THE QUARTO GROUP INC

(“Quarto” or the “Company” or the “Group”)

Final Results for the Year Ended 31 December 2014

The Quarto Group, Inc. (LSE: QRT), the leading global illustrated book publisher and distribution group announces its final unaudited results for the year ended 31 December 2014.

Financial Highlights

- Revenues from underlying operations up 2% to $172.6m (2013: $169.2m)
- Adjusted[1] Group Operating Profit up 10% to $15.4m (2013: $14.0m)
- Adjusted[2] Profit Before Tax up 26% to $12.1m (2013: $9.6m)
- Profit Before Tax up 112% to $12.2m (2013: $5.8m)
- Adjusted[3] Earnings per Share of 27.2p up 12% (2013: 24.2p)
- Net debt reduced by 7% to $66.0m (2013: $71.0m)
- Proposed final dividend of 4.95p, making the total dividend for the year 8.3p up 5% (2013: 7.9p).

Operational Highlights

- Adjusted[1] operating profit growth in International Co-Editions and UK publishing; resilient comeback by US publishing in second half
- Publishing operating margins up to 12.3% (2013: 11.3%)
- Children’s publishing revenues up over 17% with both organic and acquisitive growth
- Foreign Rights revenues up 10% from 2013 and 24% in Children’s publishing
- Books & Gifts Direct stabilised and moving forward as a unified business

Commenting on the results, Chief Executive Officer, Marcus Leaver said:

“In 2014, Quarto started to deliver on its potential following a year of tactical reorganisation. The business has been simplified and focussed and is beginning to deliver on its strategic priorities. The second half of the year was strong and this has given us momentum into 2015.”

Chairman, Tim Chadwick added:

“We have made good progress in 2014 continuing the changes made in 2013 and we have delivered further debt reduction and earnings growth. This was achieved against some challenging circumstances in certain markets and channels, particularly in the first half of the year. However, Quarto remains a robust and cash generative enterprise. Our experience and proven business model in creating and selling illustrated books combine to drive the company ahead.”

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[1] Adjusted Operating Profit is before amortization of acquired intangibles and exceptional items
[2] Adjusted Profit Before Tax is before amortization of acquired intangibles and exceptional items
[3] Adjusted Earnings per Share is before amortization of acquired intangibles and exceptional items

About The Quarto Group

The Quarto Group (LSE: QRT) is the leading global illustrated book publisher and distribution group and is listed on the London Stock Exchange. Quarto employs about 400 talented and creative people in four distinct but complementary businesses – Quarto International Co-editions Group; Quarto Publishing Group USA; Quarto Publishing Group UK and Books & Gifts Direct, Australia & NZ.

The Group is well positioned in resilient segments of book publishing with rich reserves of Intellectual Property. Quarto is uniquely positioned for growth as the industry adapts to new means of marketing, sales and routes to market. The Group's headquarters are in London where the Company was founded in 1976.

CHAIRMAN'S STATEMENT

We have made good progress in 2014 continuing the changes made in 2013 and we have delivered further debt reduction and earnings growth. This was achieved against some challenging circumstances in certain markets and channels, particularly in the first half of the year. However, Quarto remains a robust and cash generative enterprise. Our experience and proven business model in creating and selling illustrated books combine to drive the company ahead.

Board

We welcomed Christopher Mills to the board as non-executive director in October 2014. Christopher is the principal of Harwood Capital, our largest shareholder. He replaced Max Lesser who had served on the board since March 2013.

Corporate Governance

While the business has made further progress in meeting best practice guidelines for a fully listed company and UK plc, the Board feels the cost of moving the domicile from Delaware to the UK outweighs the benefits.

We were pleased to have made the transition during the course of the year to trading shares as depository interests in CREST under the ticker QRT.

Exceptional Items

Following the Board's decision, as stated in the 2013 Annual Report, exceptional items are now those that the Board consider truly exceptional, being significant, non-trading and one-off in nature. Historically, exceptional items included certain types of operational expenses. The prior years have been restated to reflect the revised approach.

Dividend

Notwithstanding our continued focus on debt reduction, the Board is pleased to recommend a final dividend of 4.95p per share, making the total dividend for the year of 8.3p, a 5% increase over last year, giving dividend cover, based on Adjusted Earnings per Share of 27.2p (2013: 24.2p) of 3.3 times (2013: 3.1 times).

People

Our people at Quarto show restless creativity and resolute innovation everyday. Coupled with our tenacious sales and marketing efforts, the results this year are testament to the success these approaches bring about.

On behalf of the Board, I would like to thank all of our people in all of our businesses around the world for their continued hard work and commitment.

Timothy J. M. Chadwick
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

SUMMARY

In 2014, Quarto started to deliver on its potential following a year of tactical reorganisation. The business has been simplified and focussed and is beginning to deliver on its strategic priorities. The second half of the year was strong and this has given us momentum into 2015.

Revenue from underlying operations was up by 2%. Adjusted Group Operating Profit was up 10% and with interest payments falling by 27%, adjusted Group Profit Before Tax is up 26% against prior year**.** Our publishing businesses have improved their adjusted operating margins to 12.3% from 11.3% in the prior year. This has been achieved through better operational leverage and cost control.

This solid performance was delivered despite 2014 being a challenging year in many respects for different reasons either by channel, as in the US where a large wholesaler went out of business early in the year, or by market, such as New Zealand, where the merger of our two businesses in the North Island took longer than we would have wished.

Our new operational structure put in place in 2013 has allowed us to deal with these issues quickly and effectively, with newly found agility. During the year, we achieved a rebrand at minimal cost of our publishing businesses to Quarto, which was welcomed by a number of our customers. This has helped to reinforce the Quarto ethos of being a content driven company where the creative independence of each imprint is fundamental while showing that 'new' Quarto has operational, marketing and sales interdependency. So while we continue to make investments in the publishing programme that drive future profitability in the portfolio, we have also united, for example, all our sales and marketing efforts in Australia and New Zealand through one distributor, Allen & Unwin Group. This initiative follows on from the launch of Quarto Editora in Brazil, our joint venture with Grupo Nobel. The next step in this global marketing and sales collaboration will be the launch in Q2 2015 of www.QuartoKnows.com that will group all our websites, blogs and social media under one digital hub and e-commerce platform, by category of books we publish.

We have continued to implement the Strategic Review, first started in early 2013, and as such have sold a property in Switzerland, bought out the minority shareholder in Book Sales and bought the North Island New Zealand franchise of Lifetime which allowed us to merge Lifetime and Premier to form Books & Gifts Direct, a customer focussed proposition. Partly owing to the above, and also the new initiatives in the publishing programmes this year, debt has gone down by 7% or $5m that includes the $1.8m from the sale of the Swiss property to $66m. The debt reduction is less than we would have liked but the Board is confident that the investments in intellectual property and other initiatives undertaken during 2014 will benefit the Group's net debt position during 2015 and beyond. Post-period end, we have successfully re-financed our debt for a four-year term with four of the existing banks in the syndicate at improved terms.

Our people have been key to the resilience we have shown, changes we have made and performance of the Company. We have made strong additions to the team, promoted internally where possible and regretfully said 'goodbye' to some. I am grateful to each and every one of them for their commitment as well as our entire ecosystem of partners and network of suppliers.

Quarto made steady progress in 2014 despite a challenging first half to the year. We shall develop further as a business in 2015 by continuing to expand our reach in channel, territory and format. We are well–positioned to grow organically, capitalising on our strengths, making long-lasting, information-rich books and selling them in as many languages and channels as possible – our investment in intellectual property will continue. We shall also develop the business by acquisition, taking advantage of opportunities that support the long-term growth of our business around the world.

DIVISIONAL REVIEW

Quarto International Co-Editions (QIC)

Revenue	**$42.7m**	**(2013: $40.4m)**
Adjusted Operating Profit	**$6.1m**	**(2013: $4.5m)**
Backlist sales % of sales	**68%**	**(2013: 74%)**
Intellectual Property Development Spend	**$14.6m**	**(2013: $13.5m)**

Sales By Territory
2014 – US – 31%; Eu – 34%; UK – 18%; ANZ – 9%; RoW – 8%
2013 – US – 36%; Eu – 36%; UK – 13%; ANZ – 7%; RoW – 8%

2014 has been a good year for QIC with a healthy growth in revenue of 6%, and adjusted operating profit of 36%. Not being a stockholding business, with consequent speed to market being quicker, the significant changes we made in 2013 have quickly gained traction.

English language revenues were robust again in 2014 with the UK and ANZ particularly strong. The US showed strength in both new title purchases and reprints. Europe held steady, particularly in Northern and Western Europe, with softness in Eastern Europe, Latin America and the Far East.

In this business, we have a very good team of publishers, with imprints, based either in London or Brighton, who make creative, highly illustrated non-fiction books. The medium-term visibility is dependable for this business with some potential upside as we continue to apply our expertise in creative ways to books, expanding our children's book offering, and increasingly, related products, gifts and stationery.

Post period acquisition

In February 2015, the Group acquired Lewes Holdings Ltd, the owner of Ivy Press and its imprints, the worldwide co-edition business renowned for its high-quality editorial, design and production values. With the addition of ***Ivy***, the founding business around which the Group was formed is without doubt the market leader.

Quarto Publishing Group USA (QUS)

Revenue	**$64.1m**	**(2013: $64.4m)**
Adjusted Operating Profit	**$6.6m**	**(2013: $7.2m)**
Backlist sales % of sales	**70%**	**(2013: 74%)**
Inventory % of sales	**19%**	**(2013: 16%)**
At a turn of	**1.9x**	**(2013: 2.4x)**
Intellectual Property Development Spend	**$14.8m**	**(2013: $13.4m)**

2014 has been a challenging year for the US-based imprints with the closure of a wholesaler into two speciality accounts, Lowe's and Tractor Supply. But the management team has shown resilience to manage that disruption and resulting channel flux, finishing the year with a decent result in the circumstances, down less than 1% in revenue and 8% in adjusted operating profit, largely the $0.5m loss resulting from the closure of a wholesaler referred to above.

Now that the operational changes from 2013 have settled down and some of the new publishing programme initiatives have begun to take shape, we go into 2015 with a focussed business plan to execute, free from distractions.

The medium term view is positive as we continue to focus on the niche markets into which we publish and distribute, with the direct relationships with Lowe's and Tractor Supply now underpinning that strategy.

Quarto Publishing Group UK (QUK)

Revenue	**$21.5m**	**(2013: $20.8m)**
Adjusted Operating Profit	**$3.1m**	**(2013: $2.5m)**
Backlist sales % of sales	**54%**	**(2013: 59%)**
Inventory % of sales	**19%**	**(2013: 20%)**
At a turn of	**1.4x**	**(2013: 1.3x)**
Intellectual Property Development Spend	**$4.2m**	**(2013: $4.8m)**

2014 has been a sound year for our UK-based imprints as new management, appointed September 2013, has presided over its first full year with revenue growth of 3% and adjusted operating profit growth of 24% after much restructure and change in 2013**.**

The reliable publishing and operational foundation, established in 2013, was added to in 2014 with significant confirmation of the sales and marketing relationship in North America with its sister company, Quarto US, seeing sales up nearly 50% from prior year from all channels.

The medium-term view is encouraging as we maintain our focus on domestic sales channels while enhancing our capability on a global scale.

Books & Gifts Direct (BGD)

Revenue	**$31.2m**	**(2013: $29.5m)**
Adjusted Operating Profit	**$3.0m**	**(2013: $2.9m)**
Network Capacity	**85%**	**(2013: 81%)**

It has been a demanding year for our business in Australia and New Zealand. With the benefit of hindsight with new management, an operational merger (of the two owned but competing businesses in North Island New Zealand) and re-branding to achieve against a soft retail economy, the 'bounce back' to historic high-end profit figures will take longer than originally anticipated.

However, substantial progress has been made and the recovery has seen growth in operating profit despite significant restructuring costs. Australia has produced a steady result and New Zealand is recovering soundly.

We now have one coherent market-leading business in Australia and New Zealand, an experienced management team, enhanced buying power and the implementation of proprietary technology that has been developed over the last two years. In New Zealand, we retain the ability to sell the Master Franchises for North Island and South Island as opposed to operating them ourselves. We shall determine that strategy during the course of 2015.

Quarto Hong Kong

Revenue	**$13.3m**	**(2013: $21.2m)***
Adjusted Operating Profit	**$1.1m**	**(2013: $1.4m)***

*FY2013 – Image Factory - $6.8m revenue; $0.2m operating profit

We reported our Hong Kong print buying business Regent Publishing Services under Other last year with The Image Factory that we sold during the course of 2013.

Regent saw sales down 8%, largely attributed to its two largest customers placing fewer orders, resulting in adjusted operating profit falling by 8%. A new sales and marketing strategy focussed on children's, religious, comic, gaming and stationery publishing is the focus for 2015. A closer relationship with Group companies has been established particularly for stationery initiatives.

Post-period print buying office and establishment of Quarto Hong Kong

In January 2015, the Group established a new print buying office in Hong Kong, which will work with Regent to drive further savings for Quarto in print buying in China, a critical element of our supply chain. Both will report under the heading Quarto Hong Kong (QHK).

KEY INITIATIVES

Children's Publishing

Revenue	**$23.0m**	**(2013: $19.6m)**

During the course of 2014 we took our children's publishing programmes from five imprints to eight. All have made a contribution to the growth in this category for Quarto in 2014 now amounting to over 13% in terms of Group revenue. This growth in Children's publishing revenues of over 17% has been achieved both organically by investment in originated product and by acquisition of a complementary business.

In QIC, we have three imprints under the strong leadership of one Publisher, who has posted a second successive year of growth. With the addition of the recently purchased ***small world creations*** to the division, we have a full offering of children's product from 0-9 in that division.

In QUS, we have launched ***Walter Foster Jr*** effectively under a new, accomplished Publisher and the benefits of a full year of publishing will be seen in 2015.

In QUK, we have established a new imprint, ***Wide-Eyed Editions***. The imprint's aim is to be creators of non-fiction for children and families brought about by a belief that books should encourage curiosity about the world we live in, inspiring readers to set out on their own journey of discovery. The imprint made good progress during 2014 and launches in North America in 2015.

The addition of ***Ivy Kids*** further develops our standing in non-fiction publishing for children and hands-on parenting.

Foreign Rights

Revenue	**$26.6m**	**(2013: $24.2m)**

The combination in 2013 of our Foreign Rights division – where we sell foreign language editions of our books – under one leader – worked well in 2014 with overall sales up 10% this year over 2013. The main driver has been Children's publishing with a growth of 24% as the new imprints have come on stream, which added to more modest growth in the existing imprints.

Our Brazilian joint venture with Grupo Nobel, Quarto Editora, has got off to a good start and 2015 will see a full year contribution from that business. We continue to source similar relationships in other undersold territories but are proceeding with judicious care to find the right partners.

Outlook

We expect continued growth in 2015, though this is likely to manifest itself mostly in the second half. The increase in second half weighting experienced in 2014 is a trend which we expect to become more marked in line with global retail trends with the relative strength of the US dollar. Foreign exchange rates will tend to impact negatively on our results. Nevertheless, for the year as a whole, we should show further progress and deliver growth both organically and from the recent acquisitions.

Quarto is a cash generative business operationally and we are committed to bringing down our debt by resolutely examining the strengths and weaknesses of our portfolio.

Marcus E. Leaver
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
Year ended December 31, 2014

	Note	**2014** **$000**	2013 Restated * $000
Continuing operations			
Revenue	1	**172,644**	176,318
Cost of sales		**(117,437)**	(121,507)
Gross profit		**55,207**	54,811
Other operating income		**22**	261
Distribution costs		**(6,747)**	(6,306)
Administrative expenses		**(33,089)**	(34,722)
Profit from operations before amortisation of acquired intangibles and exceptional items (Adjusted operating profit)		**15,393**	14,044
Amortisation of acquired intangibles		**(503)**	(434)
Exceptional items	2	**566**	(3,405)
Operating profit	1	**15,456**	10,205
Finance income		**151**	353
Finance costs		**(3,408)**	(4,796)
Profit before tax		**12,199**	5,762
Tax		**(2,980)**	(1,694)
Profit for the year		**9,219**	4,068
Attributable to:			
Owners of the parent		**8,909**	3,656
Non-controlling interests		**310**	412
		9,219	4,068
Earnings per share			
Basic	3	**45.2c**	18.6c
Diluted	3	**45.2c**	18.6c
Adjusted earnings per share			
Basic	3	**44.8c**	37.7c
Diluted	3	**44.8c**	37.7c

*Restated, as described in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
year ended December 31, 2014

	2014 $000	2013 Restated $000
Profit for the year		
	9,219	4,068
Other comprehensive income which may be reclassified to profit or loss		
Foreign exchange translation differences	**(1,949)**	(2,002)
Recycling of translation reserve on disposal	**-**	202
Cash flow hedge: losses arising during the year	**(46)**	(120)
Cash flow hedge: reclassification adjustment for gain included in profit	**363**	1,256
Net income recognised directly in equity	**(1,632)**	(664)
Total comprehensive income for the year	**7,587**	3,404
Attributable to:		
Owners of the parent	**7,283**	2,969
Non-controlling interests	**304**	435
	7,587	3,404

CONSOLIDATED BALANCE SHEET (UNAUDITED)
at December 31, 2014

	2014 $000	2013 Restated $000
Non-current assets		
Goodwill	**41,069**	41,367
Other intangible assets	**956**	991
Property, plant and equipment	**2,731**	3,752
Intangible assets: Pre-publication costs	**57,534**	56,221
Deferred tax assets	**126**	33
Total non-current assets	**102,416**	102,364
Current assets		
Inventories	**23,347**	19,181
Trade and other receivables	**54,616**	56,043
Cash and cash equivalents	**23,110**	23,879
Total current assets	**101,073**	99,103
Total assets	**203,489**	201,467
Current liabilities		
Short term borrowings	**(89,150)**	(16,603)
Derivative financial instruments	**(67)**	(427)
Trade and other payables	**(53,272)**	(52,784)
Tax payable	**(2,430)**	(671)
Total current liabilities	**(144,919)**	(70,485)
Non-current liabilities		
Medium and long term borrowings	**-**	(78,291)
Deferred tax liabilities	**(6,338)**	(5,844)
Other payables	**(537)**	-
Total non-current liabilities	**(6,875)**	(84,135)
Total liabilities	**(151,794)**	(154,620)
Net assets	**51,695**	46,847
Equity		
Share capital	**2,045**	2,045
Paid in surplus	**33,764**	33,764
Retained profit and other reserves	**10,945**	6,229
Equity attributable to owners of the parent	**46,754**	42,038
Non-controlling interests	**4,941**	4,809
Total equity	**51,695**	46,847

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
year ended December 31, 2014

	Share capital $000	Paid in surplus $000	Hedging reserve $000	Translation reserves $000	Treasury shares $000	Retained earnings $000	Equity attributable to owners of the parent $000	Non-controlling interests $000	Total $000
Balance at January 1, 2013 as previously reported	2,045	33,759	(1,453)	(1,858)	(643)	12,333	44,183	6,947	51,130
Prior year adjustment	-	-	-	-	-	(2,821)	(2,821)	-	(2,821)
Balance at January 1, 2013	2,045	33,759	(1,453)	(1,858)	(643)	9,512	41,362	6,947	48,309
Profit for the year	-	-	-	-	-	3,656	3,656	412	4,068
Foreign exchange translation differences	-	-	-	(2,025)	-	-	(2,025)	23	(2,002)
Recycling of translation reserve on disposal	-	-	-	202	-	-	202	-	202
Cash flow hedge: losses arising during the year	-	-	(120)	-	-	-	(120)	-	(120)
Cash flow hedge: reclassification adjustment for gain included in profit	-	-	1,256	-	-	-	1,256	-	1,256
Total comprehensive income for the year	-	-	1,136	(1,823)	-	3,656	2,969	435	3,404
Share options exercised by employees	-	5	-	-	9	-	14	-	14
Dividends to shareholders	-	-	-	-	-	(2,427)	(2,427)	-	(2,427)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(168)	(168)
Purchase of non-controlling interests	-	-	-	-	-	120	120	(2,405)	(2,285)
Balance at December 31, 2013 and January 1, 2014	2,045	33,764	(317)	(3,681)	(634)	10,861	42,038	4,809	46,847
Profit for the year	-	-	-	-	-	8,909	8,909	310	9,219
Foreign exchange translation differences	-	-	-	(1,943)	-	-	(1,943)	(6)	(1,949)
Cash flow hedge: losses arising during the year	-	-	(46)	-	-	-	(46)	-	(46)
Cash flow hedge: reclassification adjustment for gain included in profit	-	-	363	-	-	-	363	-	363
Total comprehensive income for the year	-	-	317	(1,943)	-	8,909	7,283	304	7,587
Dividends to shareholders	-	-	-	-	-	(2,567)	(2,567)	-	(2,567)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(172)	(172)
Balance at December 31, 2014	2,045	33,764	-	(5,624)	(634)	17,203	46,754	4,941	51,695

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
year ended December 31, 2014

	2014 $000	2013 Restated $000
Profit for the year	**9,219**	4,068
Adjustments for:		
Net finance costs	**3,257**	4,443
Depreciation of property, plant and equipment	**1,106**	1,374
Tax expense	**2,980**	1,694
Amortisation of non-current intangible assets	**503**	434
Amortisation and amounts written off of pre-publication costs	**30,933**	30,099
Movement in fair value of derivatives	**(43)**	61
Loss on disposal of subsidiaries and businesses	**-**	1,801
(Gain)/loss on disposal of property, plant and equipment	**(642)**	1,367
Operating cash flows before movements in working capital	**47,313**	45,341
(Increase)/decrease in inventories	**(4,529)**	2,329
Decrease/(increase) in receivables	**5**	(1,858)
Increase in payables	**2,551**	2,102
Cash generated by operations	**45,340**	47,914
Income taxes paid	**(759)**	(2,087)
Net cash from operating activities	**44,581**	45,827
Investing activities		
Interest received	**151**	353
Proceeds on disposal of subsidiaries and businesses	**-**	1,057
Proceeds on disposal of property, plant and equipment	**1,848**	4,861
Investment in pre-publication costs	**(33,525)**	(31,668)
Purchases of property, plant and equipment	**(1,341)**	(1,998)
Acquisition of subsidiaries	**(2,008)**	-
Net cash used in investing activities	**(34,875)**	(27,395)
Financing activities		
Dividends paid	**(2,567)**	(2,427)
Interest payments	**(3,461)**	(4,886)
Proceeds on issue of share capital	**-**	14
External loans repaid	**(3,555)**	(13,184)
Dividends paid to non-controlling interests	**(172)**	(168)
Net cash used in financing activities	**(9,755)**	(20,651)
Net decrease in cash and cash equivalents	**(49)**	(2,219)
Cash and cash equivalents at beginning of year	**23,879**	26,718
Foreign currency exchange differences on cash and cash equivalents	**(720)**	(620)
Cash and cash equivalents at end of year	**23,110**	23,879

NOTES TO THE PRELIMINARY ANNOUNCEMENT (UNAUDITED)

1. Segmental analysis

Operating segments

	Revenue 2014 $000	Revenue 2013 $000	**Adjusted Operating Profit 2014 $000**	Restated Adjusted Operating Profit 2013 $000
Revenue				
Quarto Publishing Group USA	**64,058**	64,392	**6,636**	7,173
Quarto Publishing Group UK	**21,477**	20,819	**3,099**	2,546
Quarto International Co-Editions Group	**42,676**	40,430	**6,063**	4,540
Books & Gifts Direct, ANZ	**31,170**	29,455	**2,967**	2,918
Other	**13,263**	21,222	**1,112**	1,398
	172,644	176,318	**19,877**	18,575

	2014	2013
Operating profit before amortisation of intangibles and exceptional items	**19,877**	18,575
Amortisation of intangibles	**(503)**	(434)
Segment result	**19,374**	18,141
Exceptional items	**566**	(3,405)
Unallocated corporate expenses	**(4,484)**	(4,531)
Operating profit	**15,456**	10,205
Investment income	**151**	353
Finance costs	**(3,408)**	(4,796)
Profit before tax	**12,199**	5,762
Tax	**(2,980)**	(1,694)
Profit after tax	**9,219**	4,068

Geographical segments

	Revenue 2014 $000	Revenue 2013 $000
United States of America	**79,537**	83,936
Australasia and the Far East	**37,627**	34,658
United Kingdom	**24,665**	29,465
Europe	**22,703**	20,353
Rest of the World	**8,112**	7,906
	172,644	176,318

2. Exceptional items

Exceptional items comprise the net (profit) loss on sales of businesses and assets of $(644,000) (2013: $3,332,000), and expenses related to acquisitions (2013: Special Meetings) of $78,000 (2013: $73,000).

3. Earnings per share

	2014 $000	2013 Restated $000
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to owners of the parent	**8,909**	3,656

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**19,696,728**	19,694,658
Effect of dilutive potential ordinary shares:		
Share options	**-**	942
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**19,696,729**	19,695,600

	2014 Cents	2013 Restated Cents
Basic	**45.2**	18.6
Diluted	**45.2**	18.6

Adjusted earnings	$000	$000
Earnings for the purposes of basic earnings per share, being net profit attributable to owners of the parent (restated for 2013)	**8,909**	3,656
Amortisation of acquired intangibles (net of tax)	**350**	297
Exceptional items (net of tax and non-controlling interest)	**(427)**	3,472
Earnings for the purposes of adjusted earnings per share	**8,832**	7,425

	2014 Cents	2013 Restated Cents
Basic	**44.8**	37.7
Diluted	**44.8**	37.7

4. Dividends

	2014	2013
	$000	$000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended December 31, 2014 of 3.35p/5.53c (2013: 3.35p/5.23c) per share	**1,089**	1,029
Final dividend for the year ended December 31, 2013 of 4.55p/7.51c (2012: 4.55p/7.10c) per share	**1,479**	1,398
	2,568	2,427
Proposed final dividend for the year ended December 31, 2014 of 4.95p/7.72c (2013: 4.55p/7.55c) per share	**1,521**	1,488
	1,521	1,488

The proposed final dividend of 4.95p per share is payable on June, 15 2015, to shareholders on the register on May, 15 2015, with an ex-dividend date of May, 14 2015.

The Quarto Group, Inc., as a US incorporated company, is required to collect US dividend withholding taxes on dividend distributions made to its non-US shareholders. The US dividend withholding tax is generally 30% of any dividends paid to Quarto's non-US shareholders, but this amount can potentially be reduced pursuant to an applicable income tax treaty between the US and the country of residence of the non-US shareholder. For example, under the US/UK income tax treaty, the US dividend withholding tax rate can range from nil (applicable to certain UK resident pension trusts and tax exempt entities) to 15% (applicable to UK resident individual shareholders and certain UK corporate shareholders). For US shareholders, no US dividend withholding tax is generally applicable. It should be noted that certain documentation requirements must be met by all shareholders prior to the payment of any dividends to certify their status as a US or non-US shareholder, and, if a non-US shareholder to claim any applicable benefits under the US/UK or other applicable income tax treaty. Each shareholder should consult their own tax adviser to determine whether and to what extent they may be entitled to claim a reduced amount of US dividend withholding taxes under a US income tax treaty.

5. Reconciliation of figures included in this announcement

	2014 $000	Restated 2013 $000
Adjusted profit before tax	**12,136**	9,601
Amortisation of acquired intangibles	**(503)**	(434)
Exceptional items	**566**	(3,405)
Profit before tax	**12,199**	5,762
EBITDA (as defined in the committed facility agreements)		
Profit before tax, before amortisation of acquired intangibles and exceptional items	**12,136**	9,601
Net interest	**3,257**	4,443
Depreciation	**1,106**	1,374
Amortisation of pre-publication costs	**18,333**	17,899
EBITDA before exceptional items	**34,832**	33,317
Net debt		
Medium and long term borrowings	**-**	78,291
Short term borrowings	**89,150**	16,603
Cash and cash equivalents	**(23,110)**	(23,879)
	66,040	71,015

6. Committed facilities and banking covenants

At December 31, 2014 the Group had a US$95m (2013: US$95m) syndicated bank facility which is due to expire on April 30, 2015. The Group signed a new syndicated bank facility on February 6, 2015 which matures on April 30, 2019. These facilities are subject to three principal covenants, namely:

(a) Total consolidated net indebtedness shall not exceed 3 times EBITDA. For the year ended December 31, 2014, net indebtedness was 1.90 times (2013: 2.02 times) proforma EBITDA.
(b) The consolidated operating profit before exceptional items and goodwill amortisation shall exceed three times net interest payable. For the year ended December 31, 2014, net interest payable was 4.73 times (2013: 3.59 times) covered under this covenant.
(c) Cashflow shall exceed 1.2 times Debt Service. For the year ended December 31, 2014, Debt Service was 2.97 times (2013: 3.50 times) covered under this covenant.

The Group has adequate resources to continue in operational existence for the foreseeable future.

7. Basis of preparation

The financial information set out in the announcement does not constitute the company's Annual Report for the year ended December 31, 2014 or 2013, prepared in accordance with the Companies Act 2006 as applicable to overseas companies. The financial information for the year ended December 31, 2013 is derived from the Annual Report for that year, which have been delivered to the Registrar of Companies. The auditor reported on those accounts and their report was unmodified. The audit of the Annual Report for the year ended December 31, 2014 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual meeting.

The financial information contained within this Announcement was approved by the Board on March 19, 2015.

8. The accounting policies adopted for use in the preparation of the 2014 Annual Financial Results announcement and of the 2014 Annual Financial Statements were consistent with those used in the preparation of the 2013 Annual Financial Statements other than exceptionals.

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.

Restatement of Prior Year Numbers

Certain directly attributable costs in relation to capitalised pre-publication costs had historically been presented on a net basis as opposed to showing the gross investment and subsequent amortization separately. Additions and amortization for the year ended December 31, 2013 have been restated to reflect this change in presentation and have increased by $12,200,000 to $31,668,000 and $30,099,000 respectively, and for the year ended December 31, 2012 have increased by $12,300,000 to $30,528,000 and $30,749,000 respectively. In addition, a reclassification in the income statement from administration expenses to cost of sales was required to reflect a gross presentation. This resulted in gross profit being reduced by $9,700,000 to $54,811,000 and administrative overheads being reduced by the same amount to $34,722,000. We have reclassified pre-publication costs in the Balance Sheet from current to non-current in the period reflecting our longer term view of the life of the assets.

The following tables show the restated prior year comparative figures for the financial year ended December 31, 2013. This restatement reflects the reclassification of certain exceptional items and a deferred tax liability on the difference between the carrying amount of the goodwill and the tax base of goodwill in accordance with IAS 12.

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2013

	Reported $000	**Exceptional Items $000**	**Deferred Tax $000**	**Restated $000**
Operating profit before amortization of acquired intangibles	15,957	(1,913)	-	14,044
Amortization of acquired intangibles	(434)	-	-	(434)
Exceptional Items	(5,318)	1,913	-	(3,405)
Operating Profit	10,205	-	-	10,205
Interest	(4,443)	-	-	(4,443)
Profit before tax	5,762	-	-	5,762
Tax	(1,416)	-	(278)	(1,694)
Profit after tax	**4,346**	**-**	**(278)**	**4,068**
Adjusted EPS	**44.0c**	**(4.9)c**	**(1.4)c**	**37.7c**
Basic EPS	**20.0c**	**-**	**(1.4)c**	**18.6c**

Balance Sheet at December 31 2013 and 2012

The impact of the restatement on the line items affected in the Balance Sheet are set out below:

	2013 Reported $000	2013 Deferred Tax $000	2013 Restated $000	2012 Reported $000	2012 Deferred Tax $000	2012 Restated $000
Deferred tax asset	2,226	(2,193)	33	2,534	(2,500)	34
Deferred tax liability	(4,938)	(906)	(5,844)	(5,594)	(321)	(5,915)
Net deferred tax liability	**(2,712)**	**(3,099)**	**(5,811)**	**(3,060)**	**(2,821)**	**(5,881)**

The restated items have impacted equity by $(3,099,000) at December 31, 2013 and the impact on retained earnings as at January 1, 2013 was $(2,821,000).

9. The Directors confirm that to the best of their knowledge:

(a) The financial statements, prepared in accordance with the applicable set of accounting standards 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

(b) The Business Review, which will be incorporated into the Directors' Report of the financial statements, will 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 they face.

10. Principal risks and uncertainties facing the group

(a) The Group's profitability depends, in part, on the economic conditions across the world. The Group has a global business and, therefore, is affected by global economic conditions that may affect or impact upon the financial health of its customers, which in turn may lead to them not being able to honour their payment obligations to the Group. The Group has built up strong relationships with its customers and is not over reliant on any one of them.

(b) The success of the Group's titles is also an important factor in increasing the Group's profitability. In particular, we need to continue producing titles that reprint or backlist well. We are not reliant on any one product or group of products and none of our titles accounted for more than 1% of Group revenues in 2014.

(c) The security and robustness of our systems, in particular our IT systems, are important in all aspects of our business. IT processes are continually updated and security improved, with daily off-site back up of electronic files.

11. The Annual Report will be sent out to shareholders in due course. Additional copies can be obtained from the Chief Financial Officer, The Quarto Group, Inc., The Old Brewery, 6 Blundell Street, London, N7 9BH. Tel: 020 7700 9000 (email: mick.mousley@quarto.com).