RNS Half-year/Interim Report

Half-year Report

QUARTO GROUP INCORPORATED

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THE QUARTO GROUP, INC.
("Quarto" or the "Company" or the "Group")

Half-Year Results for the Six Months Ended 30 June 2020

The Quarto Group, Inc. (LSE: QRT), the leading global illustrated book publisher, announces its unaudited half-year results for the six months ended 30 June 2020.

Results ($m)	H1 2020	H1 2019
Group Revenue	46.9	56.4
Adjusted[2] Group Operating Loss	(1.8)	(0.9)
Group Operating Loss	(2.5)	(1.3)
Adjusted[2] Loss before Tax	(3.3)	(3.7)
Loss before Tax	(4.0)	(4.1)
Loss after Tax	(3.0)	(3.1)
Net Debt	36.6	65.0

1. All results relate to continuing operations.
2. Adjusted measures are stated before amortization of acquired intangibles of $0.3m and exceptional items of $0.4m.

Headlines

- Revenue down 17% at $46.9m as a result of the COVID-19 pandemic.
- Adjusted Operating loss up from $0.9m to $1.8m but lower interest costs led to a marginal reduction in pre-tax losses.
- Net debt reduced in last 12 months by $28.4m (44%) to $36.6m following successful completion of the Open Offer in January 2020, which raised $17.0m, together with strong operating cashflow generation.

Commenting on the results, Chief Executive, C.K. Lau said:

"The drop in revenue due to the COVID-19 pandemic, has led us to initiate a number of cost management initiatives to tightly manage our cash flow. In what is our seasonally weak first 6 months, we managed to limit our operating loss and significantly reduce our debt.

Quarto's business model was tested and proven to be resilient during the difficult lockdown period of the past few months. We expect the COVID-19 situation to continue to evolve and this prolonged uncertainty will create a challenging trading environment. Having said that, we remain focused on capturing all possible opportunities in the second half of the year, particularly in the run-up period to the holiday season.

The Board is continuing to work on returning the Group to full health, securing long term financing facilities and growing our business again in 2021 and beyond."

- ENDS -

The Legal Identifier of the Company is 549300BJ2WPX3QUATW58.

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The Quarto Group, Inc.
C K Lau, Chief Executive Officer +44 20 7700 9002
Michael Clarke, Company Secretary

About The Quarto Group

The Quarto Group (LSE: QRT) creates a wide variety of books and intellectual property products, with a mission to inspire life's experiences. Produced in many formats for adults, children and the whole family, our products are visually appealing, information rich and stimulating.

The Group encompasses a diverse portfolio of imprints and businesses that are creatively independent and expert in developing long-lasting content across specific niches of interest.

Quarto sells and distributes its products globally in over 50 countries and 40 languages, through a variety of sales channels, partnerships and routes to market.

Quarto employs c.330 talented people in the US and the UK. The group was founded in London in 1976. It is domiciled in the US and listed on the London Stock Exchange.

For more information, visit quarto.com or follow us on Twitter at @TheQuartoGroup.

GROUP CHIEF EXECUTIVE'S STATEMENT

SUMMARY

Despite our trading for the first six months of 2020 being affected by the COVID-19 pandemic, our financial position remains robust. Our business model has proved resilient to the disruption and our staff have adapted well to working remotely with the assistance of our efficient IT systems.

The Group's revenue was down year on year at $46.9m (H1 2019: $56.4m) as a result of many bookshops and retailers being closed for several months during the global lockdown.

The decrease in revenue was evenly spread across Children publishing and Adult publishing, with a 17% drop in both categories, in part as a result of Custom & Co-Edition deals being pushed to later in the financial year. However, the gross profit margin increased marginally to 22.7% (H1 2019: 22.0%).

During the pandemic, various government business support schemes and cost management initiatives cushioned the impact of COVID-19. The adjusted Group operating loss came in at $1.8m (H1 2019: $0.9m) in what is our seasonally weaker half year. The adjusted loss before tax was $3.3m (H1 2019: $3.7m), with the Group benefiting from lower interest charges as a result of the Open Offer and strong cash generation.

Net debt at 30 June 2020 was $36.6m (H1 2019: $65.0m), a significant decrease of $28.4m (44%) over the twelve-month period. Over half of this improvement is the debt reduction arising from the Open Offer ($17.0m) with the company also benefiting from strong operating cash flow from trading.

The book trade market remains soft in both the US and UK markets as consumer confidence takes time to recover. As a result, the Group expects the trading environment in the second half of the year to remain challenging.

OPERATING REVIEW

Revenue ($m)	**H1 2020**	**H1 2019**
United States	28.7	36.7
United Kingdom	6.4	7.6
Rest of the World	5.6	5.7
Europe	6.2	6.4
Total Revenue	46.9	56.4

Adjusted Operating Loss ($m)	**H1 2020**	**H1 2019**
US Publishing	(0.4)	1.3
UK Publishing	(0.6)	(1.5)
Group overhead	(0.8)	(0.7)
Total adjusted operating loss	(1.8)	(0.9)

Note: Revenue is shown by destination; Adjusted Operating Profit is shown by segment.

UK-based Frances Lincoln Children's Books imprint has thrived. "This Book is Anti-Racist" became a No 1 New York Times Bestseller and a USA Today Bestseller. And the "Little People, Big Dreams" series continues to inspire children with new bestsellers such as Martin Luther King, Jr. and David Attenborough.

In the US, several Adult imprints continue to do well. Race Point and Rock Point (based in our New York office) and Quarry Books (based in our Beverley office) have achieved higher revenue and contribution than the previous year. Cookery titles did particularly well during the COVID-19 lockdown with "Epic Air Fryer Cookbook" from Harvard Common Press and "Keto Simple" from Fair Winds Press selling particularly well.

Our custom and English language co-editions businesses have experienced a drop in sales as a consequence of our US-based customers showing caution in placing orders during the pandemic. However, our foreign language business remained resilient, with sales up 9% year on year. This is due to order timings, the adoption of new digital sales practices and the benefit of having comprehensive global sales coverage during the travel ban.

Trade sales outside of the US & UK were down 15% year on year, with sales in Canada particularly hard-hit due to a disrupted bookshop environment and logistics challenges.

We have continued to reduce overhead costs (9% lower) as a direct result of taking immediate cost management initiatives during the COVID-19 pandemic.

GOING CONCERN

At the time of preparing the annual report for the year ended 31 December 2019, in the early stages of the COVID-19 pandemic, the downside scenario projected for the current year indicated that some of the financial covenants would be breached, although the Group would remain within its banking facilities. At that time, the Directors were in discussions with its lenders which were perceived as being productive. On 26 June 2020, the Banking syndicate agreed a waiver of the group's financial covenants, except for the liquidity covenants, for the current financial year. Trading for the six months to 30 June 2020 has exceeded the expectations set out in the downside scenario. Taking these factors into account, the Directors continue to form a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The Group has committed facilities of $48m through to 31 July 2021. The Group has complied with its bank covenants and is budgeted to do so for the foreseeable future.

OUTLOOK

As the COVID-19 situation continues to evolve, the uncertainty it has caused has limited management's visibility on our trading performance in the second half of the year, particularly in the run-up period to the holiday season.

While the blanket lockdown that we saw in Q2 is unlikely to happen again, the partial shutdown in certain US states and the prolonged uncertainty of the pandemic will continue to have a negative impact on our trade and co-edition business.

That said, the Group has a plan in place to mitigate the short-term impact while growing the business for the long-term. We are confident that, with the support of our two major shareholders (the Lion Rock Group and the Giunti family), the Group will secure new financing to replace the current bank loan that is due for repayment in July 2021.

On the publishing front, we are sharpening our content strategy around 6 'best in class' hubs - Children, Gardening, Food & Drink, House & Home, Handicrafts, Arts & Crafts and Mind, Body & Spirit. We will focus on subjects where we do best, reduce imprint overlapping and increase our market share in these categories.

We are also putting in place a 'fast publishing' infrastructure that will enable our publishers to identify consumer trends and create relevant content quickly from our huge backlist library, and shorten the Go-to-Market time with the support of our printers and logistics suppliers. We believe that in a world of fake news and misinformation, there is a growing market for 'fast publishing' to provide authoritative and comprehensive information.

Last but not least, I would like to thank all the people of Quarto who have set an extraordinary example of professionalism and commitment during these unprecedented times.

C.K. Lau
Group Chief Executive Officer

THE QUARTO GROUP, INC.

Condensed Consolidated Income Statement
For the six months ended 30 June 2020

	Note	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited *Restated*	Year ended 31 December 2019 Audited
		$'000	**$'000**	**$'000**
Continuing operations				
Revenue	2	46,865	56,390	135,807
Cost of sales		(36,232)	(44,007)	(97,782)
Gross profit		10,633	12,383	38,025
Distribution costs		(2,937)	(3,525)	(7,527)
Impairment of financial assets		(696)	(195)	(853)
Administrative expenses		(8,753)	(9,578)	(19,641)
Operating (loss)/profit before amortisation of acquired intangibles and exceptional items		**(1,753)**	**(915)**	**10,004**
Amortisation of acquired intangibles		(323)	(408)	(811)
Exceptional items	3	(421)	-	(419)
Operating (loss)/profit	**2**	**(2,497)**	**(1,323)**	**8,774**
Finance income		-	9	9
Finance costs		(1,506)	(2,792)	(4,939)
(Loss)/profit before tax		**(4,003)**	**(4,106)**	**3,844**

(Loss)/profit before tax		(4,003)	(4,106)	3,844
Taxation	4	1,000	1,037	(962)
(Loss)/profit for the period		**(3,003)**	**(3,069)**	**2,882**
Attributable to:				
Owners of the parent		**(3,003)**	**(3,069)**	**2,882**
(Loss)/earnings per share (cents)				
From continuing operations				
Basic	5	(8.1)	(15.0)	14.1
Diluted	5	(8.1)	(15.0)	14.0
Adjusted basic	5	(6.6)	(13.5)	19.0
Adjusted diluted	5	(6.6)	(13.5)	18.8

THE QUARTO GROUP, INC.
Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2020

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited *Restated*	Year ended 31 December 2019 Audited
	$'000	**$'000**	**$'000**
(Loss)/profit for the period	(3,003)	(3,069)	2,882
Other comprehensive income which may be reclassified to profit or (loss)			
Foreign exchange translation differences	(1,923)	(119)	403
Cash flow hedge: (losses) arising during the period	-	(85)	(105)
Tax relating to items that may be reclassified to profit or loss	-	-	(162)
Total comprehensive (expense)/income for the period	(4,926)	(3,273)	3,018
Attributable to:			
Owners of the parent	(4,926)	(3,273)	3,018

THE QUARTO GROUP, INC.
Condensed Consolidated Balance Sheet

At 30 June 2020	Note	30 June 2020 Unaudited	30 June 2019 Unaudited *Restated*	31 December 2019 Audited
		$'000	**'$'000**	**$'000**
Non-current assets				
Goodwill		18,765	18,907	19,192
Other intangible assets		834	1,809	1,282
Property, plant and equipment		9,503	11,112	10,883
Intangible assets: Pre-publication costs		44,335	50,350	48,697
Deferred tax assets		3,331	3,900	3,331
Total non-current assets		76,768	86,078	83,385
Current assets				
Inventories		16,813	20,561	19,378
Trade and other receivables		35,506	42,084	46,397
Derivative financial instruments		-	20	-
Cash and cash equivalents	6	11,547	7,694	15,621
Total current assets		63,866	70,359	81,396
Total assets		**140,634**	**156,437**	**164,781**
Current liabilities				
Short term borrowings	6	(5,000)	(7,500)	(66,077)
Trade and other payables		(41,482)	(47,465)	(57,381)
Lease liabilities		(1,839)	(1,863)	(1,937)
Tax payable		(1,718)	(3,018)	(2,831)
Total current liabilities		(50,039)	(59,846)	(128,226)

Non-current liabilities				
Medium and long-term borrowings	6	(43,181)	(65,156)	-
Deferred tax liabilities		(6,808)	(7,540)	(7,139)
Tax payable		(441)	(541)	(433)
Lease liabilities		(6,995)	(7,995)	(7,929)
Other payables		-	(584)	-
Total non-current liabilities		(57,425)	(81,816)	(15,501)
Total liabilities		**(107,464)**	**(141,662)**	**(143,727)**
Net assets		**33,170**	**14,775**	**21,054**
Equity				
Share capital		4,090	2,045	2,045
Paid in surplus		48,701	33,764	33,764
Retained profit and other reserves		(19,621)	(21,034)	(14,755)
Total equity		**33,170**	**14,775**	**21,054**

THE QUARTO GROUP, INC.
Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2020

	Share capital $000	Paid in surplus $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	**Equity attributable to owners of the parent $000**
Balance at 1 January 2019 as previously stated	**2,045**	**33,764**	**105**	**(6,989)**	**(7,807)**	**21,118**
Prior year adjustment (Note 1)	-	-	-	-	(3,130)	**(3,130)**
Balance at 1 January 2019	**2,045**	**33,764**	**105**	**(6,989)**	**(10,937)**	**17,988**
Loss for the period	-	-	-	-	(3,069)	**(3,069)**
Foreign exchange translation differences	-	-	-	(119)	-	**(119)**
Cash flow hedge: profits arising during the period	-	-	(85)	-	-	**(85)**
Total comprehensive (expense)/income for the period	-	-	(85)	(119)	(3,069)	**(3,273)**
Share based payment charge	-	-	-	-	60	**60**
Transactions with owners	**-**	**-**	**-**	**-**	**60**	**60**
Balance at 30 June 2019	**2,045**	**33,764**	**20**	**(7,108)**	**(13,946)**	**14,775**
Balance at 1 January 2020	**2,045**	**33,764**	**-**	**(6,748)**	**(8,007)**	**21,054**
Loss for the period	-	-	-	-	(3,003)	**(3,003)**
Foreign exchange translation differences	-	-	-	(1,923)	-	**(1,923)**
Cash flow hedge: losses arising during the period	-	-	-	-	-	**-**
Total comprehensive (expense) for the period	**-**	**-**	**-**	**(1,923)**	**(3,003)**	**(4,926)**
Share capital raised net of expenses	2,045	14,937	-	-	-	**16,982**
Share based payment charge	-	-	-	-	60	**60**
Transactions with owners	**2,045**	**14,937**	**-**	**-**	**60**	**17,042**
Balance at 30 June 2020	**4,090**	**48,701**	**-**	**(8,671)**	**(10,950)**	**33,170**

THE QUARTO GROUP, INC.
Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Share capital $000	Paid in surplus $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	**Equity attributable to owners of the parent $000**
Balance at 1 January 2019 (restated)	**2,045**	**33,764**	**105**	**(6,989)**	**(10,937)**	**17,988**
Profit for the year	-	-	-	-	2,882	**2,882**
Foreign exchange translation differences	-	-	-	403	-	**403**
Cash flow hedge: losses arising during the year	-	-	(105)	-	-	**(105)**
Tax relating to items that may be reclassified to profit or loss	-	-	-	(162)	-	**(162)**
Total comprehensive income for the year	-	-	(105)	241	2,882	**3,018**
Share based payment charge	-	-	-	-	48	**48**
Transactions with owners	-	-	-	-	48	**48**
Balance at 31 December 2019	**2,045**	**33,764**	**-**	**(6,748)**	**(8,007)**	**21,054**

THE QUARTO GROUP, INC.
Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2020

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited *Restated*	Year ended 31 December 2019 Audited
	$'000	**$'000**	**$'000**
(Loss)/profit for the period	(3,003)	(3,069)	2,882
Adjustments for:			
Net finance costs	1,506	2,783	4,930
Depreciation of property, plant and equipment	1,062	1,089	2,127
Software amortisation	123	151	276
Tax (credit)/charge	(1,000)	(1,037)	962
Share based payments	60	60	48
Amortisation and amounts written off acquired intangibles	323	408	811
Amortisation and amounts written off pre-publication costs	13,084	13,764	28,694
Operating cash flows before movements in working capital	12,155	14,149	40,730
Decrease in inventories	2,204	1,734	3,157
Decrease in receivables	9,672	12,317	8,961
(Decrease) in payables	(15,591)	(15,475)	(8,896)
Cash generated by operations	8,440	12,725	43,952
Income taxes paid	(65)	(385)	(2,650)
Net cash from operating activities	8,375	12,340	41,302
Investing activities			
Interest received	--	9	9
Investment in pre-publication costs	(10,307)	(11,940)	(23,786)
Purchases of property, plant and equipment	(11)	(75)	(138)

Purchases of property, plant and equipment	[illegible]	[illegible]	[illegible]
Acquisition of subsidiaries	-	-	(1,250)
Net cash received/(used) in investing activities	(10,317)	(12,006)	(25,165)
Financing activities			
Interest payments	(819)	(2,341)	(3,709)
Lease payments	(954)	(721)	(1,882)
External loans repaid	(21,626)	(6,923)	(12,417)
External loans drawn	4,501	1,997	1,963
Share capital issued	16,982	-	
Net cash used in financing activities	(1,917)	(7,988)	(16,045)
Net (decrease)/increase in cash and cash equivalents	(3,859)	(7,654)	92
Cash and cash equivalents at beginning of period	15,621	15,384	15,384
Foreign currency exchange differences on cash and cash equivalents	(215)	(36)	145
Cash and cash equivalents at end of period	11,547	7,694	15,621

THE QUARTO GROUP, INC.
Notes to the condensed financial statements

1. Interim Statement

These interim consolidated financial statements are for the half year to 30 June 2020. They were approved by the board 27 July 2020. These results are unaudited and have not been reviewed by the Group's auditor. The comparative figures for the six months to 30 June 2019 were unaudited and derived from the interim financial statements for that period.

The information for the year ended 31 December 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified but did include a reference to material uncertainty in relation to going concern for which the auditor drew attention, without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation
These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Going Concern
At the time of preparing the annual report for the year ended 31 December 2019, in the early stages of the COVID-19 pandemic, the downside scenario projected for the current year indicated that some of the financial covenants would be breached, although the Group would remain within its banking facilities. At that time, the Directors were in discussions with its lenders which were perceived as being productive. On 26 June 2020, the Banking syndicate agreed a waiver of the group's financial covenants, except for the liquidity covenants, for the current financial year. Trading for the six months to 30 June 2020 has exceeded the expectations set out in the downside scenario. Taking these factors into account, the Directors continue to form a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The Group has committed facilities of $48m through to 31 July 2021. The Group has complied with its bank covenants and is budgeted to do so for the foreseeable future.

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

Restatement of prior period results
In the process of finalising the Group's results for the year ended 31 December 2019, there was a reinterpretation of the directly attributable costs and overheads that should be capitalised under IAS 38, as pre-publication costs; in the past, an element of overheads relating to indirect costs were capitalised which represents an error. The Directors accept responsibility for the error in their interpretation of IAS38 and the treatment of indirect overhead costs. This interpretation first introduced in 2005 had not been challenged or commented on, by any of the Company's auditors in the intervening years. The Companies previous auditors include Grant Thornton (2017-2019), Deloitte (2014-2016), Grant Thornton (2007-2013) and RSM (2006).

As a result of the above, the results for the period ended 30 June 2019 have been restated.

The impact on the Condensed Consolidated Income Statement was to reduce cost of sales by $275,000 and to reduce the taxation credit by $58,000.

The impact on the Condensed Consolidated Balance Sheet at 30 June 2019 is:

	Reported $000	Adjustment $000	Restated $000
Pre-publication costs	54,110	(3,760)	50,350
Tax payable	(2,960)	(58)	(3,018)
Deferred tax liabilities	(8,445)	905	(7,995)
Impact on net assets	17,688	(2,913)	14,775
Impact on total equity	17,688	(2,913)	14,775

The impact on the Condensed Consolidated Cash Flow Statement was to reduce investment in pre-publication costs by $995,000 and reduce amortisation and amounts written off pre-publication costs by $1,270,000.

THE QUARTO GROUP, INC.
Notes to the condensed financial statement

2. Segmental analysis

Six months to 30 June 2020	US Publishing	UK Publishing	Total
	$000	$000	$000
Revenue	**24,989**	**21,876**	**46,865**
Operating loss before amortisation of acquired intangibles and exceptional items	**(439)**	**(551)**	**(990)**
Amortisation of acquired intangibles	(285)	(38)	(323)
Segment result	**(724)**	**(589)**	**(1,313)**
Unallocated corporate expenses			(763)
Exceptional items			(421)
Operating loss			**(2,497)**
Finance costs			(1,506)
Loss before tax			**(4,003)**
Tax credit			1,000
Loss after tax			**(3,003)**

Six months to 30 June 2019 (*Restated*)	US Publishing	UK Publishing	Total
	$000	$000	$000
Revenue	**32,921**	**23,469**	**56,390**
Operating profit/loss before amortisation of acquired intangibles and exceptional items	**1,301**	**(1,520)**	**(219)**
Amortisation of acquired intangibles	(285)	(123)	(408)
Segment result	**1,016**	**(1,643)**	**(627)**
Unallocated corporate expenses			(696)
Operating loss			**(1,323)**
Finance costs			(2,783)
Loss before tax			**(4,106)**
Tax credit			1,037
Loss after tax			**(3,069)**

Year ended 31 December 2019	US Publishing	UK Publishing	Total
	$000	$000	$000
Revenue	**71,488**	**64,319**	**135,807**
Operating profit before amortisation of acquired intangibles and exceptional items	**4,511**	**6,540**	**11,051**
Amortisation of acquired intangibles	(570)	(241)	(811)
Segment result	**3,941**	**6,299**	**10,240**
Unallocated corporate expenses			(1,047)
Corporate exceptional items			(419)
Operating profit			**8,774**
Finance income			9
Finance costs			(4,939)
Profit before tax			**3,844**
Tax			(962)
Profit after tax			**2,882**

THE QUARTO GROUP, INC.
Notes to the condensed financial statements

2. Segmental analysis (continued)

Geographical revenue

The Group generates its revenue in the following geographical areas:

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	$'000	**$'000**	**$'000**
United States	28,713	36,749	80,131
United Kingdom	6,349	7,595	19,193
Europe	6,233	6,374	21,392
Rest of the World	5,570	5,672	15,091
Total	**46,865**	**56,390**	**135,807**

3. Exceptional items

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	$'000	**$'000**	**$'000**

Exceptional items comprised:			
Restructuring costs	228	-	-
Refinancing costs	193	-	387
Aborted corporate transaction costs	-	-	32
Total	**421**	**-**	**419**

4. Taxation

Taxation for the six months to 30 June 2020 is based on the Group estimated underlying tax rate for the year.

THE QUARTO GROUP, INC.
Notes to the condensed financial statements

5. Earnings per share

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited *Restated*	Year ended 31 December 2019 Audited
	$'000	**$'000**	**$'000**
From continuing operations			
(Loss)/profit for the purposes of basic and diluted earnings per share, being net (loss)/profit attributable to owners of the parent	(3,003)	(3,069)	2,882
Amortisation of acquired intangibles (net of tax)	242	306	654
Exceptional items (net of tax)	316	-	339
(Loss)/earnings for the purposes of adjusted earnings per share	(2,445)	(2,763)	3,875

	Number	**Number**	**Number**
Weighted average number of shares	37,069,606	20,444,450	20,444,450
Dilutive outstanding options awards	157,659	250,957	171,597
Diluted weighted average number of shares	37,227,265	20,695,407	20,616,147

(Loss)/earnings per share (cents)	**Cents**	**Cents**	**Cents**
From continuing operations			
Basic	(8.1)	(15.0)	14.1
Diluted	(8.1)	(15.0)	14.0
Adjusted basic	(6.6)	(13.5)	19.0
Adjusted diluted	(6.6)	(13.5)	18.8

6. Net debt

	30 June 2020 Unaudited	30 June 2019 Unaudited	31 December 19 Audited
	$'000	**$'000**	**$'000**
Net debt comprised:			
Cash and cash equivalents	11,547	7,694	15,621
Short term borrowings	(5,000)	(7,500)	(66,077)
Medium and long-term borrowings	(43,181)	(65,156)	-
Net debt	**(36,634)**	**(64,962)**	**(50,456)**

At 30 June 2020, the Group has a $33m syndicated facility, comprising a term loan and revolving credit facility. These facilities expire on 31 July 2021 and are subject to covenants, which were all met in the current period. In addition, the Group has $13.0m of loans with related parties, repayable on 31 July 2021, and a $2.0m overdraft facility.

7. Principal risks and uncertainties facing the Group

There have been no changes to the principal risks and uncertainties facing the Group since the year-end. These are disclosed on pages 15 to 17 of the 2019 Annual Report.

THE QUARTO GROUP, INC.
Notes to the condensed financial statements

8. Financial instruments

There are no material differences between the fair value of financial instruments and their carrying value.

9. Management Statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

(b) the interim management report includes a fair review of the information required by DTR 4.27R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.28R (disclosure of related party transactions and changes therein).

By the order of the board

Chuk Kin Lau Chief Executive Officer	Andrew Cumming Chairman
27 July 2020	27 July 2020

END

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