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

Half-Year Results for the Six Months Ended 30 June 2019

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 2019.

Results ($m)	H1 2019	H1 2018
Group Revenue	**56.4**	56.2
Adjusted[1] Group Operating Loss	**(1.2)**	(4.7)
Group Operating Loss	**(1.6)**	(7.0)
Adjusted[1] Loss before Tax	**(4.0)**	(6.6)
Loss before Tax	**(4.4)**	(8.9)
Loss after Tax	**(3.6)**	(6.7)
Net Debt	**65.0**	73.2

1. Adjusted measures are stated before amortisation of acquired intangibles and exceptional items.

Headlines

- Revenue marginally up at $56.4m
- Adjusted operating loss down 75% at $1.2m
- Net debt reduced by 11% to $65.0m
- Strong contribution from children’s imprints with revenues up 14%

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

“This is an encouraging set of results following a year of significant change for the Group. Revenue is slightly up year on year, while both operating loss and net debt have reduced significantly during the period in what is seasonally our weak half of the year.

We are now focused on the critical second half as we expect the trading environment to be particularly challenging, especially on the Adult co-edition side both in English and foreign language. That said, we have the right plans in place to capture all possible opportunities and ensure a satisfactory year-end.

The Board remains focused on returning the Group to full health, reducing debt and defining growth strategies for 2020 and beyond.”

– ENDS –

The Legal Entity Identifier of the Company is 549300BJ2WPX3QUATW58.

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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.

CHIEF EXECUTIVE'S STATEMENT

SUMMARY

Trading was encouraging for the first six months of 2019. Revenue is slightly up year on year at $56.4m (H1 2018: $56.2m) with a smaller publishing programme.

Children's imprints performed particularly well, with revenues up 14%. Revenues from Adult imprints were down 6% as the market remains challenging, particularly on the co-edition side where we are still seeing consolidation of our key publishing customers. The gross profit margin was in line with prior year at 21.5% (H1 2018: 21.3%).

The increased revenues, combined with substantial benefits from the cost out program implemented in 2018, have resulted in a significantly lower adjusted group operating loss of $1.2m (H1 2018: loss of $4.7m) in what is our seasonally weak half year. The adjusted loss before tax was $4.0m (H1 2018: loss of $6.6m).

Both reporting segments improved their trading performance year on year, resulting in a significant improvement in the Group's adjusted operating result, as shown in the table below.

Net debt at 30 June 2019 was $65.0m (H1 2018: $73.2m), a decrease of $8.2m over the twelve-month period.

The book trade market remains soft, while in the co-edition market, further consolidation is impacting both English and foreign language sales, especially on the Adult segment. As a result, the Group expects the trading environment in the second half to be more challenging than in prior years.

OPERATING REVIEW

Revenue ($m)	**H1 2019**	**H1 2018**
United States	36.7	33.8
United Kingdom	7.6	8.1
Europe	5.7	6.3
Rest of the World	6.4	8.0
Total Revenue	56.4	56.2

Adjusted Operating Loss ($m)	**H1 2019**	**H1 2018**
US Publishing	1.0	(0.7)
UK Publishing	(1.5)	(2.0)
Group overhead	(0.7)	(2.0)
Total adjusted operating loss	(1.2)	(4.7)

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

With fewer titles published in the period than the prior year, as a result of the cost out programme initiated in the second half of 2018, the Group's revenue increased slightly year on year, led by the strong performance of our children's imprints.

UK-based Frances Lincoln Children's Books was particularly successful. Its Little People, Big Dreams series remains a highlight, with over 1.3 million copies sold in the English language to date. We have expanded the list to include inspirational male role models and these titles have done well so far. Young Quarto also performed strongly, selling well in the book trade, although sales to our key co-edition publishers have been slower than the prior year. In the US, our SmartLab Toys business also performed well.

Revenues from Adult imprints were down and that market remains more challenging. In the US, our Beverly-based Adult imprints, especially Fair Winds Press and Harvard Common Press, continue to perform strongly led by our successful line of Keto cookery titles. Co-editions sales have been slower than the prior year both in English and foreign language and, with the continued consolidation of key publishers in the market, we expect them to remain so in the second half. We continue to look at new opportunities in custom publishing to grow our customer base.

The challenging Adult co-edition market has impacted Foreign language sales, which have been slower than prior year in the first half and are expected to remain down year on year for the full year.

International English language sales are down year on year. This is mostly due to order timings and they are expected to remain comparable for the full year.

Group overheads were reduced by 65% due to the cost out program initiated in the second half of 2018. The benefits of these savings will much lower in the second half of the year.

OUTLOOK

The market remains soft in both the US and the UK and, considering the weaker performance of Adult co-editions in both English and foreign language, as well as the uncertainty surrounding Brexit and US trade tariffs, we expect the trading environment in the second half to be particularly challenging.

That said, the Group has the right plans in place to capture all possible opportunities and deliver a satisfactory end to the year. The Board remains focused on returning the Group to full health, reducing debt and defining growth strategies for 2020 and beyond.

On behalf of the Board, I would like to thank all our people for their continued commitment as well as our partners and suppliers across the world.

C.K. Lau
Chief Executive Officer

THE QUARTO GROUP, INC.

Condensed Consolidated Income Statement

For the six months ended 30 June 2019

	Note	Six months to 30 June 2019 Unaudited **$'000**	Six months to 30 June 2018 Unaudited **$'000**	Year ended 31 December 2018 Audited **$'000**
Continuing operations				
Revenue	3	56,390	56,174	149,292
Cost of sales		(44,282)	(44,237)	(107,195)
Gross profit		12,108	11,937	42,097
Distribution costs		(3,525)	(3,778)	(7,919)
Administrative expenses		(9,773)	(12,838)	(23,873)
Operating (loss)/profit before amortisation of acquired intangibles and exceptional items		**(1,190)**	**(4,679)**	**10,305**
Amortisation of acquired intangibles		(408)	(428)	(850)
Exceptional items	4	-	(1,891)	(5,152)
Operating (loss)/profit	**3**	**(1,598)**	**(6,998)**	**4,303**
Finance income		9	-	21
Finance costs		(2,792)	(1,902)	(4,381)
Loss before tax		**(4,381)**	**(8,900)**	**(57)**
Taxation	5	1,095	2,225	(495)
Loss for the period		**(3,286)**	**(6,675)**	**(552)**
Attributable to:				
Owners of the parent		**(3,286)**	**(6,675)**	**(552)**
(Loss)/earnings per share (cents)				
From continuing operations				
Basic	6	(16.1)	(32.6)	(2.7)
Diluted	6	(16.1)	(32.6)	(2.7)
Adjusted basic	6	(14.6)	(24.1)	23.2
Adjusted diluted	6	(14.6)	(24.1)	23.0

THE QUARTO GROUP, INC.
Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months to 30 June 2019 Unaudited **$'000**	Six months to 30 June 2018 Unaudited **$'000**	Year ended 31 December 2018 Audited **$'000**
Loss for the period	(3,286)	(6,675)	(552)
Other comprehensive income which may be reclassified to profit or loss			
Foreign exchange translation differences	(119)	(691)	(1,950)
Cash flow hedge: (losses)/profits arising during the period	(85)	26	(60)
Tax relating to items that may be reclassified to profit or loss	-	-	(246)
Total comprehensive expense for the period	(3,490)	(7,340)	(2,808)
Attributable to:			
Owners of the parent	(3,490)	(7,340)	(2,808)

THE QUARTO GROUP, INC.
Condensed Consolidated Balance Sheet
At 30 June 2019

	Note	30 June 2019 Unaudited	30 June 2018 Unaudited *Restated*	31 December 2018 Audited
		$'000	**'$'000**	**$'000**
Non-current assets				
Goodwill		18,907	19,144	18,954
Other intangible assets		1,809	3,025	2,368
Property, plant and equipment	2	11,112	1,870	1,552
Intangible assets: Pre-publication costs		54,110	60,373	56,741
Deferred tax assets		3,900	3,890	3,901
Total non-current assets		89,838	88,302	83,516
Current assets				
Inventories		20,561	24,574	22,324
Trade and other receivables		42,084	41,699	54,476
Derivative financial instruments		20	191	105
Cash and cash equivalents	7	7,694	5,047	15,384
Total current assets		70,359	71,511	92,289
Total assets		**160,197**	**159,813**	**175,805**
Current liabilities				
Short term borrowings	7	(7,500)	(78,294)	(5,000)
Trade and other payables	2	(49,328)	(52,617)	(64,917)
Tax payable		(2,960)	(1,268)	(4,167)
Total current liabilities		(59,788)	(132,179)	(74,084)
Non-current liabilities				
Medium and long term borrowings	7	(65,156)	-	(70,752)
Deferred tax liabilities		(8,445)	(8,397)	(8,753)
Tax payable		(541)	(1,016)	(544)
Other payables	2	(8,579)	(1,524)	(554)
Total non-current liabilities		(82,721)	(10,937)	(80,603)
Total liabilities		**(142,509)**	**(143,116)**	**(154,687)**
Net assets		**17,688**	**16,697**	**21,118**
Equity				
Share capital		2,045	2,045	2,045
Paid in surplus		33,764	33,764	33,764
Retained profit and other reserves		(18,121)	(19,112)	(14,691)
Total equity		**17,688**	**16,697**	**21,118**

THE QUARTO GROUP, INC.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 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**	Non-controlling interests $000	**Total $000**
Balance at 1 January 2018	**2,045**	**33,764**	**165**	**(4,793)**	**(7,078)**	**24,103**	**-**	**24,103**
Loss for the period	-	-	-	-	(6,675)	**(6,675)**	-	**(6,675)**
Foreign exchange translation differences	-	-	-	(691)	-	**(691)**	-	**(691)**
Cash flow hedge: profits arising during the period	-	-	26	-	-	**26**	-	**26**
Total comprehensive (expense)/income for the period	-	-	26	(691)	(6,675)	**(7,340)**	-	**(7,340)**
Share based payment credit	-	-	-	-	(66)	**(66)**	-	**(66)**
Balance at 30 June 2018	**2,045**	**33,764**	**191**	**(5,484)**	**(13,819)**	**16,697**	**-**	**16,697**
Balance at 1 January 2019	**2,045**	**33,764**	**105**	**(6,989)**	**(7,807)**	**21,118**	**-**	**21,118**
Loss for the period	-	-	-	-	(3,286)	**(3,286)**	-	**(3,286)**
Foreign exchange translation differences	-	-	-	(119)	-	**(119)**	-	**(119)**
Cash flow hedge: losses arising during the period	-	-	(85)	-	-	**(85)**	-	**(85)**
Total comprehensive (expense) for the period	**-**	**-**	**(85)**	**(119)**	**(3,286)**	**(3,490)**	**-**	**(3,490)**
Share based payment charge	-	-	-	-	60	**60**	-	**60**
Balance at 30 June 2019	**2,045**	**33,764**	**20**	**(7,108)**	**(11,033)**	**17,688**	**-**	**17,688**

THE QUARTO GROUP, INC.

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Share capital $000	Paid in surplus $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	**Equity attributable to owners of the parent $000**	Non-controlling interests $000	**Total $000**
Balance at 1 January 2018	**2,045**	**33,764**	**165**	**(4,793)**	**(7,078)**	**24,103**	**-**	**24,103**
Loss for the year	-	-	-	-	(552)	**(552)**	-	**(552)**
Foreign exchange translation differences	-	-	-	(1,950)	-	**(1,950)**	-	**(1,950)**
Cash flow hedge: losses arising during the year	-	-	(60)	-	-	**(60)**	-	**(60)**
Tax relating to items that may be reclassified to profit or loss	-	-	-	(246)	-	**(246)**	-	**(246)**
Total comprehensive income for the year	-	-	(60)	(2,196)	(552)	**(2,808)**	-	**(2,808)**
Share based payment credit	-	-	-	-	(177)	**(177)**	-	**(177)**
Balance at 31 December 2018	**2,045**	**33,764**	**105**	**(6,989)**	**(7,807)**	**21,118**	**-**	**21,118**

THE QUARTO GROUP, INC.

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2019

	Note	Six months to 30 June 2019 Unaudited $'000	Six months to 30 June 2018 Unaudited *Restated* $'000	Year ended 31 December 2018 Audited $'000
Loss for the period		(3,286)	(6,675)	(552)
Adjustments for:				
Net finance costs		2,783	1,902	4,360
Depreciation of property, plant and equipment	2	1,089	357	693
Software amortisation		151	137	298
Tax (credit)/charge		(1,095)	(2,225)	495
Impairment of pre-publication costs		-	-	501
Share based payments		60	(66)	(177)
Amortisation and amounts written off acquired intangibles		408	428	910
Amortisation and amounts written off pre-publication costs		15,034	16,206	31,426
Movement in fair value of derivatives		-	(26)	-
Operating cash flows before movements in working capital		15,144	10,038	37,954
Decrease/(increase) in inventories		1,734	(2,030)	21
Decrease/(increase) in receivables		12,317	11,550	(2,280)
(Decrease)/increase in payables		(16,196)	(8,322)	4,639
Cash generated by operations		12,999	11,236	40,334
Income taxes paid		(385)	(1,865)	(1,962)
Net cash from operating activities		12,614	9,371	38,372
Investing activities				
Interest received		9	-	21
Investment in pre-publication costs		(12,935)	(16,886)	(29,744)
Purchases of property, plant and equipment		(75)	(121)	(169)
Purchase of software		-	(82)	(77)
Acquisition of subsidiaries		-	-	(1,887)
Net cash used in investing activities		(13,001)	(17,089)	(31,856)
Financing activities				
Interest payments		(2,341)	(1,651)	(2,980)
External loans repaid		(6,923)	(8,633)	(24,238)
External loans drawn		1,997	5,000	18,457
Net cash used in financing activities		(7,267)	(5,284)	(8,761)
Net decrease in cash and cash equivalents		(7,654)	(13,002)	(2,245)
Cash and cash equivalents at beginning of period		15,384	17,946	17,946
Foreign currency exchange differences on cash and cash equivalents		(36)	103	(317)
Cash and cash equivalents at end of period		7,694	5,047	15,384

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 2019. They were approved by the board on 15 August 2019. These results are unaudited and have not been reviewed by the Group's auditor. The comparative figures for the six months to 30 June 2018 are also unaudited and derived from the interim financial statements for that period.

The information for the year ended 31 December 2018 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, did not include a reference to any matters to which the auditor drew attention by way of emphasis 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.

The Directors have formed 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 $82.5m through to 31 August 2020. 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 2018 as described in those financial statements, except for the adoption of a new International Accounting Standard, IFRS 16, which is commented on in Note 2.

Prior period restatement
The Condensed Consolidated Balance Sheet as at 30 June 2018 has been restated to reflect the adoption of IRFS 15 (effective 1 January 2018) and the requirement to include the reserve for sales returns within other payables. This adjustment has increased trade and other receivables by $4.8m and increased trade and other payables by the same value. There is no impact on the net assets of the Group.

2. New Standards adopted as at 1 January 2019

IFRS 16 'Leases'

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements and discloses the new accounting policy that has been applied from 1 January 2019.

IFRS 16, effective from 1 January 2019, requires lessees to recognise a lease liability reflecting future lease payments and a right-to-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets. The Group has adopted the standard's "modified retrospective" transition approach. There is no adjustment to equity at the date of initial application. Prior periods have not been restated, as permitted under the specific transitional provisions in the standard.

The Group has elected to measure the right-of-use assets at 1 January 2019 at an amount equal to the lease liability. The liabilities were measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate, ranging between 3.33% and 5.11% based on the length of the remaining lease.

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

2. New Standards adopted as at 1 January 2019 (continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	$000
Total operating lease commitments disclosed at 31 December 2018	12,008
Recognised exemptions at 1 January 2019:	
• Leases with remaining lease term of less than 12 months	(266)
Other liabilities now recognised within lease liabilities	837
	12,579
Discounted using incremental borrowing rate	(1,970)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	10,609
Of which are:	
• Current lease liabilities	1,885
• Non-current lease liabilities	8,724

The adoption of IFRS 16 has impacted the following items:

Impact on Balance sheet

	1 January 2019 $000	**30 June 2019** $000
Right-of-use assets:		
• Property, plant and equipment	10,609	9,767
Lease liabilities:		
• Trade and other payables:		
within one year	(1,885)	(1,863)
over one year	(8,724)	(7,995)
	(10,609)	(9,858)

The adoption of IFRS 16 on 1 January 2019 had a nil impact on the net assets of the Group due to applying the modified retrospective approach where assets equal liabilities. At 30 June 2019, lease liabilities of $9,858,000 are $91,000 higher than right-of-use assets to the depreciation charge in the period being in excess of lease repayments, net of interest charges.

A reconciliation of the value of right-of-use assets and lease liabilities from 1 January 2019 to 30 June 2019 is presented below:

	Right-of-use assets $000	Lease liabilities $000
Right-of-use asset and lease liabilities at 1 January 2019	**10,609**	**(10,609)**
Depreciation	(812)	-
Lease payments	-	949
Lease interest	-	(228)
Exchange differences	(30)	30
Right-of-use asset and lease liabilities at 30 June 2019	**9,767**	**(9,858)**

There were no additions during the period.

2. New Standards adopted as at 1 January 2019 (continued)

Impact on Income statement:

	6 months to 30 June 2019
	$000
Reduction in occupancy expenses	949
Total EBITDA benefit	949
(Increase) in depreciation of property, plant and equipment	(812)
(Increase) in interest expense	(228)
Net (increase) in loss before tax	(91)

Prior to the adoption of IFRS 16 rental payments were charged to the income statement on a straight-line basis. Under IFRS 16 rental costs in the income statement are replaced with depreciation on the right-to-use asset and interest charges on the lease liability. The adoption of IFRS 16 therefore gives rise to a net $91,000 charge in the loss before tax for the period to 30 June 2019. At EBITDA, the adoption of IFRS 16 gives a benefit of $949,000.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on historic assessments as to whether leases are onerous.
- Account for operating lease with a remaining term of less than 12 months at 1 January 2019 as short-term leases and expense on a straight-line basis over the remaining lease term.
- Account for leases of low value assets on a straight-line basis and not recognise as a right-of-use asset.
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3. Segmental analysis

The Group reorganised the number of its divisions from three to two at the start of the current year. The previous year's figures have been restated accordingly.

Six months to 30 June 2019	**US Publishing**	**UK Publishing**	**Total**
	$000	**$000**	**$000**
Revenue	**32,921**	**23,469**	**56,390**
Operating profit before amortisation of acquired intangibles and exceptional items	**1,026**	**(1,520)**	**(494)**
Amortisation of acquired intangibles	(285)	(123)	(408)
Segment result	**741**	**(1,643)**	**(902)**
Unallocated corporate expenses			(696)
Operating loss			**(1,598)**
Finance costs			(2,783)
Loss before tax			**(4,381)**
Tax credit			1,095
Loss after tax			**(3,286)**

3. Segmental analysis (continued)

Six months to 30 June 2018	**US Publishing**	**UK Publishing**	**Total**
	$000	**$000**	**$000**
Revenue	**31,554**	**24,620**	**56,174**
Operating profit before amortisation of acquired intangibles and exceptional items	**(677)**	**(1,993)**	**(2,670)**
Amortisation of acquired intangibles	(298)	(130)	(428)
Segment result	**(975)**	**(2,123)**	**(3,098)**
Unallocated corporate expenses			(2,009)
Exceptional items			(1,891)
Operating loss			**(6,998)**
Finance costs			(1,902)
Loss before tax			**(8,900)**
Tax credit			2,225
Loss after tax			**(6,675)**

Year ended 31 December 2018	**US Publishing**	**UK Publishing**	**Total**
	$000	**$000**	**$000**
Revenue	**78,108**	**71,184**	**149,292**
Operating profit before amortisation of acquired intangibles and exceptional items	**5,027**	**7,708**	**12,735**
Amortisation of acquired intangibles	(596)	(254)	(850)
Segment result	**4,431**	**7,454**	**11,885**
Exceptional items:			
Exceptional item – pre-publication asset impairment	(1,164)	-	(1,164)
Exceptional items - other	(811)	(402)	(1,213)
Operating profit	**2,456**	**7,052**	**9,508**
Unallocated corporate expenses			(2,430)
Corporate exceptional items			(2,775)
Operating profit			**4,303**
Finance income			21
Finance costs			(4,381)
Loss before tax			**(57)**
Tax			(495)
Loss after tax			**(552)**

3. Segmental analysis (continued)

Geographical revenue

The Group generates its revenue in the following geographical areas:

	Six months to 30 June 2019 Unaudited **$'000**	Six months to 30 June 2018 Unaudited **$'000**	Year ended 31 December 2018 Audited **$'000**
United States	36,749	33,741	86,092
United Kingdom	7,595	8,137	20,384
Europe	5,672	6,295	25,314
Rest of the World	6,374	8,001	17,502
Total	**56,390**	**56,174**	**149,292**

4. Exceptional items

	Six months to 30 June 2019 Unaudited **$'000**	Six months to 30 June 2018 Unaudited **$'000**	Year ended 31 December 2018 Audited **$'000**
Exceptional items comprised:			
Reorganisation costs			
- Impairment of pre-publication intangible assets	-	-	501
- Impairment of backlists	-	-	60
- Write-off of pre-publication costs	-	-	603
- Staff severance costs	-	132	1,039
- Other reorganisation costs	-	-	672
- Board changes	-	866	831
- Refinancing costs	-	893	1,446
Total	**-**	**1,891**	**5,152**

5. Taxation

Taxation for the six months to 30 June 2019 is based on the Group estimated underlying tax rate for the year.

6. Earnings per share

	Six months to 30 June 2019 Unaudited **$'000**	Six months to 30 June 2018 Unaudited **$'000**	Year ended 31 December 2018 Audited **$'000**
From continuing operations			
Loss for the purposes of basic and diluted earnings per share, being net loss attributable to owners of the parent	(3,286)	(6,675)	(552)
Amortisation of acquired intangibles (net of tax)	306	321	701
Exceptional items (net of tax)	-	1,418	4,603
(Loss)/earnings for the purposes of adjusted earnings per share	(2,980)	(4,936)	4,752
	Number	**Number**	**Number**
Weighted average number of shares	20,444,450	20,444,450	20,444,450
Dilutive outstanding options awards	250,957	400,185	256,655
Diluted weighted average number of shares	20,695,407	20,844,635	20,701,105
(Loss)/earnings per share (cents)	**Cents**	**Cents**	**Cents**
From continuing operations			
Basic	(16.1)	(32.6)	(2.7)
Diluted	(16.1)	(32.6)	(2.7)
Adjusted basic	(14.6)	(24.1)	23.2
Adjusted diluted	(14.6)	(24.1)	23.0

The impact of IFRS 16 (note 2) on the loss per share has been to increase the basic loss per share from 15.7 cents to 16.1 cents and the adjusted basic loss per share from 14.2 cents to 14.6 cents.

7. Net debt

	30 June 2019 Unaudited **$'000**	30 June 2018 Unaudited **$'000**	31 December 2018 Audited **$'000**
Net debt comprised:			
Cash and cash equivalents	7,694	5,047	15,384
Short term borrowings	(7,500)	(78,294)	(5,000)
Medium and long-term borrowings	(65,156)	-	(70,752)
Net debt	**(64,962)**	**(73,247)**	**(60,368)**

At 30 June 2019, the Group has a $67.5m syndicated facility, comprising a term loan and revolving credit facility. These facilities expire on 31 August 2020 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 August 2020, and a $2.0m overdraft facility.

8. 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 18 and 19 of the 2018 Annual Report.

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

9. Financial instruments

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

10. 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

15 August 2019

Andrew Cumming
Chairman

15 August 2019