

FC 13814

Urgent letter
Sean
McBride

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all of your registered holding of shares of Common Stock of US\$0.10 each in The Quarto Group Inc. please send this document, the accompanying Form of Proxy and the enclosed Provisional Allotment Letter to the stockbroker, bank or other agent through whom the sale was effected for delivery to the purchaser.

FC 13814
THE QUARTO GROUP INC. ✓

(Incorporated with limited liability under the laws of the State of Delaware USA)

PROPOSED ACQUISITION OF

the magazines entitled

CONSTRUCTION INDUSTRY INTERNATIONAL

and

INTERNATIONAL MINING

and

RIGHTS ISSUE ON A 1 FOR 4 BASIS

of

1,900,937 SHARES OF COMMON STOCK OF PAR VALUE OF US\$0.10 EACH

at

136p PER SHARE

and

INTERIM ANNOUNCEMENT

[Signature]
A. Campbell by his
duly authorized
attorney
[Signature]

The Council of The Stock Exchange has granted permission to deal in the Unlisted Securities Market in the new Shares of Common Stock of US\$0.10 each proposed to be issued as described in this document. It is emphasised that no application will be made for these securities to be admitted to Listing.

Notice of a Special Meeting of The Quarto Group Inc. to be held at The Old Brewery, 6 Blundell Street, London, N7 9BH on 22nd October 1987 appears on page 16.



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TIMETABLE OF PRINCIPAL EVENTS

1987

Record date for the proposed Rights Issue	2nd October
Provisional Allotment Letters posted	6th October
Dealings in new Shares to commence, nil paid	7th October
Latest time for receipt of Forms of Proxy for Special Meeting	11.00 a.m. 20th October
Special Meeting	11.00 a.m. 22nd October
Latest time for splitting allotments, nil paid	3.00 p.m. 28th October
Latest time for acceptance and payment in full of allotments	3.00 p.m. 30th October
Latest time for splitting allotments, fully paid	3.00 p.m. 18th November
Latest time for registration of renunciations, fully paid	3.00 p.m. 20th November
Despatch of definitive share certificates	21st December

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Quarto" or "the Company"	The Quarto Group Inc.
"the Group"	The Company and its subsidiaries
"the Business"	The business of publishing the magazines entitled "Construction Industry International" and "International Mining" and all ancillary activities carried on in connection therewith.
"CII"	The magazine entitled "Construction Industry International."
"IM"	The magazine entitled "International Mining".
"the Magazines"	CII and IM.
"the Acquisition"	The acquisition of the Business.
"the Enlarged Group"	The Group and the Business.
"Share(s)"	Shares of Common Stock of US\$0.10 each in Quarto.
"new Shares"	The 1,900,937 shares of Common Stock of US\$0.10 each to be issued pursuant to the Rights Issue.
"Rights Issue"	The proposed issue by way of rights of 1,900,937 new Shares to shareholders of Quarto on the register at the close of business on 2nd October 1987 on a basis of 1 new Share for every 4 existing Shares at 136p per Share.
"book package publishing"	The creation and production of a book under contract with publishers worldwide who are licensed to distribute and publish the book.
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.

Directors

1) L.F. Orbach (Chairman and Chief Executive) (USA) ✓

2) R.J. Morley ✓

3) A.N. Campbell - 7/A

6th October 1987 ✓

Principal Place of Business

The Old Brewery

6 Blundell Street,

London N7 9BH

Dear Shareholder

PROPOSED ACQUISITION AND RIGHTS ISSUE
AND INTERIM ANNOUNCEMENT

INTRODUCTION

On 17th September 1987 we announced that Quarto had entered into a conditional agreement for the acquisition of two privately owned specialist technical magazines entitled "Construction Industry International" and "International Mining" for a consideration of approximately £1.5 million payable in cash on completion, which will be within 14 days of the Special Meeting. Due to its size the Acquisition is subject to the approval of shareholders in Special Meeting.

The Group proposes to raise approximately £2.5 million (net of expenses) by way of a Rights Issue of 1,900,937 new Shares at 136p per Share on a basis of 1 new Share for every 4 existing Shares. This will both finance the Acquisition and provide additional working capital for the Group.

Quarto is a London based international book package publisher whose activities include photographic processing, silkscreen printing, production services, gift kits and a consumer magazine. The Group's strategy has always been to build on its core business of international book package publishing and production services and to expand into related areas, by organic growth, start-ups and by acquisition.

In May of this year we announced the acquisition of Western Signcraft Limited, a company specialising in silk screen printing and sign writing. At the beginning of this month we acquired Bridgewater Associates, a well established design consultancy.

We launched our first magazine, "The Artist's and Illustrator's Magazine" in October 1986. This magazine, which is targeted at a specialist market, has within a year of its launch established itself as a market leader in the UK. We are currently considering expanding the Group's consumer magazine activity by introducing other highly targeted magazines.

The magazines "Construction Industry International" and "International Mining", also highly targeted, are trade and technical publications which, like our book titles, are distributed worldwide. The Acquisition will provide the Group with a strong base from which it can expand both by developing new publications and by acquiring other publications, whether consumer, trade or technical.

CURRENT TRADING

Set out in Part II of this document is the Interim Announcement for the Group for the six months ended 30th June 1987.

THE BUSINESS

The Business is owned by Stuart Elliott and was founded when CII was launched in 1975. The initial circulation was 15,000 copies per issue, which has grown steadily to the current level of 42,000 copies per issue. It is now the market leader with approximately 40 per cent of available advertising pages. CII covers all engineering aspects of the construction industry from roads and buildings to harbours and off-shore structures. 66 per cent of its readership is in the key contract market with a further 15 per cent in government organisations. There are two managing editors in London and an associate editor in the USA and a number of contributing editors worldwide who ensure up to date coverage of new and important developments in the industry.

IM was launched in 1984 and has a circulation of 28,000 copies per issue. It is also the market leader with approximately 32 per cent of available advertising pages. IM covers all aspects of hard rock and coal mining and deals with the full spectrum of exploration, mining and processing. It has two London based editors and a network of correspondents throughout the world.

The Magazines are published monthly from London and Singapore and are sent free of charge to readers in 187 countries. Their income is derived principally from advertising space sold in some 25 countries to manufacturing and service companies who wish to reach decision makers in what are two of the world's largest industries.

A large number of potential advertisers are multi national firms with interests in both the construction and mining industries. The Business is the only single publishing operation which is able to offer scope for advertising in the leading international publications in both industries.

Advertising space is sold through a global network of agents based in 18 sales offices, two in the UK, ten in North America, two in West Germany and one in each of Japan, the Netherlands, Australia and South Africa. Each sales office is close to a major manufacturing centre and enables the Business effectively to present its marketing package of quality, worldwide coverage and competitive pricing.

The Directors believe that both the construction and mining industries will continue to play a vital international role in future economic development and that there will be an ongoing international role for both CII and IM in bringing together the buyer and the manufacturer.

MANAGEMENT OF THE BUSINESS

The editorial, marketing and production teams responsible for the Magazines have been offered positions with the Group on completion of the Acquisition and Mr. Elliott will enter into a consultancy agreement with the Company for a two year period.

FINANCIAL INFORMATION

Unaudited financial information of the Business is set out in Part I. The adjusted pre-tax profit which represents the Directors best estimate of the future maintainable earnings of the Business for the year ended 31st July 1987 is £305,000. In the past there has been no statutory requirement for the Business to produce audited accounts. The Directors consider it to be impracticable to produce audited information for the purposes of this document.

TERMS OF THE RIGHTS ISSUE

Your Board has decided to offer 1,900,937 new Shares for subscription at 136p per share to shareholders on the register of members at the close of business on 2nd October 1987 on the following basis.

1 new Share for 4 existing Shares

The new Shares will, when fully paid, rank *pari passu* in all respects with existing Shares, save that they will not rank for the interim dividend of 1.5p gross declared in respect of the year ending 31st December 1987.

Fractional entitlements will not be allotted but will be aggregated and sold in the market for the benefit of those entitled thereto, save that amounts of less than £2 (after deducting expenses of sale) will be retained for the benefit of the Company.

The Laurence Orbach family trusts, R. Morley and A. Campbell will not be taking up their rights entitlements in full and accordingly arrangements will be made as soon as practical after dealings commence to place in the market through Capel-Cure Myers sufficient of their new Shares, nil paid, to enable them to finance the acquisition of the remainder of the new Shares to which they are entitled. It is estimated that following the Rights Issue the beneficial shareholdings of your Directors will represent approximately 57% of the enlarged issued share capital of the Company.

The Council of The Stock Exchange has granted permission to deal in the new Shares in the Unlisted Securities Market. It is emphasised that no application will be made for the new Shares to be admitted to Listing.

PROCEDURE FOR ACCEPTANCE AND PAYMENT

You will find enclosed a nil paid Provisional Allotment Letter in respect of the new Shares to which you are entitled under the Rights Issue.

Shareholders, or their renounees, who wish to take up their allotment of new Shares must lodge their Provisional Allotment Letters, accompanied by a remittance for the full amount payable on acceptance, in accordance with the instructions printed thereon, with Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 3.00 p.m. on 30th October 1987.

Cheques should be made payable to "Ravensbourne Registration Services Limited" and crossed "not negotiable A/C The Quarto Group Inc." It is a term of the Rights Issue that all cheques (which are liable to be presented on receipt) should be honoured on first presentation. All payments must be made in sterling drawn on a bank in the United Kingdom. Ravensbourne Registration Services Limited will accept Provisional Allotment Letters in respect of which valid subscriptions to the Rights Issue are received and return them to the persons entitled thereto as fully paid.

If you wish to subscribe to the Rights Issue in respect of part only of your allotment of new Shares or to dispose of all or part of your allotment, you should follow the instructions contained in the Provisional Allotment Letter.

The attention of overseas shareholders is drawn to paragraph 8 of Part III.

DEALINGS AND CERTIFICATES

It is expected that dealings in the new Shares, nil paid, will begin on 7th October 1987.

The Provisional Allotment Letters will be renounceable until 3.00 p.m. on 20th November 1987. It is expected that definitive share certificates in respect of the new Shares will be despatched by post on 21st December 1987.

PROCEDURE IN RESPECT OF RIGHTS NOT TAKEN UP

If payment in full has not been received by 3.00 p.m. on 30th October 1987 (whether from the original addressee or any person in whose favour the Provisional Allotment Letter has been renounced), the offer of new Shares contained in the nil paid Provisional Allotment Letter will be deemed to have been declined and will lapse. The new Shares not taken up by 3.00 p.m. on 30th October 1987 will be sold in the market not later than 3.00 p.m. on 3rd November 1987 if a premium over the subscription price and expenses of sale can be obtained. Any net proceeds (after deduction of the subscription price and such expenses) will be distributed *pro rata* among the persons originally entitled thereto, subject to a minimum payment of £2. Amounts of less than £2 will be retained for the benefit of the Company.

TAXATION

(a) Capital gains tax

For the purpose of UK taxation of capital gains:

- (i) Shareholders who take up all or part of their entitlement to new Shares will not be treated as making a disposal of all or part of their existing holdings of Shares;
- (ii) the amount of the subscription monies paid for the new Shares so taken up will constitute an addition to the base cost of the Shareholders' appropriate holdings of existing Shares;
- (iii) the provisions of the Finance Act 1982 concerning the indexation allowance in respect of capital gains may affect the computation of any chargeable gains on a disposal of Shares; and
- (iv) the sale or transfer by a Shareholder of all or part of the new Shares allotted to him or his rights thereto or allowing his rights to lapse and receiving a cash payment in respect thereof will constitute a disposal and the Shareholder may, depending on his circumstances, incur a liability to taxation.

(b) Stamp duty and stamp duty reserve tax

Your attention is drawn to the information on stamp duty and stamp duty reserve tax in paragraph 9 of Part III.

If you are in any doubt as to your tax position you should consult your professional adviser without delay.

SPECIAL MEETING

You will find set out on page 16 of this document a Notice of a Special Meeting of the Company to be held on 22nd October 1987, at the Old Brewery, 6 Blundell Street, London N7 9BH for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice.

Resolution 1 is proposed to approve the Acquisition.

Resolution 2 is proposed to increase the authorised share capital of the Company from US\$1,000,000 to US\$1,350,000 by the creation of an additional 3,500,000 Shares. This is being proposed in order to preserve a measure of flexibility in relation to any future issue of Shares. After allowing for the 1,900,937 new Shares to be issued pursuant to the Rights Issue and 700,000 Shares reserved for issue pursuant to the Company's share option schemes, 3,295,314 Shares will remain authorised but unissued representing 24.4 per cent of the enlarged share capital.

Shareholders are requested to complete the enclosed Form of Proxy and return it to the Company's Registrars, Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive no later than 11 a.m. on 20th October 1987.

The return of a Form of Proxy will not prevent a shareholder from attending the meeting and voting in person if he so wishes.

FURTHER ISSUES OF SHARES

No further issue of Shares will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in special meeting.

FURTHER INFORMATION

Your attention is drawn to Parts I, II and III which form part of this document.

Part I Unaudited financial information relating to the Business.

Part II Interim Announcement

Part III Additional information.

RECOMMENDATION

The Acquisition of the Magazines represents a further important event in the development of your Group. Your Directors believe that the proposed Acquisition, Rights Issue and increase in the share capital are in the best interests of the Company and its shareholders. Accordingly your Directors unanimously recommend shareholders to vote in favour of the Resolutions to be proposed at the Special Meeting. Your Directors intend to vote in favour of the Resolutions in respect of their own holdings representing in total 31.2 per cent of the present issued share capital of the Company. In addition the trustee of trusts created by the Chairman, holding in aggregate 2,784,559 Shares, representing 36.6 per cent of the present issued share capital of the Company, has irrevocably undertaken to vote in favour of the Resolutions.

Yours sincerely


L.F. Orbach
Chairman and Chief Executive

PART I

UNAUDITED FINANCIAL INFORMATION RELATING TO THE BUSINESS

The financial information set out below is based on the unaudited management information of the Business for the two years ended 31st July 1987 (the latest date for which figures are available). The figures included have been adjusted by the Directors so as to present on a proforma basis the results of the Business as if it had been run as part of the Group and reflect the Directors best estimate of the future maintainable earnings of the Business.

Profit and loss account for the two years ended 31st July 1987

	1986 £000	1987 £000
Turnover	1570	1409
Cost of sales	(832)	(719)
Gross profit	738	690
Distribution costs	(132)	(120)
Administrative expenses	(99)	(87)
Other operating expenses	(153)	(156)
Operating profit	354	327
Interest	(26)	(22)
Net profit before taxation	328	305

Net assets at 31st July 1987	£000	£000
Fixed assets		7
Current assets		
Work in progress	2	
Trade debtors	257	
Prepayments	3	
Cash at bank and in hand	154	
	416	
Current liabilities		
Trade creditors	173	
Accruals	8	
	181	
Net current assets		235
Net assets		242

NOTES TO THE FINANCIAL INFORMATION

Accounting Policies

The significant accounting policies that have been adopted in arriving at the financial information, which is presented under the historical cost basis of accounting, are set out below:

Turnover

Turnover represents the invoiced value of sales to third parties excluding Value Added Tax.

Depreciation

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

Motor vehicles:	25% straight line
Equipment, fixtures and fittings:	20% straight line

Work in Progress

Work in progress is valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value.

Foreign Currency

Revenue and expenditure in foreign currencies are translated into sterling at the actual exchange rates prevailing at the transaction date. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the balance sheet date.

PART II

INTERIM ANNOUNCEMENT

The following is the text of the unaudited Interim Announcement of The Quarto Group Inc., released on 24 October 1987, for the six months ended 30th June 1987.

Chairman's Statement

We are encouraged by the trading performance in the first half of 1987. Sales were only marginally ahead of the corresponding period last year reflecting a drop in turnover on the book packaging side and increased sales in other activities. The book publishing business is very seasonal, as we have noted in the past, the public continues to prefer to buy illustrated books in the second half of the year. In the early part of the year sales were soft in the U.K., picking up only in late spring but the acceleration has been rapid and we expect to deliver a record number of books this year. In the first half, few new titles were issued and this highlights both the seasonality of the business and the importance and solidity of Quarto's backlist, reprints of which produced the bulk of the turnover. Forward orders and new title output have never been higher, sales are buoyant and for the full year are expected comfortably to exceed those of 1986.

Western Signcraft, which joined the Group during this period, performed very well and production services in general made good gains. The Artist's and Illustrator's Magazine, launched towards the end of 1986, made moderate losses but has established itself as a market leader in its field both in circulation and in advertising revenues. The magazine is sponsoring a trade show and exhibition in July 1988 and virtually all exhibitor spaces have already been sold.

We look forward to the second half of 1987 with confidence. We are launching in the stores the first range of Quarto Concept gift kits. We have already announced the conditional acquisition of two trade and technical magazines — Construction Industry International and International Mining — for £1.5m which is being financed by the 1 for 4 rights issue being announced today. The balance of the rights issue of £1m will be used to finance further expansion and will enable the Group to respond rapidly to the development opportunities available.

Unaudited profit and loss accounts	Six months ended 30th June		Year ended 31st December
	1987 £000	1986 £000	1986 £000
Turnover	<u>4166</u>	<u>3969</u>	<u>9029</u>
Profit before taxation	<u>336</u>	<u>368</u>	<u>963</u>
Taxation	<u>110</u>	<u>130</u>	<u>357</u>
Profit after taxation	<u>226</u>	<u>238</u>	<u>606</u>
Minority interests	<u>25</u>	<u>12</u>	<u>32</u>
	<u>201</u>	<u>226</u>	<u>574</u>
Extraordinary item	<u>—</u>	<u>—</u>	<u>3</u>
	<u>201</u>	<u>226</u>	<u>571</u>
Dividend	<u>82</u>	<u>—</u>	<u>37</u>
Retained profit	<u>119</u>	<u>226</u>	<u>534</u>
Earnings per share	<u>2.7p</u>	<u>3.6p</u>	<u>8.9p</u>

Notes

1. The figures for the year ended 31st December 1986 have been adjusted to reflect the results of Western Signcraft Limited which has been merger accounted for.
2. The calculation of earnings per share is based on the weighted average number of shares in issue during the period, adjusted for the shares issued to the Vendors of Western Signcraft Limited.
3. The proposed dividend is 1.5p gross per Share and will be payable on 30th November 1987 to shareholders on the register of members on 22nd October 1987.

PART III

ADDITIONAL INFORMATION

1. Responsibility Statement

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to The Quarto Group Inc. its subsidiaries and the Business. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors accept responsibility accordingly.

2. Share Capital

(a)	Existing	Proposed		Existing	Proposed
	Attained	At issue		Issued and fully paid	
	US\$	US\$		US\$	US\$
	<u>1,000,000</u>	<u>1,350,000</u>	Shares of Common Stock of par value US\$0.10 each	<u>760,375</u>	<u>950,469</u>

(b) On 5th June 1987 the Company allotted 281,250 Shares to the vendors of Western Signcraft Limited in consideration for the acquisition of the whole of the issued share capital of that company. The Company has the option to satisfy a further consideration of up to £75,000 by the allotment of Shares at market price.

(c) On 2nd September 1987 the Company allotted 81,967 Shares to the vendor of Bridgewater Associates in part settlement of the consideration for the acquisition of Bridgewater Associates and issued 43,605 Shares for cash at £1.72 per share.

(d) Save as disclosed above and in the prospectus dated 5th November 1986 and apart from shares issued to subscribers on incorporation no share capital or loan capital of the Company or any of its subsidiaries has been issued within the two years immediately preceding the date of this document or is proposed to be issued, either for cash or otherwise, except as described herein.

(e) Save as disclosed above and apart from the issue in due course during a 10 year period of a maximum of 700,000 shares pursuant to the Stock Option Scheme and the Stock Option Plan approved by the Company on 25th October 1986 and apart from the issue of 1,900,937 new Shares as described in this document the Directors have no present intention of issuing any Shares.

3. Indebtedness

At the close of business on 31st August 1987 the Enlarged Group had outstanding loans of £356,794 (of which £315,009 was secured), secured bank overdrafts of £1,303,926 and hire purchase commitments of £118,239.

Save as aforesaid and apart from intra-group liabilities, neither The Quarto Group Inc. nor any of its subsidiaries nor the Business had at that date any loan capital (including term loans) outstanding, or created but unissued, or any borrowing or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or (save in the ordinary course of business) guarantees or other material contingent liabilities.

4. Directors' and Other Interests

(a) The interests in the Shares, prior to the Rights Issue, of the Directors and their respective families, all of which are beneficial, which would be required to be disclosed under the provisions of the Companies Act 1985 if the Company were subject to the provisions of that Act, are as follows:

	Number of Shares	Percentage
Laurence Orbach*	2,784,559	36.6
Robert Morley	1,526,510	20.0
Alastair Campbell	849,200	11.2

*The Shares in which Laurence Orbach is interested are registered in the names of his family trusts.

(b) Apart from the shareholdings specified in sub-paragraph (a) above, the Directors are not aware of any other shareholdings which represent 5 per cent or more of the Company's issued share capital.

(c) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company and its subsidiaries taken as a whole and, save as disclosed in the prospectus dated 5th November 1986, none of the Directors has or has had any interest, direct or indirect, in the promotion of, or in, any assets which have been within the two years preceding the date of this document, or which are proposed to be, acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

(d) No Director of the Company has or is proposed to have a service contract with any member of the Group except contracts previously made available for inspection and not subsequently varied.

(e) The aggregate emoluments of the Directors for the year ended 31st December 1986 were £182,000 and in the year ending 31st December 1987 are estimated to amount to £178,000.

5. Working Capital

The Directors of the Company are of the opinion that, taking into account the current bank balances and facilities available and the net proceeds of the Rights Issue receivable by the Company, the Enlarged Group will have sufficient working capital for its present requirements.

6. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years immediately preceding the date of publication of this document and are, or may be, material:

(a) an Agreement of Merger dated 12th October 1986 between (1) Quarto Ltd. and (2) the Company, pursuant to which Quarto Ltd. merged into the Company;

(b) Agreements dated 27th October 1986 whereby 498 Shares of Common Stock of no par value of the Company were issued to Robert Morley in exchange for 371 shares of Quarto Publishing plc and 227 Shares of Common Stock of no par value of the Company were issued to Alastair Campbell in exchange for 206 shares of Quarto Publishing plc;

(c) an Agreement dated 5th November 1986 between (1) the Company, (2) the Directors and (3) Capel-Cure Myers, whereunder Capel-Cure Myers agreed, conditionally on the Council of The Stock Exchange granting permission to deal in the Company's share capital (issued and to be issued) in the Unlisted Securities Market no later than 19th November 1986, to subscribe or purchase or procure subscribers or purchasers for a total of 1,739,130 Shares at a price of 115p per Share.

(d) an Agreement dated 8th May 1987 between (1) Frances Audrey Cox, Ronald John Edward Elkerton, Royston Gazzard, John Edward Brockwell and John William Whittock and (2) the Company for the acquisition of the whole of the issued share capital of Western Signcraft Limited.

(e) an Agreement dated 2nd September 1987 between (1) P.G. Bridgewater and (2) the Company for the acquisition of the business of Bridgewater Associates.

(f) an Agreement dated 16th September 1987 between (1) S.K. Elliott and (2) the Company for the acquisition of the magazines entitled "Construction Industry International" and "International Mining".

7. General

- (a) The Directors of the Company are not aware of any litigation proceedings pending or threatened against any member of the Group which may have or have had a material effect on the Group's financial position.
- (b) There has been no material change in the financial or trading position of the Group since 31st December 1986 or of the Business since 31st July 1987.
- (c) The financial information contained in this document does not amount to full accounts within the meaning of Section 254 of the Companies Act 1985.
- (d) The expenses of the acquisition of the Business and of the Rights Issue are estimated to amount to £100,000 (excluding VAT) and are payable by the Company.

8. Non-United Kingdom Shareholders

(a) Subject as mentioned below, the new Shares will after 21st December 1987 be transferable by delivery to the Registrars and Transfer Agents of the share certificate and a duly completed and stamped form of transfer.

(b) The new Shares have not been registered under the US Securities Act of 1933 (the "Securities Act") and in order to comply with the Securities Act the Company has prohibited prior to 30th October 1988 any offer, sale or other disposal of new Shares in North America (defined at (c) below) or to or for the benefit of any North American Person (defined at (c) below), and after that time will permit such offer, sale or other disposal only in sales (i) effected on The Stock Exchange in accordance with procedures approved by The Stock Exchange, (ii) following registration of the new Shares under the Securities Act, or (iii) pursuant to an exemption from the registration requirements of the Securities Act, evidenced by an opinion of counsel reasonably satisfactory to the Company and with its prior consent.

The procedures described below are intended to give effect to the above restrictions. Under these procedures, any person wishing to sell new Shares on The Stock Exchange in accordance with procedures of The Stock Exchange may do so at any time without any need to enquire as to the identity of the purchaser.

(c) In order to give effect to the restrictions imposed by the Company on the transfer of the new Shares, as described in (b) above:-

(i) every applicant for or renouncee of the new Shares and every other person applying for registration of the transfer of the new Shares prior to 30th October 1988 shall be required to make a declaration that:-

(A) he understands that the shares have not been registered under the Securities Act and may not be offered, sold, renounced or transferred directly or indirectly in North America or to or for the benefit of any North American Person at any time prior to 30th October 1988 and thereafter may not be so offered, sold, renounced or transferred except pursuant to the circumstances specified in sub-paragraph (b) above;

(B) he is not a North American Person; and

(C) he is not acquiring the shares for the account or the benefit of any North American Person or with a view to their offer, sale, renunciation or transfer in North America or to or for the benefit of any North American Person.

(ii) Certificates representing the new Shares will be endorsed with a legend to the above effect, which may in the Company's discretion be amended to reduce restrictions thereby imposed or be eliminated if the Company receives an opinion of counsel (satisfactory both as to content and counsel) that such action may be taken.

(iii) In the case of any transfer after 30th October 1988 other than pursuant to a transaction on The Stock Exchange in accordance with procedures of The Stock Exchange, the Registrars and Transfer Agents are required to refuse to register such transfer unless and until advised by the Company that such transfer complies with the restrictions imposed by the Company on the transfer of the new Shares as described in (b) above.

(d) Persons resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. All payments must be made in pounds sterling. In cases where overseas holders are unable to take up the new Shares allotted to them, the arrangements concerning new Shares not taken up will apply, as set out on page 7 in the section headed "Procedure in respect of rights not taken up". Except in a transaction which is exempt under the Securities Act, the new Shares may not be directly or indirectly sold in the United States or Canada, or to or for the benefit of a North American Person, during the distribution

contemplated by this document. Therefore, Provisional Allotment Letters will not be sent to any shareholder with a registered address in the United States or Canada or who is known by the Company to be a North American Person unless such shareholder satisfies the Company that an allotment is permitted under an exemption from the Securities Act. If a Provisional Allotment Letter is received by a North American Person, or the agent of a North American Person, he must not seek to take up his entitlement except pursuant to an express agreement with the Company, but may sell his rights outside the United States.

(e) (i) "North America" means the USA, its territories, possessions and all other areas subject to its jurisdiction and Canada, or any of them.

(ii) "North American Person" means any person who is a national or citizen or a resident or normally a resident of North America, the estate of any such person, any estate or trust the income of which is subject to North American income tax without regard to source, or any corporation, partnership or other entity created or organised in or under the laws of North America or any political subdivision thereof.

9. Stamp Duty and Stamp Duty Reserve Tax

The Company has been advised that:-

- (a) there will be no stamp duty or stamp duty reserve tax payable on the issue of Provisional Allotment Letters;
- (b) the purchase of rights to new Shares represented by a Provisional Allotment Letter on or before the last date for registration of renunciation will be liable to stamp duty reserve tax at the rate of 50p per £100 (or part thereof) of the actual consideration paid;
- (c) the transfer on sale of new Shares represented by a Provisional Allotment Letter after the last date for registration of renunciation will be subject to *ad valorem* stamp duty at the rate of 50p per £100 (or part thereof) of the actual consideration paid. An unconditional agreement to transfer such shares will be subject to stamp duty reserve tax at the same rate unless the agreement is completed within two months by a duly stamped transfer of all the shares in favour of the purchaser under the agreement; and
- (d) there will be no stamp duty or stamp duty reserve tax payable on the registration of renounced Provisional Allotment Letters.

10. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Travers Smith Braithwaite, 6 Snow Hill, London EC1A 2AL during usual business hours on any weekday (Saturdays and Public Holidays excepted) for a period of 14 days from the date hereof:

- (a) The Certificate of Incorporation and the By-Laws of the Company;
- (b) The material contracts referred to in paragraph 6 above;
- (c) The prospectus dated 5th November 1986 which sets out the proforma accounts of the Company for the two years ended 31st December 1985 and the audited accounts of the Company for the year ended 31st December 1986;
- (d) The Directors' service contracts as referred to in paragraph 4(d) above;
- (e) The rules of the Stock Option Scheme and the Stock Option Plan as referred to in paragraph 2(c) above

NOTICE OF SPECIAL MEETING

Notice is hereby given that a Special Meeting of The Quarto Group Inc. will be held on 22nd October 1987 at The Old Brewery, 6 Blundell Street, London, N7 9BH at 11.00 a.m. to consider and, if thought fit, pass the following Resolutions:

1. That the Agreement dated 16th September 1987 and made between (1) S.K. Elliott and (2) The Quarto Group Inc. for the acquisition of the magazines entitled "Construction Industry International" and "International Mining" and further particulars of which are set out in a circular letter to shareholders of the Company dated 6th October be and it is hereby approved subject to such modifications, not being material, as may be approved by the Directors and that the Directors be and they are hereby authorised to implement the same.
2. That the authorised share capital of the Company be increased to US\$1,350,000 by the creation of 3,500,000 new shares of Common Stock of US\$0.10 each.

By order of the Board
C.H. Bhote
Secretary

Principal Place of Business:
The Old Brewery
6 Blundell Street
London N7 9BH

Notes:

- (a) A holder of shares entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote thereat instead of him. A proxy need not also be a member.
- (b) A form of proxy is enclosed for your use which, to be effective, must be completed and returned in accordance with the instructions thereon to the registered office of the Company.

Disc: USA Magazines

THE QUARTO GROUP INCFORM OF PROXY

For the use at the Special Meeting to be held on 22nd October 1987.

I/We
(Please complete in block capitals including initials and surname of joint holders (if any))being (a) member(s) of the above named Company HEREBY APPOINT
(See note 1)..... or failing him the
Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Special Meeting of the Com-
pany to be held on 22nd October 1987, and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions set out as follows:

Resolution	For	Against
Resolution No. 1 To approve the Acquisition		
Resolution No. 2 To increase the share capital		

(Please indicate with an X how you wish your proxy to vote. If you do not indicate how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.)

Date Signature(s)

Notes:

1. A member may appoint one or more proxies of his own choice who need not be a member(s) of the Company, by inserting the name(s) in the space provided. If no name is inserted, the Chairman of the meeting will be your proxy.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register.
3. A Corporation's form of proxy must be executed under its common seal, or under the hand of its officer or agent, duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent duly authorised in writing.
4. This form of proxy, to be valid, must be lodged with the Registrar, Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not later than 11.00 am on 20th October 1987, together with any power of attorney or other authority (or a certified copy thereof) under which it is signed.

RNTEXT 1000 0095 21606 21035
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Do not affix Postage Stamps if posted in
Gt. Britain, Channel Islands, N. Ireland
or the Isle of Man.

BUSINESS REPLY SERVICE
Licence No. MB 122

WENSBORNE REGISTRATION SERVICES LIMITED
BOURNE HOUSE
34 BECKENHAM ROAD
BECKENHAM
KENT BR3 4BR

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Original file seen

FC 13814

SHAREHOLDERS SHOULD READ CAREFULLY THE CIRCULAR LETTER DATED 6th OCTOBER, 1987 BEFORE DECIDING WHETHER TO TAKE UP THEIR RIGHTS

THIS DOCUMENT IS OF VALUE AND IS NEGOTIABLE. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE OR IF YOU HAVE SOLD, OTHER THAN EX-RIGHTS, ALL OR PART OF YOUR EXISTING REGISTERED HOLDINGS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Application has been made to The Council of The Stock Exchange for permission to deal in the Company's new shares of common stock of par value US\$0.10 each (new shares) now being issued in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to the Official List.
Copies of this document accompanied by the circular letter dated 6th October 1987 have been delivered to the Registrar.

THE QUARTO GROUP INC.

(Incorporated with limited liability under the laws of the State of Delaware)

RIGHTS ISSUE OF 1,900,937 NEW SHARES OF COMMON STOCK OF PAR VALUE US\$0.10 EACH AT 136p PER SHARE PAYABLE IN FULL ON ACCEPTANCE NOT LATER THAN 3.00 p.m. ON FRIDAY, 30th OCTOBER, 1987

THIS DOCUMENT MUST BE PRESENTED ENTIRE WHEN PAYMENT IS MADE

To

Name of joint holders (if any)



(2) [Signature]
(1) [Signature]
(3) A. Campbell, his duly authorised attorney, for

PROVISIONAL ALLOTMENT LETTER

<p>Box 1</p> <p>Number of Shares registered in your name(s) at the close of business on 2nd October, 1987</p>	<p>Box 2</p> <p>Number of new Shares provisionally allotted to you</p>	<p>Box 3</p> <p>Amount payable to The Quarto Group Inc on acceptance of the new Shares to be received by Ravensbourne Registration Services Limited accompanied by this allotment letter not later than 3.00 p.m. on 30th October, 1987</p>	<p>Box 4</p> <p>Latest date for acceptance and payment in full (see Box 3)</p> <p>Latest time for:</p> <p>Splitting nil paid</p> <p>Splitting fully paid</p> <p>Registration of renunciation</p> <p>Share certificates despatched</p> <p>At Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Tel: 01-650 4860</p>
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Dear Sir or Madam,

PROVISIONAL ALLOTMENT—As stated in the circular letter dated 6th October, 1987 addressed to the shareholders of the Company, the Directors have now provisionally allotted to you, subject to the Certificate of Incorporation and By-laws of the Company, the number of new Shares set out in Box 2 above. You have the right to subscribe for these new Shares at a price of 136p per Share payable in full on acceptance not later than 3.00 p.m. on 30th October, 1987.

New Shares have been provisionally allotted to shareholders on the register at the close of business on 2nd October, 1987 on the basis of 1 new Share for every 4 existing Shares then held.

The new Shares will, when fully paid, rank par passu in all respects with the existing issued Shares except that they will not rank for the interim dividend of 10p per Share declared in respect of the year ending 31st December, 1987.

ACCEPTANCE AND PAYMENT—If you wish to take up all the new Shares provisionally allotted to you, this entire allotment letter, accompanied by a remittance for the amount shown in Box 3 above, must be lodged with Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 3.00 p.m. on 30th October, 1987. Such remittance when received will constitute acceptance of this allotment upon the terms of the above. This allotment letter will then be appropriately marked and returned to the person lodging it who, unless he is the original allottee, must complete the paying agent's box at the foot hereof before submission.

Cheques must be in pounds sterling drawn on a bank in the United Kingdom, made payable to "Ravensbourne Registration Services Limited" and crossed "Not negotiable a/c The Quarto Group Inc". No interest will be allowed on payments made before they are due. Persons resident in overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their new Shares.

If payment in full is not received by 3.00 p.m. on 30th October, 1987, this provisional allotment will be deemed to have been declined and will lapse. Any new Shares allotted by then together with the new remittance and the allotment letter will be returned to the person lodging it. If payment in full is received by 3.00 p.m. on 30th October, 1987, a new remittance and the allotment letter will be returned to the person lodging it.

Principal place of Birth
6th October, 1987

17. The X, Y and Z

17. The X, Y and Z

On the other hand, the results of the present study suggest that the use of a single, standardized, and validated questionnaire is a more reliable and valid method for assessing the prevalence of mental health problems in the general population.

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TAKE IT EASY—It's all about

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Students who report that research

After 21st December 1987

OFFICIAL USE ONLY

<p>Name and address of paying agent</p>	<p>RECEIPT Received the amount due on acceptance</p>	<p>The Quarto Group Inc Issue of new Shares</p>	<p>Payment due not later than 30th October, 1987</p>	<p>A/L No</p>	<p>New Shares allotted</p>
<p style="text-align: center;">CANCELED</p>					
<p>This document will be returned to the original allottee(s) unless this box is completed by the agent making payment</p>					

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NOTE—Surrender of this allotment letter with (a) the Form of Renunciation purporting to have been signed by the original allottee(s) or named "Personal only" allottee(s), and (b) where applicable with Forms Y and Z duly completed shall be conclusive evidence in favor of the Company and of Bancor Bancor Financial Services Limited of the right of those allottees named in the Application for Shares to receive the new Shares. The Company and Bancor Bancor Financial Services Limited do not intend to deal with the allottee and to receive any allotment Application Form relating to the new Shares comprised herein to be registered as the holder(s) thereof and of the right of the party or parties surrendering it to deal with the allottee and to receive any allotment letters and/or a share certificate as the case may be.

Form X Form of Renunciation

To the Directors of The Quanta Group Inc.,

(We hereby renounce my/our right to the new Shares specified in this letter in favour of the person(s) named in the Registration Application Form (Form Y) in relation to or including such new Shares.

**Please refer to the
instruction overleaf.**

Instruction overleaf.
In the case of joint holders ALL must sign.

**A Corporation must affix its
Common Seal.**

Dried

If you wish to split this allotment letter do not complete Form Y but attach a covering letter stating the denominations of the split allotment letters required. Forms of Renunciation on split allotment letters will be marked "Original duly renounced".

Instructions: Both Forms Y and Z must be completed by, or on behalf of the person(s) in whose name/for the new Shares are to be registered. These Forms should not be completed by the holder(s) named overleaf.

Form Y Registration Application Form

(A) Name(s) and address(es) of the person(s) in whose name(s) the new Shares are to be registered. BLOCK CAPITALS OR TYPE PLEASE.

1. Forename(s) (in full).....Surname.....
(State Mr., Mrs., Miss or Title)

2. Forename(s) (in full).....Surname.....
(State Mr., Mrs., Miss or Title)

3. Forename(s) (in full).....Surname.....
(State Mr., Mrs., Miss or Title)

4. Forename(s) (in full).....Surname.....
(State Mr, Mrs, Miss or Title)

**FULL POSTAL ADDRESS OF FIRST-NAMED HOLDER
(FOR FULL REGISTRATION DETAILS IF CORPORATE BODY)**

POSTCODE:

To the Directors of The Quarto Group Inc.

Registration is requested in the above names), subject to the Certificate of Incorporation and By-Laws of the Company, of the New Shares specified in this statement later and in the attached statement letters if and insofar as the conversion takes form, which New Shares total in number

*insert the total number of new Shares to be registered on each of the equal the number of new Shares specified outside of, if the central data listing form is used, the total entered in that form

181

Consolidation Listing form	
Serial number	Number of new Shares
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170	170

Serial number of principal allotment letter

equal the number of new shares issued under the consolidation listing form it used, the total entered in that form

(Full stamp or seal and address of the person lodging this form)

FORM Z The Quarto Group Inc.

Before completing this Form please refer to the Instructions above, Form Y and overleaf

Box 1 Full name and address of person to whom this Form Z should be returned.

Serial number of principal allotment letter

FOR USE IN RESPECT OF APPLICATION FOR REGISTRATION

Allotment letter(s) for

new Shares

is/are hereby lodged for registration of renunciation into the name(s) of the person(s) shown in Form Y, being:

Unless the stamp of
R a v e n s b o u r n e
Registration Services
Limited is impressed
here, renunciation will
not be recognised.

IN THE CASE OF REGISTRATION OF RENUNCIATION
THE CERTIFICATE WILL BE POSTED ON 21st DECEMBER, 1987
TO THE ADDRESS SHOWN IN BOX 1 AND IT WILL NOT BE
NECESSARY TO COMPLETE BOX 2 BELOW

Printed by Glenway Hargrave Limited, London E8 5E76

BOX 2

For use between 20th November, 1987 and
21st December, 1987

LODGED FOR CERTIFICATE BY

NAME

ADDRESS

DO NOT WRITE IN
THIS SPACE

THE QINTO GROUPING

FORM OF PROXY

For the use at the Special Meeting to be held on 22nd October 1987.

I/We
(Please complete in block capitals including initials and surname of joint holders (if any))

being (a) member(s) of the above named Company HEREBY APPOINT
(See note 1)

..... or failing him the
Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Special Meeting of the Com-
pany to be held on 22nd October 1987, and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions set out as follows:

Resolution	For	Against
Resolution No. 1 To approve the Acquisition		
Resolution No. 2 To increase the share capital		

(Please indicate with an X how you wish your proxy to vote. If you do not indicate how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.)

Date Signature(s)

Notes:

1. A member may appoint one or more proxies of his own choice who need not be a member(s) of the Company, by inserting the name(s) in the space provided. If no name is inserted, the Chairman of the meeting will be your proxy.
2. In the case of joint holders, the vote of the senior who renders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register.
3. A Corporation's form of proxy must be executed under its common seal, or under the hand of its officer or agent, duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent duly authorised in writing.
4. This form of proxy, to be valid, must be lodged with the Registrar, Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not later than 11 00 am on 20th October 1987, together with any power of attorney or other authority (or a certified copy thereof) under which it is signed.



[Handwritten signature]
A. Campbell, by his
duly authorised
attorney, *[Handwritten signature]*