



Grant Thornton

# Financial Statements Shortlist Media Limited

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**For the year ended 31 August 2011**



**Registered number: 6246263**

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**Shortlist Media Limited**

## Company Information

**Company number** 6246263

**Registered office** Greenhill House  
Thorpe Road  
Peterborough  
Cambridgeshire  
PE3 6RU

**Directors** T D G Arculus  
M J Soutar  
K Thykier  
J Small (resigned 18 April 2011)  
A R F Hall  
T J Ewington  
A B Morris  
K A Marsden  
P G Hilton  
P P A Lagrange (appointed 3 May 2011)

**Company secretary** D Joseph

**Bankers** Barclays Bank Plc  
1 Church Street  
Peterborough  
PE1 1XE

**Auditor** Grant Thornton UK LLP  
Chartered Accountants & Registered Auditor  
Enterprise House  
115 Edmund Street  
Birmingham  
West Midlands  
B3 2HJ

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## Directors' report

For the year ended 31 August 2011

The directors present their report and the financial statements for the year ended 31 August 2011

### **Principal activity**

The company's principal activity is the publishing of journals and periodicals

### **Business review and future developments**

Shortlist Media has taken further strides both as a print and as a digital business in 2011 as the company focuses on its objective to be the leading 'freemium' business targeting young professionals with equal power across print and digital platforms

The business has grown turnover by 37% from £11.2m to £15.3m, establishing solid profitability for both its print brands while also investing in the growth of the companion websites and the launch of its daily email, Emerald Street

ShortList and Stylist magazines grew their circulation market shares, reaching 32.8% and 17.4% respectively. Their advertising base also grew steadily as more major brands recognise that ShortList and Stylist are essential channels to communicate with a young, affluent, urban professional audience. The advertiser base across the titles grew 11.0% from 517 to 574 advertisers.

Both websites have grown scale tremendously. ShortList.com and Stylist.co.uk increased their page impressions from around 500k to over 4m each month over the financial year. They now represent solid platforms for further growth during the next financial year and a push into sustainable, digital profitability.

Emerald Street was Shortlist Media's key launch this year. This daily email, a sister brand to Stylist, is a digital daily for the young, professional woman. Reaching over 50k subscribers within 6 months of launch, Emerald Street has established a loyal subscriber base, market leading open rates, high responsiveness and loyalty among a raft of top quality advertisers.

The success of Shortlist Media has continued to be recognised by winning major awards, demonstrating both the creative and the commercial strength of the company. Amongst a host of awards for editorial, commercial and business excellence, this year the Shortlist team won

- Small / Medium Sized Business of the Year at the National Business Awards
- Sales Team of the Year at the Campaign Awards
- Columnist of the Year at the PPA Awards

ShortList magazine grew revenues a further 14% in its fourth year of trading, building on the previous year's profitability. Stylist grew remarkably strongly with revenues increasing a startling 75%, sufficient to achieve a positive EBITDA figure in the brand's second year of trading.

Investment in new product development, technology build and launch continued to be significant. The company has a clear strategy to develop and launch a steady stream of new concepts for its high value target audiences, introducing new brands that will continue to grow turnover and underlying profitability. We will continue to pursue this strategy across print and digital platforms in 2012.

## Directors' report

For the year ended 31 August 2011

### Results

The profit for the year, after taxation, amounted to £676,600 (2010 - loss £384,394)

The directors do not recommend the payment of a dividend

### Directors

The directors who served during the year were

T D G Arculus

M J Soutar

K Thykier

J Small (resigned 18 April 2011)

A R F Hall

T J Ewington

A B Morris

K A Marsden

P G Hilton

P P A Lagrange (appointed 3 May 2011)

### Financial instruments

The company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the company's financial instruments is credit risk. The board reviews and agrees policies for managing this risk and these are summarised below.

#### Credit risk

The company trades with only recognised, creditworthy third parties. It is the company policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

## Directors' report

For the year ended 31 August 2011

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

### Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



D. Joseph  
Secretary

Date

6/5/2012

## Independent auditor's report to the members of Shortlist Media Limited

We have audited the financial statements of Shortlist Media Limited for the year ended 31 August 2011, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent auditor's report to the members of Shortlist Media Limited

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Grant Thornton UK LLP*

David Munton (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Birmingham

Date *22 March 2012*



## Profit and loss account

For the year ended 31 August 2011

	Note	2011 £	2010 £
<b>Turnover</b>	1,2	15,312,366	11,183,515
Cost of sales		(9,611,650)	(7,328,436)
<b>Gross profit</b>		<b>5,700,716</b>	3,855,079
Distribution costs		(2,766,986)	(2,448,408)
Administrative expenses		(2,472,945)	(1,805,277)
<b>Operating profit/(loss)</b>	3	<b>460,785</b>	(398,606)
Interest receivable and similar income	6	7,707	14,212
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>468,492</b>	(384,394)
Tax on profit/(loss) on ordinary activities	7	208,108	-
<b>Profit/(loss) for the financial year</b>	13	<b>676,600</b>	(384,394)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account


The notes on pages 9 to 18 form part of these financial statements

## Balance sheet

As at 31 August 2011

	Note	£	2011 £	£	2010 £
<b>Fixed assets</b>					
Tangible assets	8		325,892		225,585
<b>Current assets</b>					
Debtors	9	3,776,673		1,673,566	
Cash at bank and in hand		813,363		2,278,396	
		<u>4,590,036</u>		<u>3,951,962</u>	
<b>Creditors, amounts falling due within one year</b>	10	<u>(1,032,678)</u>		<u>(970,897)</u>	
<b>Net current assets</b>			<u>3,557,358</u>		<u>2,981,065</u>
<b>Total assets less current liabilities</b>			<u><u>3,883,250</u></u>		<u><u>3,206,650</u></u>
<b>Capital and reserves</b>					
Called up share capital	12		1,336		1,336
Share premium account	13		-		6,773,981
Profit and loss account	13		<u>3,881,914</u>		<u>(3,568,667)</u>
<b>Equity shareholders' funds</b>	14		<u><u>3,883,250</u></u>		<u><u>3,206,650</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

  
M J Soutar  
Director  
Date 6/03/12

The notes on pages 9 to 18 form part of these financial statements

## Cash flow statement

For the year ended 31 August 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	15	(1,222,517)	(856,228)
Returns on investments and servicing of finance	16	7,707	14,212
Capital expenditure and financial investment	16	(250,223)	(148,259)
<b>Cash outflow before financing</b>		<b>(1,465,033)</b>	<b>(990,275)</b>
Financing	16	-	2,074,960
<b>(Decrease)/increase in cash in the year</b>		<b>(1,465,033)</b>	<b>1,084,685</b>

## Reconciliation of net cash flow to movement in net funds

For the year ended 31 August 2011

	2011 £	2010 £
(Decrease)/increase in cash in the year	(1,465,033)	1,084,685
<b>Movement in net funds in the year</b>	<b>(1,465,033)</b>	<b>1,084,685</b>
Net funds at 1 September 2010	2,278,396	1,193,711
<b>Net funds at 31 August 2011</b>	<b>813,363</b>	<b>2,278,396</b>

The notes on pages 9 to 18 form part of these financial statements

# Notes to the financial statements

For the year ended 31 August 2011

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

### 1.2 Turnover

Turnover relates to display advertisements, sponsorship and advertorials. Turnover is recognised on release of each magazine. Turnover is the total amount receivable by the company, excluding VAT and trade discounts.

### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	straight line over the term of the lease
Computer equipment	-	3 years straight line
Fixtures & fittings	-	3 years straight line
Website	-	4 years straight line

Website development costs are capitalised as tangible fixed assets. Any website planning costs are charged to the profit and loss account as incurred.

A review for impairment of fixed assets is carried out where events or changes in circumstances indicate that the carrying amount of those fixed assets may not be recoverable.

### 1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### 1.5 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

## Notes to the financial statements

For the year ended 31 August 2011

### 1. Accounting policies (continued)

#### 1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### 1.7 Share options

All share-based payment arrangements are recognised in the financial statements. The company operates equity-settled share-based remuneration plans for remuneration of its employees

All employee services received in exchange for the grant of any share-based payment are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share based payment reserve, net of deferred tax where applicable

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised

Upon exercise of share options, the proceeds received net of attributable transaction costs are allocated to share capital with any excess being recorded as share premium

## Notes to the financial statements

For the year ended 31 August 2011

### 1. Accounting policies (continued)

#### 1.8 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### 2. Turnover

The turnover and profit (2010 loss) on ordinary activities before taxation is attributable to the one principal activity of the company and arises wholly in the United Kingdom.

### 3. Operating profit/(loss)

The operating profit/(loss) is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company	149,916	101,219
Auditors' remuneration	18,000	15,000
Auditors' remuneration - non-audit	5,650	1,500
Net loss on foreign exchange	4,557	1,757
Operating lease costs - land and buildings	126,534	61,778

# Notes to the financial statements

For the year ended 31 August 2011

## 4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	3,323,760	2,568,627
Social security costs	390,883	300,847
	<u>3,714,643</u>	<u>2,869,474</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No.	2010 No
Editorial	33	26
Advertising	16	14
Management	13	10
Digital	9	1
	<u>71</u>	<u>51</u>

## 5. Directors' remuneration

	2011 £	2010 £
Emoluments	<u>747,154</u>	<u>555,642</u>

The highest paid director received remuneration of £269,583 (2010 - £208,417)

## 6. Interest receivable

	2011 £	2010 £
Other interest receivable	<u>7,707</u>	<u>14,212</u>

# Notes to the financial statements

For the year ended 31 August 2011

## 7. Taxation

	2011 £	2010 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit/(loss) for the year	1,586	-
<b>Deferred tax</b> (see note 11)		
Origination and reversal of timing differences	(209,694)	-
<b>Tax on profit/(loss) on ordinary activities</b>	<u>(208,108)</u>	<u>-</u>

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 20.58% (2010 - 28.00%). The differences are explained below

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	<u>468,492</u>	<u>(384,394)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.58% (2010 - 28.00%)	96,420	(107,630)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	26,737	28,084
Capital allowances for year in excess of depreciation	2,408	26,019
Utilisation of tax losses	(123,979)	-
Other short term timing differences	-	648
Unrelieved tax losses carried forward	-	52,879
<b>Current tax charge for the year</b> (see note above)	<u>1,586</u>	<u>-</u>

### Factors that may affect future tax charges

The company has unrelieved tax losses and accelerated capital allowances of £656,983 (2010 £912,122)



## Notes to the financial statements

For the year ended 31 August 2011

**8. Tangible fixed assets**

	Leasehold improve- ments £	Computer equipment £	Fixtures & fittings £	Website £	Total £
<b>Cost</b>					
At 1 September 2010	102,653	136,513	39,250	146,632	425,048
Additions	21,022	102,841	20,571	105,789	250,223
At 31 August 2011	123,675	239,354	59,821	252,421	675,271
<b>Depreciation</b>					
At 1 September 2010	19,213	79,361	27,237	73,652	199,463
Charge for the year	36,024	55,819	10,737	47,336	149,916
At 31 August 2011	55,237	135,180	37,974	120,988	349,379
<b>Net book value</b>					
At 31 August 2011	68,438	104,174	21,847	131,433	325,892
At 31 August 2010	83,440	57,152	12,013	72,980	225,585

**9. Debtors**

	2011 £	2010 £
Trade debtors	3,243,289	1,446,211
Other debtors	4,177	11,046
Prepayments and accrued income	319,513	216,309
Deferred tax asset (see note 11)	209,694	-
	<u>3,776,673</u>	<u>1,673,566</u>

**10. Creditors:****Amounts falling due within one year**

	2011 £	2010 £
Trade creditors	507,022	261,579
Corporation tax	1,586	-
Other taxation and social security	425,303	238,994
Other creditors	-	2,429
Accruals and deferred income	98,767	467,895
	<u>1,032,678</u>	<u>970,897</u>

# Notes to the financial statements

For the year ended 31 August 2011

## 11. Deferred taxation

	2011 £	2010 £
At beginning of year	-	-
Recognised during the year	209,694	-
At end of year	<u>209,694</u>	<u>-</u>

The deferred taxation balance is made up as follows

	2011 £	2010 £
Accelerated capital allowances	9,092	-
Tax losses carried forward	200,000	-
Short term timing differences	602	-
	<u>209,694</u>	<u>-</u>

## 12. Share capital

	2011 £	2010 £
<b>Authorised, allotted, called up and fully paid</b>		
55,125 'A' ordinary shares shares of £0.01 each	551	551
73,487 'B' ordinary shares shares of £0.01 each	735	735
5,000 'C' ordinary shares shares of £0.01 each	50	50
	<u>1,336</u>	<u>1,336</u>

Only the A and B shares carry voting rights in the company

The shares of all three classes rank pari passu as one class for participation in the profits and assets of the company, with the exception that in the event of a sale or solvent dissolution of the company for an amount less than the 'determined amount' (as determined by the shareholders), the proceeds of such sale or distribution following dissolution shall first be applied to repay the holders of the 'A' shares on a pro rata basis. To the extent that there is any excess having paid all sums due to the holders of 'A' ordinary shares, the remaining proceeds shall be used to repay the holders of 'B' and 'C' class ordinary shares on a pro rata basis. Any proceeds thereafter will be divided amongst the holders of all three classes of shares in proportion to the number of shares held by them. The 'A' shares, the 'B' shares and the 'C' shares shall rank pari passu in the event of a sale or a solvent dissolution of the company for an amount equal to or greater than the 'determined amount'.

# Notes to the financial statements

For the year ended 31 August 2011

## 13. Reserves

	Share premium account £	Profit and loss account £
At 1 September 2010	6,773,981	(3,568,667)
Profit for the year	-	676,600
Transfer from the share premium account to the profit and loss account	(6,773,981)	6,773,981
At 31 August 2011	-	3,881,914

During the year, the Company undertook a capital restructuring which led to the share premium account of £6,773,981 becoming distributable and as such the amount has been transferred from the share premium account to the profit and loss account

## 14. Reconciliation of movement in equity shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	3,206,650	1,516,084
Profit/(loss) for the year	676,600	(384,394)
Shares issued during the year	-	336
Share premium on shares issued	-	2,074,624
Closing shareholders' funds	3,883,250	3,206,650

## 15. Net cash flow from operating activities

	2011 £	2010 £
Operating profit/(loss)	460,785	(398,606)
Depreciation of tangible fixed assets	149,916	101,219
Increase in debtors	(1,893,413)	(709,914)
Increase in creditors	60,195	151,073
Net cash outflow from operating activities	(1,222,517)	(856,228)

## 16. Analysis of cash flows for headings netted in cash flow statement

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	7,707	14,212

# Notes to the financial statements

For the year ended 31 August 2011

## 16. Analysis of cash flows for headings netted in cash flow statement (continued)

	2011 £	2010 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(250,223)	(148,259)
	<u>2011</u> £	<u>2010</u> £
<b>Financing</b>		
Issue of ordinary shares	-	2,074,960

## 17. Analysis of changes in net debt

	1 September 2010 £	Cash flow £	Other non-cash changes £	31 August 2011 £
Cash at bank and in hand	2,278,396	(1,465,033)	-	813,363
<b>Net funds</b>	<u>2,278,396</u>	<u>(1,465,033)</u>	<u>-</u>	<u>813,363</u>

## 18. Contingent liabilities

There were no contingent liabilities at 31 August 2011 or 31 August 2010

## 19. Capital commitments

There were no capital commitments at 31 August 2011 or 31 August 2010

## 20. Operating lease commitments

At 31 August 2011 the company had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings</b>	
	2011 £	2010 £
<b>Expiry date.</b>		
Between 2 and 5 years	132,900	61,778

## Notes to the financial statements

For the year ended 31 August 2011

### 21. Transactions with related parties

During the year purchases of £140,303 (2010 £140,255) were made from Integral 2 Limited, of which David Joseph is a director. David Joseph is also the company secretary of Shortlist Media Limited. At the year end there was an outstanding balance of £24,446 (2010 £10,753) due to Integral 2 Limited. Trading with Integral 2 Limited is on an arm's length basis.

During the year purchases of £33,934 (2010 £nil) were made from Crash Test Media Limited, of which Michael Soutar is a director. Michael Soutar is also a director of Shortlist Media Limited. At the year end there was an outstanding balance of £nil (2010 £nil) due to Crash Test Media Limited. Trading between Crash Test Media Limited is at an arm's length basis. Purchases are recharged from Crash Test Media Limited to the company at cost.

During the year purchases of £4,448 (2010 £nil) were made from DC Thomson & Company Limited which is a shareholder of Shortlist Media Limited. At the year end there was an outstanding balance of £nil (2010 £nil) due to DC Thomson & Company Limited. Trading with DC Thomson & Company Limited is at an arm's length basis.

### 22. Share-based payments

In September 2010, the company issued 11,986 share options which are exercisable over 10 years upon the sale of the business, with an exercise price of £81.63. Of these options, 7,586 are subject to the achievement of certain non-market performance conditions. The contractual life of an option is 10 years. Options granted under the scheme will become exercisable on the sale of the business, subject to the achievement of performance conditions where applicable. The exercise of an option is also subject to continued employment.

The fair value of the options granted have been determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price of £20, exercise prices as above, and a volatility rate of 55%. The expected volatility was determined by reference to historical data for similar entities that are listed and operating in the same sector as the company. An expected life of 10 years has been used in the model, based on management's best estimate. The valuation is based upon a risk free rate of 4%.

All share-based payments will be settled in equity. At 31 August 2011, none of the options granted had become exercisable, and 1,100 options had been forfeited due to employees leaving the company since the grant date of the options. At 31 August 2011, there were 10,886 options outstanding.

No charge has been recorded in the profit and loss account for the current year on the basis that the fair value of the options issued is immaterial.