounting policies (continued)

Q) INTANGIBLE ASSETS - PRE-PUBLICATION COSTS

Pre-publication costs represent directly attributable costs and attributable overheads incurred in the development of book titles prior to their publication. Attributable overheads are allocated on a title by title basis. These costs are recognized as non-current intangible assets in accordance with IAS38 - Intangible Assets, where the book title will generate future economic benefits and costs can be measured reliably. Management has made judgements and assumptions when assessing the estimated economic life attributed to such titles. The capitalisation of these assets and the related amortization charges are based on judgements about the value and economic life of such items. The amortization rate used in 2022 was a 50% reducing balance basis.

Pre-publication costs are initially recorded as work-in-progress and are transferred to Published products on publication of the book, at which point amortization commences. Management regularly review all unpublished titles, to ensure they meet our economic expectations. WIP costs are impaired accordingly if required.

R) INVENTORIES

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

S) FINANCIAL INSTRUMENTS

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

T) FINANCIAL ASSETS

Financial assets are measured at amortized cost using the effective interest method.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognized in profit or loss or directly in equity. See note 21 for a summary of the Group's financial assets by category.

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

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

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

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

U) FINANCIAL LIABILITIES

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

After initial recognition at fair value, all financial liabilities, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest rate method. A summary of the Group's financial liabilities by category is given in note 21.

1 General information and significant accounting policies (continued)

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

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

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

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

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

Z) BORROWING COSTS AND FINANCIAL RISK MANAGEMENT
All borrowing costs are recognized in the income statement in the period in which they are incurred. Debt issuance costs comprising arrangement fees and legal costs are capitalized and amortized on a straight-line basis over the period of the borrowing facility or included within the amortized cost calculation as appropriate. The annual amortization charge is included within finance costs in the Consolidated Statement of Comprehensive Income.

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

The principal risk factors faced by the Group are disclosed in note 21.

2 External revenue

	Products	Publishing Rights	Total	Products	Publishing Rights	Total
	2022 $000	2022 $000	2022 $000	2021 $000	2021 $000	2021 $000
Sales	136,026	4,991	141,017	147,939	3,544	151,483

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

During the year, sales to one customer exceeded 10% of Group revenue (2021: one customer). The value of these sales was $30.6m (2021: $39.0m).

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

3 Operating segments (continued)

2022	US Publishing $000	UK Publishing $000	Total Group $000
Continuing operations:			
External revenue	75,329	65,688	141,017
Operating profit before amortization of acquired intangibles, exceptional items and unallocated corporate expenses	10,608	11,875	22,483
Amortization of acquired intangibles	–	–	–
Segment result before amortization of acquired intangibles, exceptional items and unallocated corporate expenses	10,608	11,875	22,483
Unallocated corporate expenses			(1,159)
Corporate exceptional items			774
Operating profit			22,098
Finance costs			(1,213)
Profit before tax			20,885
Tax			(4,279)
Profit after tax			16,606
Capital expenditure	20	1,218	1,238
Disposals excluding right-of-use assets	(1,277)	(1,116)	(2,393)
Depreciation and software amortization	(1,195)	(884)	(2,079)
Depreciation on disposals	1,274	1,116	2,390
Investment in pre-publication costs	9,681	8,386	18,067
Amounts expensed work-in-progress	(1,640)	(1,235)	(2,875)
Amortization and impairment of pre-publication costs	(7,907)	(8,424)	(16,331)
Deferred income released	1,444	10,649	12,093

2021	Restated[1] US Publishing $000	Restated[1] UK Publishing $000	Restated[1] Total Group $000
Continuing operations:			
External revenue	81,062	70,421	151,483
Operating profit before amortization of acquired intangibles, exceptional items and unallocated corporate expenses	10,024	7,001	17,025
Amortization of acquired intangibles	(7)	–	(7)
Segment result before amortization of acquired intangibles, exceptional items and unallocated corporate expenses	10,017	7,001	17,018
Unallocated corporate expenses			(1,066)
Corporate exceptional items			–
Operating profit			15,952
Finance costs			(1,796)
Profit before tax			14,156
Tax			(4,230)
Profit after tax			9,926
Capital expenditure	39	72	111
Disposals excluding right-of-use assets	(44)	–	(44)
Depreciation and software amortization	(1,399)	(443)	(1,842)
Depreciation on disposals	44	–	44
Investment in pre-publication costs	10,280	9,949	20,229
Amounts expensed work-in-progress	(2,108)	(2,325)	(4,433)
Amortization and impairment of pre-publication costs	(12,330)	(14,237)	(26,567)
Deferred income released	1,811	10,617	12,428

1 Pre-publication costs for 2021 have now been split between work-in-progress and published product.

The revenue in the above table has been allocated by country of destination, whilst the non-current assets have been allocated by location.

3 Operating segments (continued)

BALANCE SHEET

	2022 $000	2021 $000
Quarto Publishing Group USA	65,945	54,313
Quarto Publishing Group UK	49,590	71,877
Unallocated (Deferred tax and cash)	13,311	30,772
Total assets	128,846	156,962
Quarto Publishing Group USA	21,175	28,472
Quarto Publishing Group UK	22,265	30,351
Unallocated (Deferred tax, corporation tax and debt)	18,066	44,930
Total liabilities	61,506	103,753

GEOGRAPHICAL AREAS

The Group operates in the following main geographic areas:

	Revenue		Non-current assets	
	2022 $000	2021 $000	2022 $000	2021 $000
United States of America	85,397	93,399	28,908	31,333
United Kingdom	17,052	20,241	22,865	23,126
Europe	23,099	21,204	–	–
Rest of the world	15,469	16,639	–	–
	141,017	151,483	51,773	54,459

4 Operating profit

Whilst costs have been shown on the Income statement by function within the company, the following table shows costs grouped by nature:

	2022 $000	Restated[1] 2021 $000
Direct costs		
Purchase of goods and changes in inventories	57,071	61,414
Royalties and product development	11,042	11,483
Amounts expensed work-in-progress (note 12)	2,875	4,433
Amortization and impairment of pre-publication costs (note 12)	16,331	26,567
	87,319	103,897
Operating costs		
Staff	13,366	14,651
Depreciation of property, plant and equipment (note 10)	2,029	1,741
Software amortization (note 13)	50	101
Distribution Costs	7,582	8,439
Marketing Costs	4,243	4,461
Impairment of losses of financial assets	69	874
Other	5,035	1,360
	32,374	31,627

1 Pre-publication costs for 2021 have now been split between work-in-progress and published product.

4 Operating profit (continued)

AUDITOR'S REMUNERATION

	2022 $000	2021 $000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	150	142
Fees payable to the Company's auditor and its associates for the audit of subsidiary companies	210	223
	360	365

5 Exceptional items

	2022 $000	2021 $000
Smartlab disposal	(1,498)	–
Cares Act loan forgiveness	2,272	–
	774	–

On 30 August 2022, the Group publicly announced that we were committed to sell SmartLab, our toy imprint. On 1 September 2022, the intellectual property of SmartLab to the value of $1.826m was sold for $0.5m. Sales were continued to be made until 29 November 2022, when the inventory on hand of $1.1m was sold at cost for $1.088m. The overall loss on disposal was $1.498m after incurring legal fees of $31k and redundancy costs of $120k.

During 2022, the Cares Act loan of $2.422m relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA, was forgiven to the value of $2.272m.

6 Staff costs

	2022 Number	2021 Number
Average monthly number of employees (excluding Executive Directors)	305	304

	$000	$000
Wages and salaries	22,537	23,107
Share-based credits	–	(38)
Social security costs	2,215	2,214
Other pension costs	835	918
	25,587	26,201

Directors' remuneration is disclosed in the Remuneration Committee Report on page 33.

Total emoluments for Directors were:

	2022 $000	2021 $000
Short term employee benefits	669	900
Long term employee benefits	–	281
Termination benefits	144	29
Post-employment benefits	41	50
	854	1,260

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

	2022 $000	2021 $000
Short term employee benefits	356	620
Post-employment benefits	27	20
	383	640

6 Staff costs (continued)

The Group considers key management personnel as defined under IAS 24 - Related Party Disclosures to be Directors of the company, this includes Non-Executive Directors and those having authority and responsibility for planning, directing and controlling the activities of Quarto, which will include key personnel such as the Group Finance Director and Group Sales Directors.

Total emoluments for Executive Directors and other key personnel were:

	2022 $000	2021 $000
Short term employee benefits	1,031	1,366
Long term employee benefits	409	281
Termination benefits	144	29
Post-employment benefits	61	88
	1,645	1,764

7 Finance costs

	2022 $000	2021 $000
Interest expense on borrowings	778	1,399
Amortization of debt issuance costs and bank fees	70	85
Interest expense on lease liabilities	365	276
Other interest	–	36
	1,213	1,796

8 Taxation

	2022 $000	2021 $000
Corporation tax		
Current tax	3,477	6,209
Prior periods	201	–
Total current tax	3,678	6,209
Deferred tax (note 18)		
Origination and reversal of temporary differences	601	(1,979)
Total tax expense	4,279	4,230

Corporation tax on UK profits is calculated at 19%, based on the UK standard rate of corporation tax (2021: 19%) of the estimated assessable profit for the year. An increase in the UK corporation rate from 19% to 25% is effective 1 April 2023. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The table below explains the difference between the expected expense at the UK statutory rate of 19% and the Group's total tax expense for the year.

8 Taxation (continued)

	2022 $000	2021 $000
Profit before tax	20,885	14,156
Tax at the UK corporation tax rate of 19% (2021: 19%)	3,968	2,690
Effect of different tax rates of subsidiaries operating in other jurisdictions	813	1,058
Tax effect of items that are not deductible in determining taxable profit	(10)	(16)
Tax effect of non-taxable items	(587)	–
Adjustment to prior years	201	–
Other	(106)	498
Tax expense	4,279	4,230
Effective tax rate	20.5%	29.9%

9 Earnings per share

	2022 $000	2021 $000
From continuing operations		
Profit for the year	16,606	9,926
Amortization of acquired intangibles (net of tax)	–	5
Exceptional items (net of tax)	(1,160)	–
Earnings for the purposes of adjusted earnings per share	15,446	9,931

Number of shares	**Number**	**Number**
Weighted average number of ordinary shares	40,889,100	40,889,100
Diluted weighted average number of ordinary shares	40,889,100	40,889,100

Earnings per share (cents) - continuing operations		
Basic	40.6	24.3
Diluted	40.6	24.3
Adjusted earnings per share (cents)		
Basic	37.8	24.3
Diluted	37.8	24.3

10 Property, plant and equipment

Cost	Short-term Leasehold Improvements $000	Right-of-use Leasehold Property $000	Plant, Equipment and Motor Vehicles $000	Fixture and Fittings $000	Total $000
At 1 January 2021	1,031	9,096	1,256	1,088	12,471
Exchange difference	(11)	–	(13)	(1)	(25)
Additions	27	–	84	–	111
Disposals	–	–	(44)	–	(44)
At 31 December 2021	1,047	9,096	1,283	1,087	12,513
Exchange difference	(83)	247	(85)	(9)	70
Additions	893	3,661	158	187	4,899
Disposals	(707)	(1,507)	(832)	(854)	(3,900)
Remeasure	–	1,100	–	–	1,100
Effect of modification to lease term	–	(939)	–	–	(939)
At 31 December 2022	1,150	11,658	524	411	13,743
Depreciation					
At 1 January 2021	480	3,121	1,049	1,003	5,653
Exchange differences	(7)	–	(11)	–	(18)
Charge for the year: right-of-use asset	–	1,432	–	–	1,432
Charge for the year: other property, plant and equipment	115	–	129	65	309
Disposals	–	–	(44)	–	(44)
At 31 December 2021	588	4,553	1,123	1,068	7,332
Exchange differences	(37)	(39)	(69)	(5)	(150)
Charge for the year: right-of-use asset	–	1,552	–	–	1,552
Charge for the year: other property, plant and equipment	370	–	89	18	477
Disposals	(707)	(1,507)	(830)	(853)	(3,897)
Impairment	–	228	–	–	228
Remeasure	–	524	–	–	524
At 31 December 2022	214	5,311	313	228	6,066
Net book value					
At 31 December 2022	936	6,347	211	183	7,677
At 31 December 2021	459	4,543	160	19	5,181

During the year, the decision was made to vacate the North London office and notice was accordingly given to the Landlord to terminate the lease at the break clause in November 2023. The leased premises in California also became vacant during 2022 despite the lease coming to an end on 31 December 2023, due to the reorganization of imprints in 2021.

These decisions resulted in a reduction of the right-of-use asset for the London office due a modification to the lease term for this lease of $939k and an impairment for both offices of $228k, due to leaving both premises earlier than the lease expiry.

11 Goodwill

	2022 $000	2021 $000
Cost		
At 1 January	43,007	43,102
Exchange differences	(664)	(95)
At 31 December	42,343	43,007
Accumulated impairment losses		
At 1 January	(23,721)	(23,721)
Exchange differences	–	–
At 31 December	(23,721)	(23,721)
Carrying value		
At 31 December	18,622	19,286

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL

The following units have significant carrying amounts of goodwill:

	2022 $000	2021 $000
Quarto Publishing Group USA (QUS)	12,882	12,882
Quarto Publishing Group UK (QUK)	5,740	6,404
	18,622	19,286

Quarto identifies its cash-generating units based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes, in accordance with IAS36 - Impairment of Assets. Corporate overheads have been divided between cash-generating units and factored into the value in use calculation.

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

The key assumptions for calculating value in use are:

	Terminal Growth Rates		Discount Rates	
	2022	2021	2022	2021
United States of America	2%	2%	10.75%	11.13%
United Kingdom	2%	2%	11.13%	10.86%

Revenue growth rates: forecasted sales growth rates are based on those applied to the Board approved budget for the year ending 31 December 2023 and the three-year plan. The revenue growth rates incorporate future cashflows which have been estimated for the asset in current conditions for each CGU.

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

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

11 Goodwill (continued)

The Group has undertaken various sensitivities of the QUK and QUS CGU's. There were no reasonably possible changes in QUK that would lead to impairment. QUS, which has the largest goodwill and non-current assets, carries a greater risk that reasonably possible changes would result in impairment. Based on the above long-term growth rate and discount rate, the value in use of QUS exceeded the carrying value of the CGU by $4.3m. The following sensitivities were applied to this CGU:

- 0.75% increase in discount rate, at which level there was no impairment. The recoverable amount exceeded the carrying value of the CGU by $0.1m. The discount rate would need to increase to 11.75% to record any impairment.
- 1.5% terminal growth rate, at which level there was no impairment. The recoverable amount exceeded the carrying value of the CGU by $2m. The terminal growth rate would need to be 1% before any impairment was recorded.

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

12 Intangible assets - pre-publication costs

	2022 $000	2022 $000	2022 $000	2021 $000	2021 $000	2021 $000
	Work-in-progress	Published products	Total	Work-in-progress	Published products	Total
Cost						
At 1 January	10,105	102,528	112,633	11,442	86,496	97,938
Exchange difference	(456)	(7,240)	(7,696)	(64)	(1,037)	(1,101)
Additions	18,067	–	18,067	20,229	–	20,229
Transfers	(16,036)	16,036	–	(17,069)	17,069	–
Amounts expensed[1]	(2,875)	–	(2,875)	(4,433)	–	(4,433)
Disposals (note 5)	(626)	(4,072)	(4,698)	–	–	–
At 31 December	8,179	107,252	115,431	10,105	102,528	112,633
Amortization and impairment						
At 1 January	–	82,692	82,692	–	57,025	57,025
Exchange difference	–	(6,193)	(6,193)	–	(900)	(900)
Amortization charge	–	17,060	17,060	–	19,808	19,808
(Reversal)/impairment of published product	–	(729)	(729)	–	6,759	6,759
Disposals (note 5)	–	(2,872)	(2,872)	–	–	–
At 31 December	–	89,958	89,958	–	82,692	82,692
Net book value	8,179	17,294	25,473	10,105	19,836	29,941

1 Amounts expensed relate to the impairment of Work-In-Progress. Titles which have no economic future are impaired.

The carrying amount of the intangible assets is reviewed annually at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow valuation.

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

13 Other intangible assets

	Backlists $000	Software $000	Total $000
Cost			
At 1 January 2021	21,253	1,630	22,883
Exchange differences	(39)	–	(39)
At 1 January 2022	21,214	1,630	22,844
Exchange differences	(147)	–	(147)
Disposals	–	(86)	(86)
At 31 December 2022	21,067	1,544	22,611
Amortization and impairment			
At 1 January 2021	21,245	1,479	22,724
Exchange differences	(39)	–	(39)
Charge for the year	7	101	108
At 1 January 2022	21,213	1,580	22,793
Exchange differences	(147)	–	(147)
Charge for the year	–	50	50
Disposals	–	(86)	(86)
At 31 December 2022	21,066	1,544	22,610
Carrying amount			
At 31 December 2022	1	–	1
At 31 December 2021	1	50	51

14 Subsidiaries

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

15 Inventories

	2022 $000	2021 $000
Finished goods	21,690	20,267
Raw materials	136	126
	21,826	20,393

All of the Group's inventories have been reviewed for indicators of impairment. Certain inventories were found to be impaired and a provision of $1.115m (2021: $0.771m) has been recorded accordingly.

16 Trade and other receivables

	2022 $000	2021 $000
Trade receivables	34,389	45,086
Other receivables and prepayments	5,733	6,156
	40,122	51,242

The average credit period on sales of goods is 80 days (2021: 79 days).

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on an individual basis, as much as possible, because credit risk characteristics vary by customer. The expected loss rates are based on the historic data which are then adjusted to reflect the current and future economic environment. Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery.

On the above basis, the expected credit loss for trade receivables as at 31 December 2022 and 31 December 2021 was determined as follows:

31 December 2022	Current	Overdue Less Than 30 Days	Overdue Less Than 60 Days	Overdue Less Than 90 Days	Overdue More Than 90 Days	Total
Gross carrying amount $000	27,824	5,074	1,297	665	1,953	36,813
Expected credit loss rate	2.1%	6.3%	6.5%	8.5%	70.9%	6.6%
Lifetime expected credit loss $000	581	318	84	56	1,385	2,424

31 December 2021	Current	Overdue Less Than 30 Days	Overdue Less Than 60 Days	Overdue Less Than 90 Days	Overdue More Than 90 Days	Total
Gross carrying amount $000	39,177	3,317	2,010	1,166	2,195	47,865
Expected credit loss rate	3.1%	3.1%	4.2%	13.2%	55.3%	5.8%
Lifetime expected credit loss $000	1,223	103	85	154	1,214	2,779

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

	2022 $000	2021 $000
Provision at beginning of year	2,779	1,914
Amounts de-recognized in the year	(305)	(109)
Amounts recovered during the year	37	124
Exchange differences	(156)	(24)
Increase in allowance recognized in profit or loss	69	874
Provision at end of the year	2,424	2,779

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

Note 21 includes disclosures relating to credit risk exposures and analysis relating to the allowance for expected credit losses.

17 Cash, borrowings and net debt

CASH

	2022 $000	2021 $000
Cash and cash equivalents	13,290	28,432

The carrying amount of these assets approximates to their fair value.
The effective interest rate on bank balances and short-term deposits was 0% (2021: 0%).

17 Cash, borrowings and net debt (continued)

BORROWINGS

	2022 $000	2021 $000
Bank and other loans	13,937	33,946
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,636)	(5,438)
Amount due for settlement after 12 months	9,301	28,508

	Total $000	Fixed rate borrowings $000	Variable rate borrowings $000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings	13,780	8,280	5,500	3.75	20
Other currency borrowings	157	–	157	–	–
As at 31 December 2022	13,937	8,280	5,657	3.75	20
US dollar borrowings	33,879	27,212	6,667	3.75	32
Other currency borrowings	67	–	67	–	–
As at 31 December 2021	33,946	27,212	6,734	3.75	32

OTHER LOANS

	2022 $000	2021 $000
Other loans (unsecured)	8,280	27,212
Less: Amount due for settlement within 12 months (shown under current liabilities)	(280)	(2,771)
Amount due for settlement after 12 months	8,000	24,441

Other loans comprise:

(a) Loans of $8m (2021: $23m) from related parties, as disclosed in note 28, are repayable 31 August 2024, together with the accrued interest at 4%.
(b) A loan of $2.422m relating to government support given under the Coronavirus Aid, Relief and Economic Security Act of the USA, was forgiven in 2022 to the value of $2.272m.
(c) Accrued Interest of $0.28m (2021: $1.79m) on the above loans.

	Total $000	Fixed rate borrowings $000	Variable rate borrowings $000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings					
As at 31 December 2022	8,280	8,280	–	4.00	20
As at 31 December 2021	27,212	27,212	–	3.75	32

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17 Cash, borrowings and net debt (continued)

BANK LOANS

	2022 $000	2021 $000
Bank loans	5,657	6,734
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,356)	(2,667)
Amount due for settlement after 12 months	1,301	4,067

At 31 December 2022, undrawn borrowing facilities totaled $8.2m (2021: $9.7m). The variable rate borrowings carry interest based on SOFR plus a margin, depending on the leverage ratio. The banking facilities expire on 16 July 2024. The Directors estimate the fair value of the Group's borrowings to be equal to book value, by reference to market rates. All assets have been pledged as security for the Group's bank borrowings.

	Total $000	Fixed rate borrowings $000	Variable rate borrowings $000	Weighted average interest rate for fixed rate borrowings %	Average time over which interest rate is fixed Months
US dollar borrowings	5,500	–	5,500	–	–
Other currency borrowings	157	–	157	–	–
As at 31 December 2022	5,657	–	5,657	–	–
US dollar borrowings	6,667	–	6,667	–	–
Other currency borrowings	67	–	67	–	–
As at 31 December 2021	6,734	–	6,734	–	–

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2022 $000	Profit and Loss $000	Cashflows $000	Non-Cash items $000	Foreign Exchange $000	31 December 2022 $000
Borrowings	(33,946)	–	18,193	1,906	(91)	(13,938)
IFRS 16 lease liabilities	(5,035)	–	1,708	(3,697)	(197)	(7,221)
Interest	–	(1,213)	397	816	–	–
Cash and cash equivalents	28,432	–	(14,711)	–	(431)	13,290
Net debt	(10,549)	(1,213)	5,587	(975)	(719)	(7,869)

	1 January 2021 $000	Profit and Loss $000	Cashflows $000	Non-cash items $000	Foreign exchange $000	31 December 2021 $000
Borrowings	(41,819)	–	7,846	(417)	444	(33,946)
IFRS 16 lease liabilities	(6,278)	–	1,426	(207)	24	(5,035)
Interest	–	(1,796)	1,866	(70)	–	–
Cash and cash equivalents	22,079	–	6,173	–	180	28,432
Net debt	(26,018)	(1,796)	17,311	(694)	648	(10,549)

18 Deferred tax

	2022 $000	2021 $000
Deferred tax liabilities		
Pre-publication costs and other temporary differences – UK	2,798	3,130
	2,798	3,130
Deferred tax assets		
Pre-publication costs and other temporary differences – US	(1,777)	–
Goodwill, intangible assets and other temporary differences – US	3,612	2,436
	1,835	2,436
Net deferred taxation liability	963	694

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

	2022 $000	2021 $000
Net provision at 1 January	694	2,719
Exchange difference through other comprehensive income	(332)	(45)
Debit/(credit) to profit and loss	601	(1,980)
Net provision at 31 December	963	694

19 Lease liabilities

	2022 $000	2021[1] $000
Current	944	1,363
Non-current	6,277	3,672
	7,221	5,035

The table below shows the movement of lease liabilities for the year:

	2022 $000	2021 $000
At 1 January	5,035	6,278
Addition	3,598	–
Remeasurement	684	–
Effect of modification of lease term	(916)	–
Interest	331	276
Lease payments	(1,708)	(1,426)
Exchange difference	197	(93)
At 31 December	7,221	5,035

1 This table was introduced in 2022 and so comparatives have been added for 2021 as a result.

The Group has leases for its offices and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (note 10).

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

19 Lease liabilities (continued)

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

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of lease with extension options	No of lease with options to purchase	No of lease with variable payments linked to an index	No of lease with termination options
Office building	6	1-7 years	3 years	1	Nil	4	1

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

Due to the reorganization of the Californian based imprint Walter Foster into the Boston based imprints during 2021, the leased premises in California became vacant in 2022. During 2022, due to difficulty in subletting these premises, the decision was made to write down the net book value of the right-of-use asset at the end of 2022. In early January 2023, new premises in London were occupied after a fitout and the right-of-use assets for the old premises in London which were vacated in December 2022, was also written down to nil. The net impairment for both properties was $228k, which has been recognized within administrative expenses in the Consolidated Income Statement.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments due US$000						
	Within 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**After 5 years**	**Total**
31 December 2022							
Lease payments	1,275	1,831	1,764	1,289	1,011	1,104	8,274
Finance charges	(331)	(276)	(198)	(131)	(77)	(40)	(1,053)
Net present value	944	1,555	1,566	1,158	934	1,064	7,221
31 December 2021							
Lease payments	1,601	794	450	272	161	2,414	5,692
Finance charges	(223)	(164)	(122)	(80)	(42)	(26)	(657)
Net present value	1,378	630	328	192	119	2,388	5,035

The total cash outflow in relation to lease liabilities during the year was $1.708m (2021: $1.426m). Please see note 17.

The Group has elected not to recognize a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis and amounted to $32k in the year (2021: $4k).

20 Trade and other payables

CURRENT LIABILITIES

	2022 $000	**2021 $000**
Trade payables	13,497	29,450
Other payables	20,372	24,339
	33,869	53,789

Under IFRS 15, the reserve for sales returns is included in other payables; it amounts to $4.875m (2021: $5.776m). The reserve is calculated based on a time lag between sales and returns and historical return patterns. Management monitors actual returns against the reserve on a regular basis. If the rate of sales return had been 1% higher during the year, the provision would have increased by $450k (2021: $545k).

Included within other payables is $3.063m in respect of deferred income (2021: $1.957m), detailed below:

	2022 $000	**2021 $000**
Opening liability	1,957	2,274
Deferred income invoiced	13,408	12,136
Revenue recognized	(12,093)	(12,428)
Exchange difference	(209)	(25)
Closing liability	3,063	1,957

We expect deferred income to be recognized within the next 12 months.

21 Financial instruments

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

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

FOREIGN CURRENCY SENSITIVITY

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

Foreign currency denominated financial assets and liabilities including IFRS 16, translated into US Dollars at the closing rate, are as follows:

	2022		Restated[1] 2021	
	$000 Sterling	$000 Other	$000 Sterling	$000 Other
Financial assets	14,433	806	16,965	1,394
Financial liabilities	(811)	(1,082)	(1,596)	(1,000)
Short-term exposure	13,622	(276)	15,369	394
Financial liabilities	(4,175)	–	(1,385)	–
Long-term exposure	(4,175)	–	(1,385)	–
At 31 December	9,447	(276)	13,984	394

1 Financial assets and liabilities for 2021 have been restated to include right-of-use assets and lease liabilities as per IFRS16.

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

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

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

If Sterling had strengthened against the US Dollar by 5% (2021: 5%) then this would have had the following impact:

	2022 $000	2021 $000
(Loss)/Profit after tax for the year	(107)	46
Equity	(107)	46

If Sterling had weakened against the US Dollar by 5% (2021: 5%) then this would have had the following impact:

	2022 $000	2021 $000
Profit/(Loss) after tax for the year	107	(46)
Equity	107	(46)

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

INTEREST RATE SENSITIVITY

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

At 31 December 2022, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates - see note 17 for further information.

21 Financial Instruments (continued)

The following table illustrates the sensitivity of the profit after tax for the year and equity to a reasonably possible change in interest rates of ± 1%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

A 1% increase in interest rates would have the following impact:

	2022 $000	Restated[1] 2021 $000
Loss for the year	(43)	(52)
Equity	(43)	(52)

1 Loss for the year in 2021 has been restarted using 1% rather than 0.25% which was used last year.

A 1% decrease in interest rates would have the following impact:

	2022 $000	Restated[1] 2021 $000
Profit for the year	43	52
Equity	43	52

1 Profit for the year in 2021 has been restated using 1% rather than 0.25% which was used last year.

CREDIT RISK ANALYSIS

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date, as summarized below:

	2022 $000	2021 $000
Cash and cash equivalents	13,290	28,432
Trade receivables	34,389	45,086
	47,679	73,518

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

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

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

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

LIQUIDITY RISK ANALYSIS

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

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

21 Financial Instruments (continued)

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

31 December 2022	Current Within 6 months $000	 6 to 12 months $000	Non-Current 1 to 5 years $000	 Over 5 years $000
Bank and other loans	3,635	1,528	9,539	–
Lease liabilities	638	638	5,895	1,103
Trade payables	13,497	–	–	–
Other short-term financial liabilities	17,756	–	–	–
	35,526	2,166	15,434	1,103

31 December 2021	Restated[1] Current Within 6 months $000	 6 to 12 months $000	Restated[1] Non-Current 1 to 5 years $000	 Over 5 years $000
Bank and other loans	2,436	4,198	29,623	–
Lease liabilities	800	800	1,934	2,155
Trade payables	29,450	–	–	–
Other short-term financial liabilities	21,237	–	–	–
	53,923	4,998	31,557	2,155

1 Current and non-current contractual maturities for 2021 have been restated.

SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	2022 $000	2021 $000
Current assets		
Financial assets at amortized cost:		
Trade receivables	34,389	45,086
Cash and cash equivalents	13,290	28,432
	47,679	73,518
Current liabilities		
Financial liabilities measured at amortized cost:		
Borrowings	4,636	5,438
Trade payables	13,497	29,450
Other payables	17,756	21,475
	35,889	56,363
Non-current liabilities		
Financial liabilities measured at amortized cost:		
Borrowings	9,301	28,508
	9,301	28,508

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through an optimal balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

21 Financial instruments (continued)

The Board reviews the capital structure, including the level of indebtedness and interest cover, as required. The Board's objective is to maintain the optimal level of indebtedness and manage interest cover to comply with the covenant requirements set out in note 17. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has complied with its covenant obligations during the year.

22 Post balance sheet events

Quarto repaid the remaining loan of $8m plus accrued interest to 1010 Printing Limited in February 2023. This repayment was made outside the agreement due to a favorable liquidity position at this point in time and had been agreed by the bank. No additional charges will be payable as a result of the early repayment.

23 Share capital and paid in surplus

SHARE CAPITAL

	2022 $000	2021 $000
Authorized		
55,000,000 (2021: 55,000,000) shares of common stock of par value of US$0.10 each	5,500	5,500
Allotted, called up and fully paid:		
40,889,100 (2021: 40,889,100) shares of common stock of par value of US$0.10 each	4,089	4,089

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

PAID IN SURPLUS

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

	2022 $000	2021 $000
At 1 January	48,701	48,701
Issue of new common stock	–	–
At 31 December	48,701	48,701

24 Retained earnings and other reserves

TRANSLATION RESERVE

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

RETAINED EARNINGS

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

25 Dividends

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

26 Notes to the cash flow statement

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

27 Share based payments

PERFORMANCE SHARE PLAN ('PSP')

The Company operates a PSP scheme that awards free shares.

2017 AWARD

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

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

27 Share based payments (continued)

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

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

	2022 Number	2021 Number
Outstanding at beginning of the year	–	65,223
Lapsed during the year	–	(65,223)
Outstanding at the end of the year	–	–

The key inputs used to value the options are:

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

28 Related party transactions

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

PRINTING PURCHASES:

Lion Rock Group Limited	2022 $000	2021 $000
Accounts payable at start of year	16,602	12,895
Purchases	21,523	23,830
Payments	(31,621)	(20,123)
Accounts payable at end of year	6,504	16,602

LOANS AND ACCRUED INTEREST:

	At 31 December 2022 $000	At 31 December 2021 $000
Loans	8,000	23,000
Accrued interest on loans at end of year	280	1,789

The loans are from 1010 Printing Limited $8m (2021: $17m) and C.K. Lau $0m ($6m). The loans are unsecured, are repayable on 31 August 2024, and carry interest at 4% and 3.5% respectively. Interest is paid annually on one loan with the remaining accrued interest to be paid at the end of the term.

Lion Rock Group Limited and 1010 Printing Limited are companies over which C.K. Lau exercises control. 1010 Printing Limited is now the majority shareholder of the company.

REVENUES AND TRADE RECEIVABLES:

	At 31 December 2022 $000	At 31 December 2021 $000
Revenues	325	631
Outstanding receivables balance at end of year	92	126

28 Related party transactions (continued)

The Group recorded revenues of $325k (2021: $623k) with Giunti Editore S.p.A, a company over which Andrea Giunti Lombardo, a Non-Executive Director, exercises control. The transactions were in the normal course of business on arms-length terms. The amount outstanding at 31 December 2022 was $92k (2021: $126k).

The Group recorded revenues of $0k in 2022 (2021: $8k) with Pavilion Books Limited, a company over which Polly Powell, the CEO for Pavilion Books, exercized control. Polly Powell was a Director of the Group but resigned on 1 July 2021.The transactions were in the normal course of business on arms-length terms and no amounts were outstanding at year end.

DISTRIBUTION SERVICES:

Pavilion Books Limited	At 31 December 2022 $000	At 31 December 2021 $000
Net sales less distribution fees	–	1,357

From January to June 2021, Quarto provided distribution services to Pavilion Books Group Limited, which was owned by Polly Powell, who resigned on 1 July 2021.

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

	2022 $000	2021 $000
Adjusted operating profit		
Operating profit	22,098	15,952
Add back: Amortization of acquired intangibles	–	7
Other exceptional items (note 5)	(774)	–
Adjusted operating profit	21,324	15,959
EBITDA		
Operating profit before amortization of acquired intangibles and exceptional items	21,324	15,959
Less: Net finance costs	(1,213)	(1,796)
Impact of IFRS 16	(586)	(18)
Adjusted profit before tax	19,525	14,145
Net finance costs	1,213	1,796
Depreciation of property, plant and equipment and software (excluding right-of-use assets)	527	410
Share based payments	–	10
EBITDA for banking purposes	21,265	16,361
Impact of IFRS 16	586	18
Depreciation of right-of-use assets	1,552	1,432
EBITDA	23,403	17,811
Adjusted profit before tax before amortization of acquired intangibles and exceptional items		
Adjusted operating profit before amortization of acquired intangibles and exceptional items	21,324	15,959
Less: net finance costs	(1,213)	(1,796)
Adjusted profit before tax before amortization of acquired intangibles and exceptional items	20,111	14,163
Free cashflow		
Net cash from operating activities	24,859	37,651
Investment in pre-publication costs	(18,067)	(20,229)
Purchases of property, plant and equipment excluding IFRS 16 assets	(1,238)	(111)
Free cashflow	5,554	17,311
Net debt		
Short-term borrowings	4,636	5,438
Long-term borrowings	9,301	28,508
Cash and cash equivalents	(13,290)	(28,432)
Net debt	647	5,514

Company Balance Sheet

AS AT 31 DECEMBER 2022

	Notes	2022 $000	2021 $000
Fixed assets			
Investments	4	1,244	1,244
		1,244	1,244
Current assets			
Other receivables falling due within one year	6	51,880	3,515
		51,880	3,515
Current liabilities			
Creditors falling due within one year	7	(174)	(431)
		(174)	(431)
Non-current liabilities			
Creditors falling due after more than one year		–	–
Tax payable		–	–
		–	–
Net assets		52,950	4,328
Equity			
Called up share capital	8	4,089	4,089
Paid in surplus		48,701	48,701
Retained earnings		160	(48,462)
Total equity		52,950	4,328

The company reported a profit for the financial year ended 31 December 2022 of $48.622m (2021: profit $0.196m).

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

The financial statements were approved by the Board of Directors and authorized for issue on 28 March 2023.

They were signed on its behalf by

Alison Goff
Director
31 March 2023

Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $000	2021 $000
Other operating income			
Dividends received		48,699	–
Administrative expenses		–	196
Foreign exchange loss		(334)	(52)
Profit before tax		48,365	144
Tax	3	257	52
Profit and total comprehensive income for the year		48,622	196

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

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital $000	Paid in surplus $000	Retained earnings $000	Equity attributable to owners $000
Balance at 1 January 2021	4,089	48,701	(48,668)	4,122
Profit and total comprehensive income for the year	–	–	196	196
Share based charges	–	–	10	10
Balance at 1 January 2022	4,089	48,701	(48,462)	4,328
Profit and total comprehensive income for the year	–	–	48,622	48,622
Share based payments	–	–	–	–
Balance at 31 December 2022	4,089	48,701	160	52,950

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

Notes to the Company Accounts

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

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

The Company has adopted the following disclosure exemptions:

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

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

2 Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The functional currency of the Company is US dollars.

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

B) INTERCOMPANY LOANS
Management makes estimates and assumptions in measuring the carrying amount of intercompany loans. All intercompany loans relate solely to group companies, wholly owned by the Company, and therefore carried at full value.

C) OTHER RECEIVABLES
Amounts owed by subsidiary undertakings are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method.

D) CREDITORS
Amounts owed to subsidiary undertakings are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method.

E) SHARE-BASED PAYMENTS
The Company operates a number of equity-settled, share based compensation plans that are awarded to employees of the Company's subsidiary undertakings. The fair value of the employee services received under such schemes is recognized as an expense in the subsidiary undertakings financial statements, which benefit from the employee services. The Company has recognized the fair value of the share-based payments as an increase to equity with a corresponding adjustment to investments. Equity settled share-based payments are measured at fair value at the date of grant. The fair value, determined at the grant date, of equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value of employee share option grants is calculated using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The value of the charge is adjusted to reflect expected and actual levels of options vesting. Further detail is set out in note 27 to the group consolidated Financial Statements.

F) CASH AND CASH EQUIVALENTS
There were no cash transactions during the year and accordingly no cash flow statement has been presented.

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

H) 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.

3 Tax

	2022 $000	2021 $000
Current tax credit	(257)	(52)

Corporation tax is calculated at 21%, based on the US standard rate of corporate tax (2021: 21%) of the estimated assessable profit for the year. The table below explains the difference between the expected expense at the US statutory rate of 21% and the Company's total tax expense for the year.

	2022 $000	Restated[1] 2021 $000
Profit before tax	48,365	144
Tax at the US corporation tax rate of 21% (2021: 21%)	10,157	30
Tax effect of items that are not taxable in determining taxable profit	(10,227)	(30)
Other	(187)	(52)
Tax Credit	(257)	(52)

1 Other tax items for 2021 have been restated.

4 Investments

	2022 $000	2021 $000
At 1 January	1,244	1,234
Movement during the year	–	10
At 31 December	1,244	1,244

5 Subsidiaries

A) TRADING COMPANIES

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

*Directly held by The Quarto Group, Inc.

5 Subsidiaries (continued)

B) DORMANT COMPANIES

	Incorporation				
Name	**Place**	**Date**	**Registered address key**	**Issued share capital**	**% held**
A.P. Screen Printers Limited	United Kingdom	30 September 1980	A	1000 shares of £1 each	100
Apple Press Limited	United Kingdom	5 June 1984	A	100 shares of £1 each	100
Aurum Press Limited	United Kingdom	31 May 1977	A	382,502 shares of £1 each	100
Books & Gifts Direct Limited[1]	New Zealand	27 September 1996	C	400,000 shares of NZ$1 each	100*
Cartographica Press Limited	United Kingdom	27 July 1981	A	1000 shares of £1 each	100
Design Eye Holdings Limited	United Kingdom	22 June 1992	A	200 shares of £1 each	100
Design Eye Limited	United Kingdom	18 March 1988	A	100 shares of £1 each	100
Design Eye Publishing Limited	United Kingdom	17 June 1992	A	2 shares of £1 each	100
EYE Quarto Inc	Delaware, USA	19 December 2002	B	1000 shares of no par value	100
Fine Wine Editions Limited	United Kingdom	23 June 1949	A	9020 shares of £1 each	100
Frances Lincoln Limited	United Kingdom	15 December 1980	A	565,000 shares of 10p each	100
Frances Lincoln Publishers Limited	United Kingdom	11 March 1987	A	100 shares of £1 each	100
Global Book Publishing Pty Limited	United Kingdom	7 July 1986	A	1000 shares of £1 each	100
The Great American Trading Company Limited	United Kingdom	24 February 1982	A	100 shares of £1 each	100
IQON Editions Limited	United Kingdom	5 December 1972	A	300 shares of £1 each	100
iqu-digital.com Limited	United Kingdom	30 November 1978	A	100 shares of £1 each	100
The Ivy Press Limited	*United Kingdom*	9 July 1996	A	*1042 shares of 10p each*	100
Quarto (JS) LLP	United Kingdom	6 November 1998	A	100 units	100
JR Books Limited	United Kingdom	9 September 1986	A	43,004 shares of £1 each	100
Lewes Holdings Limited	United Kingdom	21 July 2005	A	20,840 shares of £0.01 each	100
Marshall Editions Limited	United Kingdom	7 February 2002	A	1 share of £1 each	100
Marshall Publishing Limited	United Kingdom	7 February 2002	A	1 share of £1 each	100
QEB Publishing Inc	Delaware, USA	27 April 2004	B	1500 shares of no par value	100
QED Publishing Limited	United Kingdom	12 November 1974	A	400 shares of £1 each	100
QU:ID Publishing Limited	United Kingdom	30 September 1980	A	100 shares of £1 each	100
Quarto Australia Pty Limited[2]	Australia	14 September 1981		110 shares of $A1 each	100
Quantum Books Limited	United Kingdom	7 February 1983	A	100 shares of £1 each	100
Quarto Children's Books Limited	United Kingdom	6 January 1976	A	2 shares of £1 each	100
Quarto Group Limited[3]	Hong Kong	16 March 2021	E	1 share of HKD1 each	100
Quarto Magazines Limited	United Kingdom	20 May 1986	A	1000 shares of £1 each	100
Quarto Marketing Inc	Delaware, USA	26 April 1995	B	3000 shares of no par value	100
Quarto Media Inc	Delaware, USA	10 December 2010	B	1000 shares of $1 each	100
Quarto Multi Media Limited	United Kingdom	14 December 1984	A	1000 shares of £1 each	100
Quill Publishing Limited	United Kingdom	14 May 1979	A	1000 shares of £1 each	100
Quintessence Editions Limited	United Kingdom	7 February 2002	A	1 share of £1 each	100
Quintet Publishing Limited	United Kingdom	14 May 1979	A	100 shares of £1 each	100
RotoVision S.A.[4]	Switzerland	18 July 1977		1,500 shares of SFr500 each	100
Small World Creations Limited	United Kingdom	20 September 1997	A	1,536 shares of £1 each	100

*Directly held by The Quarto Group, Inc.

1 In the process of deregistration.

2 Deregistered on 1 April 2022.

3 Name changed from Quarto China Company Limited on 3 October 2022.

4 Deregistered on 11 May 2022.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

5 Subsidiaries (continued)

C) LIST OF REGISTERED OFFICES

A From 3 January 2023: Second Floor, 1 Triptych Place, London, SE1 9SH, United Kingdom (previously: The Old Brewery, 6 Blundell Street, London, N7 9BH, United Kingdom)
B 100 Cummings Center, Suite 265D, Beverly, MA 01915-6115, USA (Quarto Publishing Group USA Inc., 251 Little Falls Drive, Wilmington, DE 19808, Delaware, USA; Quarto Inc., 1209 Orange Street, Wilmington, Delaware 19801, USA)
C c/o Brownes CA Limited, Unit K, 215 Rosedale Road, Albany, Auckland, 0632, New Zealand
D c/o ZM Partners, Suite 10 Ground Floor, 123 Clarence Street, Sydney, NSW 2000, Australia
E Level 11 East Wing, NEO, 123 Hoi Bun Road, Kwun Tong, Hong Kong

6 Other receivables falling due within one year

	2022 $000	2021 $000
Amounts owed by subsidiary undertakings	51,880	3,515

The intercompany loans are non interest bearing and are repayable on demand.

7 Creditors falling due within one year

	2022 $000	2021 $000
Tax payable	(174)	(431)

8 Called up share capital

Details of called up share capital are set out in note 23 of the consolidated Financial Statements.

9 Contingent liabilities

The Quarto Group, Inc. has issued guarantees in respect of bank loans of subsidiaries of $5.6m (2021: $6.7m). Refer to note 17 of the group consolidated Financial Statements.

10 Related parties

During 2022, $46.9m was owed by Quarto Inc. a wholly owned subsidiary of the Company to Quarto Publishing Plc. Quarto Publishing Plc assigned the debt to the Company at a cost of $46.9m. The balance on the intercompany loans at 31 December 2022 was $51.9m due to the Company (2021: $3.5m due to the Company).

11 Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of 1010 Printing Limited which was incorporated in Hong Kong. Lion Rock Group Limited Is the ultimate parent company and the controlling party, which was incorporated in Bermuda.

The largest group in which the results of the Company are consolidated is that headed by Lion Rock Group Limited.

The consolidated financial statements of Lion Rock Group Limited are available to the public and may be obtained from:

Level 11
East Wing
NEO
123 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

Five Year Summary

	2022 $000	Restated[1] 2021 $000	2020 $000	2019 $000	2018 $000
Results					
Revenue	141,017	151,483	126,883	135,807	149,292
Operating profit before amortization of acquired intangibles and exceptional items	21,324	15,959	10,618	10,004	10,305
Operating profit	22,098	15,952	9,282	8,774	4,303
Profit before tax, amortization of acquired intangible assets and exceptional items	20,111	14,163	7,925	5,074	5,945
Profit before tax	20,885	14,156	6,589	3,844	(57)
Profit after tax	16,606	9,926	4,569	2,882	(552)
Assets employed					
Non-current assets	53,608	56,895	70,875	83,385	79,481
Current assets	75,238	100,067	82,063	81,396	92,289
Current liabilities	(42,744)	(68,057)	(98,206)	(128,226)	(74,084)
Non-current liabilities	(18,762)	(35,696)	(11,019)	(15,501)	(79,698)
Net assets	67,340	53,209	43,713	21,054	17,988
Financed by					
Equity	67,340	53,209	43,713	21,054	17,988
Non-controlling interests	–	–	–	–	–
	67,340	53,209	43,713	21,054	17,988
Earnings/(loss) per share (cents)					
Basic	40.6	24.3	11.7	14.1	(2.7)
Diluted	40.6	24.3	11.6	14.0	(2.7)
Adjusted basic	37.8	24.3	14.1	19.0	23.2
Adjusted diluted	37.8	24.3	14.1	18.8	23.0

1 Some numbers have been restated to correct 2021.

Officers and Professional Advisers

Directors
Alison Goff, Group Chief Executive Officer
C.K. Lau, Executive Director, President
Andy Cumming*, Chairman
Jane Moriarty*, Vice Chair, Senior Independent Director
Ken Fund*
Mei Lan Lam*
Andrea Giunti Lombardo*

* Non-executive

Secretary
Michael Clarke

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* From 3 January 2023

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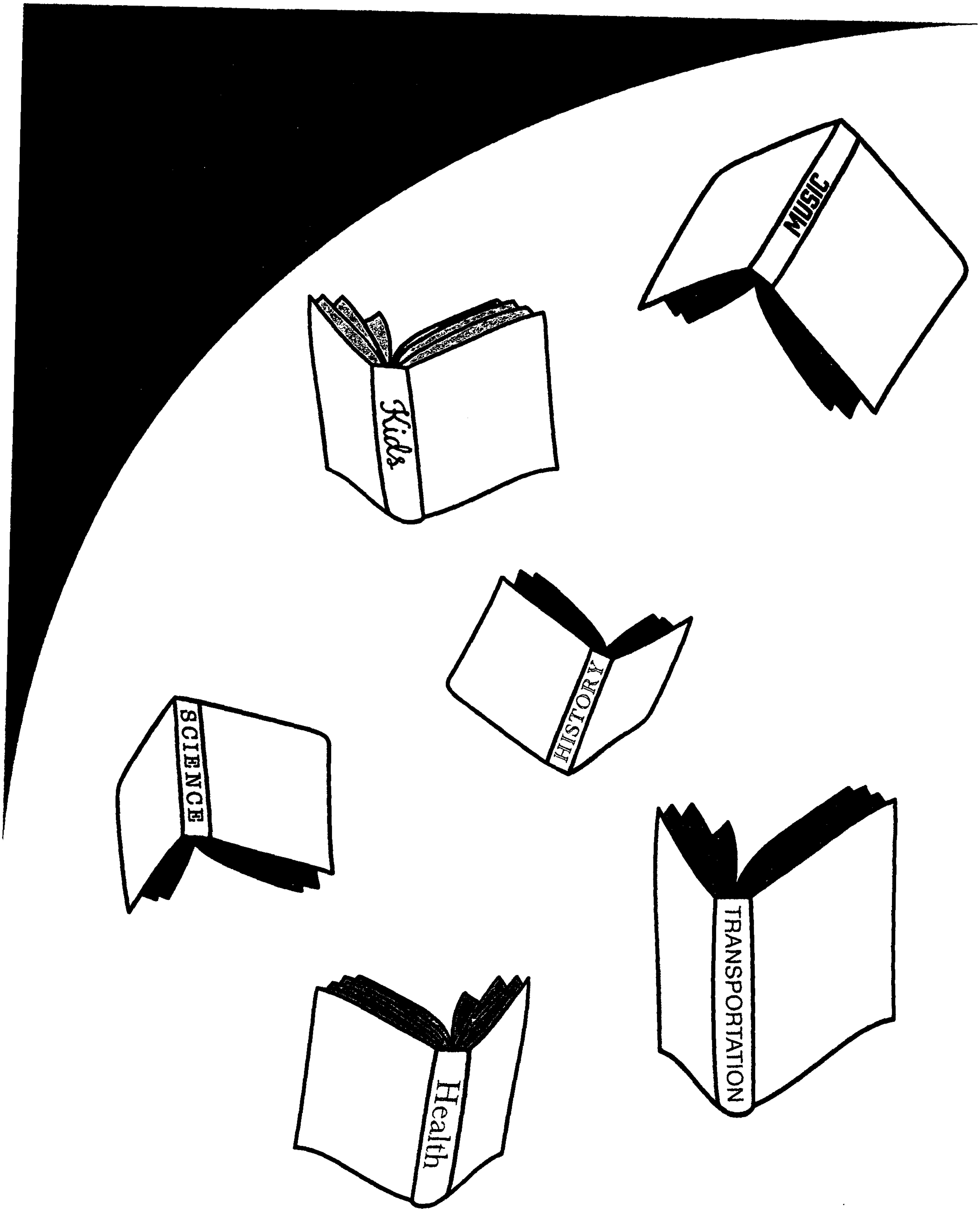
Company Registration Number
FC0 13814



Quarto

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